



*Center for Policy  
and Research*

# Beneficiaries with Medigap Coverage

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## Executive Summary

Medicare supplemental (Medigap) coverage helps Medicare Fee-For-Service (FFS) beneficiaries fill gaps in their benefits. Medigap coverage works in tandem with Medicare FFS, allowing seniors to budget for medical costs and avoid the inconvenience of handling complex bills from health care providers. According to the National Association of Insurance Commissioners (NAIC), 10.2 million people had Medigap coverage in 2012.<sup>1</sup>

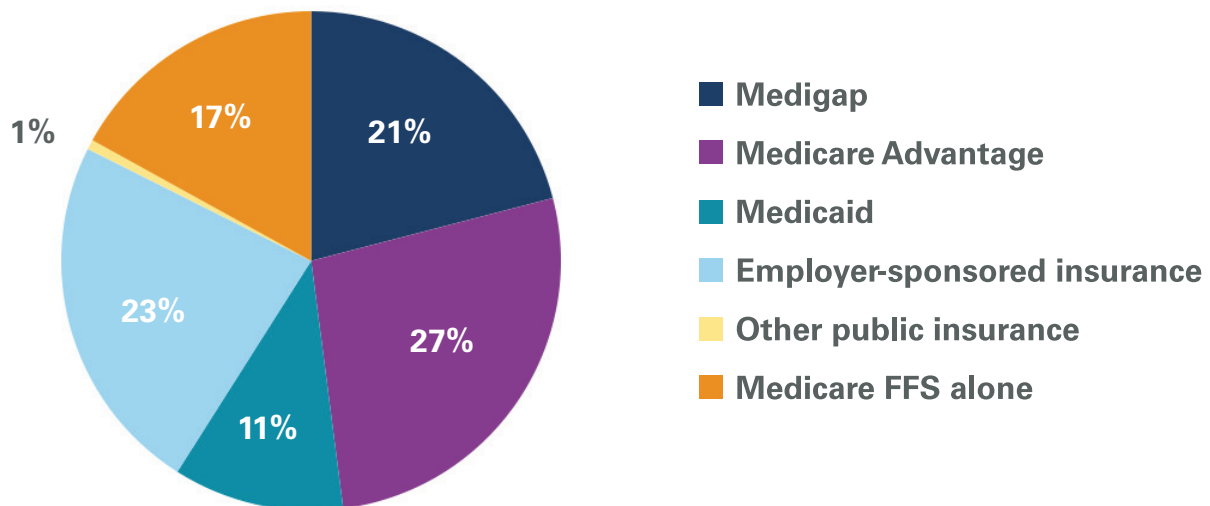
Data recently released from the 2012 Medicare Current Beneficiary Survey (MCBS) serve as a reminder of the critical role Medigap plays in providing supplemental coverage for out-of-pocket medical costs. The MCBS data show that Medigap continues to be particularly important to low and moderate-income beneficiaries, especially those living in rural areas. Key findings from the study are below:

- Nationwide, MCBS estimates show that 48 percent of all non-institutionalized Medicare beneficiaries without any other insurance coverage (e.g., Medicare Advantage, Medicaid, Veterans Affairs (VA) coverage, or employer-sponsored insurance) had Medigap policies in 2012.
- Fifty-eight (58) percent of Medigap policyholders were women.
- Compared to all Medicare beneficiaries, Medigap served an older population: 47 percent of Medigap policyholders were age 75-years or older compared to only 38 percent for all Medicare beneficiaries.
- Medigap was an important source of health coverage for Medicare beneficiaries of all income ranges. Notably, in 2012, 40 percent of Medigap enrollees had annual incomes below \$30,000; that percentage jumped to 49 percent in rural areas.

As with prior reports in this series, the statistics in this report were calculated from the MCBS Access to Care files. We analyzed a subset of records for non-institutionalized (aged and disabled) beneficiaries eligible for Medicare starting January 1, 2012. All of the statistics include data on Medicare beneficiaries in 50 states, the District of Columbia and Puerto Rico. We defined “rural” and “urban” areas according to the Office of Management and Budget (OMB) classification system.

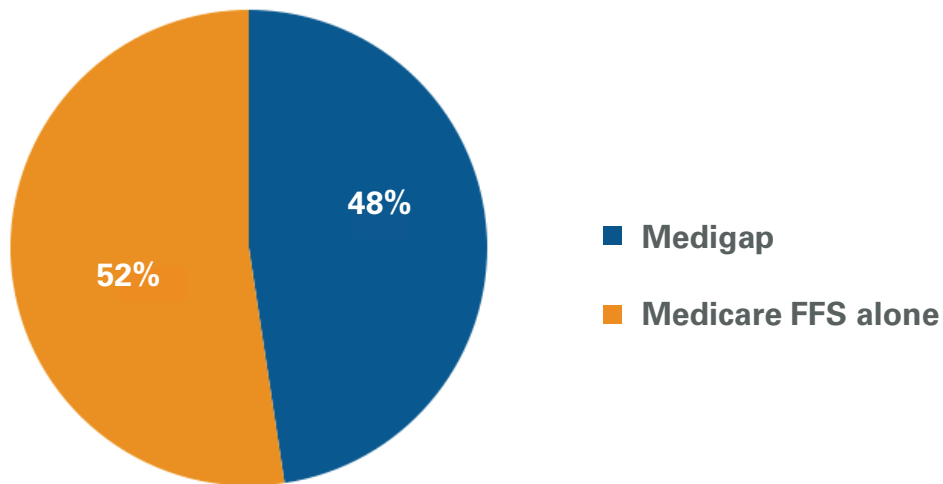
## Twenty-one Percent of Medicare Beneficiaries had a Medigap Policy in 2012

**Figure 1: Distribution of Medicare Beneficiaries by Coverage Type, 2012**



Nationwide, MCBS estimates show that 48 percent of all non-institutionalized Medicare beneficiaries without any other insurance coverage (i.e., Medicare Advantage, Medicaid, VA coverage, or employer-sponsored insurance) had Medigap policies in 2012.

**Figure 2: Medicare Beneficiaries Without Any Additional Insurance Coverage That Have Medigap Coverage, 2012**

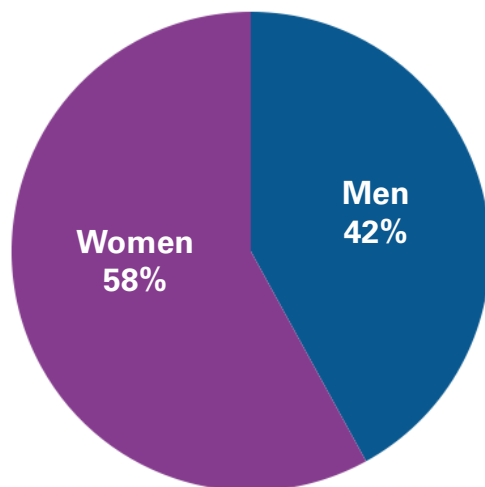


## Demographic Characteristics of Medigap Beneficiaries

### Gender

A clear majority – 58 percent – of Medigap beneficiaries in 2012 were women. This was true for both urban (59 percent) and rural areas (57 percent) (see Table 1).

**Figure 3: Medigap Policyholders, by Gender, 2012**



**Table 1: Gender Distribution of Medigap Policyholders, by Geographic Location, 2012**

Geographic Location	Gender Distribution		
	Men	Women	Total
All Medigap Policyholders	42%	58%	100%
Urban Policyholders	41%	59%	100%
Rural Policyholders	43%	57%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2012 (CMS).  
 Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income.

**Table 2: Age Distribution of Medigap Policyholders, by Geographic Location, 2012**

Beneficiaries	Age Group				Total
	Younger Than 65 Years	65-74 Years	75-84 Years	85 Years and Older	
All Medicare	18%	44%	27%	11%	100%
All Medigap	4%	49%	33%	14%	100%
Urban Medigap	4%	49%	32%	14%	100%
Rural Medigap	4%	49%	34%	13%	100%

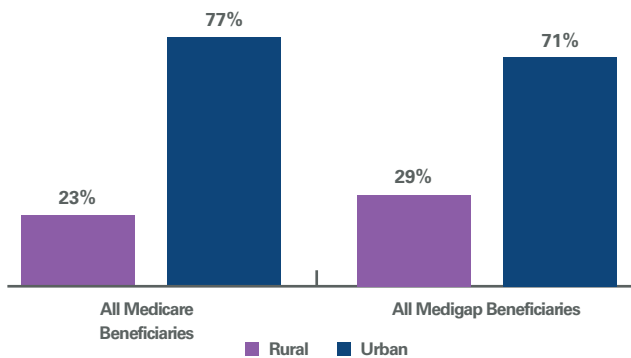
Source: Medicare Current Beneficiary Survey Access to Care files, 2012 (CMS).  
 Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent due to rounding.

**Table 3: Income Range of Medigap Policyholders, By Geographic Location, 2012**

Policyholders	Income Range						Total
	Less than \$10,000	\$10,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 or more	
All Medigap	4%	17%	19%	14%	13%	32%	100%
Urban	3%	17%	18%	13%	13%	35%	100%
Rural	6%	19%	24%	16%	13%	23%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2012 (CMS).  
 Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent due to rounding.

**Figure 5: Medigap Beneficiaries, by Area of Residence, 2012**



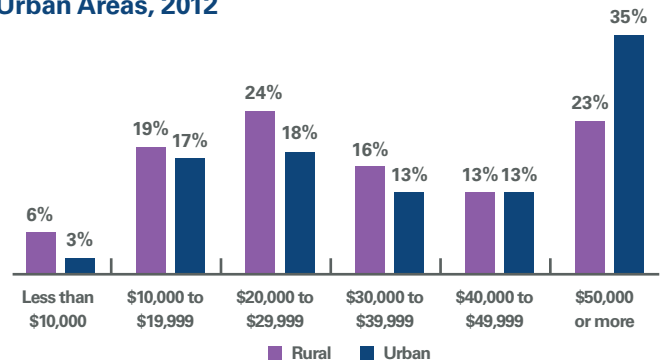
## Age

Medigap serves all age categories of Medicare beneficiaries, with most common being the group of 65 to 74 years old (49 percent). Compared to all Medicare beneficiaries, Medigap serves an older population: 47 percent of Medigap policyholders were age 75-years or older compared to only 38 percent for all Medicare beneficiaries (see Table 2).

## Income

A significant number of Medigap policyholders were individuals with lower income: 21 percent had annual household incomes of less than \$20,000 and 40 percent less than \$30,000. This pattern was more widespread in the rural areas, where 49 percent of Medigap policyholders had incomes of less than \$30,000. By contrast, for urban policyholders, the share of individuals with annual household incomes of less than \$30,000 was 38 percent (see Table 3).

**Figure 4: Medigap Policyholders, by Income, Rural and Urban Areas, 2012**



## Medigap Beneficiaries in Rural Areas

Twenty-nine (29) percent of Medigap policyholders lived in rural (non-metropolitan) areas in 2012. By comparison, 23 percent of all Medicare beneficiaries lived in rural areas (see Figure 5).

Rural Medigap policyholders had substantially less financial resources than urban policyholders. Only 23 percent of rural Medigap policyholders had annual incomes of \$50,000 or more compared to 35 percent for urban Medigap policyholders (see Table 3).

## Most Popular Medigap Policies

The Omnibus Budget Reconciliation Act (OBRA) of 1990 required the establishment of standardized Medigap policies, with the creation of Plans A through J.<sup>2</sup> Over the years, Congress has allowed new versions of the original standardized plans (e.g., High-Deductible Plan F), authorized several new plans (e.g., Plans K through N), and discontinued some of the original or modified plans (e.g., Plans E, H, I and J).

The newer standardized plans include some form of beneficiary cost-sharing (i.e., deductibles, coinsurance or copayments). Table 4 lists the standardized policies and the percentage of enrollees in each, according to data

from the NAIC for 2012.

In 2012, Medigap Plan F was the most popular, accounting for 53 percent of all policy types followed by Plan C at 13 percent (see Table 5). Both policies offer beneficiaries protection for the out-of-pocket expenses not covered by Medicare, including the deductible and coinsurance. Plan N, which was introduced in mid-2010, has been the fastest growing plan in recent years. Plan N covers most of Medicare's deductibles and coinsurance, but requires enrollee cost sharing of up to \$20 for certain physician visits and up to \$50 for certain emergency room visits.<sup>3</sup>

**Table 4: Description of Medigap Policy Types and Percent of Medigap Policyholders, 2012**

	A	B	C	D	E	F+	G	H	I	J++	K	L	M	N
Basic Benefits*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skilled Nursing Facility Care Coinsurance			✓	✓	✓	✓	✓	✓	✓	✓	✓+++	✓++++	✓	✓
Medicare Part A Deductible		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓+++	✓++++	✓+++++	✓
Medicare Part B Deductible			✓			✓				✓				
Medicare Part B Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓+++++
Medicare Part B Excess Charge						✓	✓		✓	✓				
Foreign Travel Emergency			✓	✓	✓	✓	✓	✓	✓	✓			✓	✓
Percent of Medigap Purchasers with Type of Standard Medigap Plan	2%	4%	13%	3%	1%	53%	5%	1%	1%	7%	**	1%	**	4%

\* Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are exhausted.

\*\* Less than 0.5 percent.

+ Plan F also offers a high-deductible plan. Beneficiaries who choose this option must pay for Medicare-covered costs up to the deductible amount of \$2,070 in 2012 before the Medigap plan pays anything.

++ Plan J also offers a high-deductible plan.

+++ Under plan K, the supplemental coverage for skilled nursing coinsurance, the Part A deductible, blood, and Part A hospice care coinsurance or copayment is 50 percent. The annual out-of-pocket limit was \$4,660 in 2012.

++++ Under Plan L, the supplemental coverage for skilled nursing coinsurance, the Part A deductible, blood and Part A coinsurance or copayment is 75 percent. The annual out-of-pocket limit was \$2,330 in 2012.

+++++ Under Plan M, the supplemental coverage for the Part A deductible is 50 percent.

+++++ Plan N requires Part B cost sharing of up to \$20 for physician office visits and up to \$50 for emergency room visits that don't result in an inpatient admission.

Source: Medigap Policy Description: Centers for Medicare & Medicaid Services, Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare (2012), Centers for Medicare & Medicaid Services. K & L Out-of-Pocket Limits for Calendar Year 2012 <http://www.cms.gov/Medicare/Health-Plans/Medigap/KandL.html>. Medigap Purchasers' Plan Types: AHIP Center for Policy and Research, Trends in Medicare Coverage and Enrollment. 2012 (May 2013) <http://ahip.org/Trends-Medicare-Coverage-Enroll2012/>.

## Appendix A: Methodology

Data for this study came from the 2012 Medicare Current Beneficiary Survey (MCBS) Access to Care files, maintained by the Centers for Medicare & Medicaid Services (CMS). We used SAS Enterprise Guide® 6.1 software to analyze the data.<sup>4</sup>

Our analysis includes data on non-institutionalized beneficiaries in 50 states, the District of Columbia and Puerto Rico eligible for Medicare as of January 1, 2012. For the determination of Medicare Advantage and Medicaid coverage, June 2012 was the point in time for which beneficiary records were selected for inclusion. A Medicare Advantage beneficiary was defined as being a member of a cost HMO or risk HMO (healthcare prepayment plans or employer PDPs were not counted as Medicare Advantage plans).

It is worth noting that interviews for the Access to Care files occur once a year, while the MCBS Cost and Use files are based on responses to interviews that are conducted three times annually. Hence, the MCBS Access to Care files may be more influenced by beneficiaries' gaps in coverage, and would therefore tend to show fewer beneficiaries with supplemental coverage than the MCBS Cost and Use files.

The “other public coverage” category contains beneficiaries with supplemental health benefits through military or veterans' coverage, such as TRICARE or Veterans Affairs healthcare.

In the MCBS dataset, Medicare beneficiaries were classified as residing in either rural (non-metropolitan) or urban (metropolitan) areas in 2012 based on CMS administrative data. CMS used information from the Office of Management and Budget to define a metropolitan statistical area, which is used to define the “urban” category in this report.

Some of the income statistics in this report markedly differ from those found in the previous years' reports. The source of these differences is the improper coding of the income variables in the MCBS data files in the previous years by the MCBS survey research team that led to the widespread undercounting of Medicare beneficiaries with higher incomes.

The classification of coverage type in this report has been modified compared to the previous years' reports. In the previous years, each beneficiary record in the subset was categorized according to a hierarchy of six mutually exclusive coverage types as follows:

- Enrolled in Medicare Advantage
- Enrolled in Medicaid
- Has employer-based insurance and self-purchased insurance (Medigap)
- Has self-purchased insurance only (Medigap)
- Has other public coverage
- Has Medicare only (Medicare fee-for-service only).

If a beneficiary had several types of insurance coverage, he/she was counted only for the highest coverage in the list. For example, a beneficiary with both Medicaid and Medicare Advantage coverage was counted only in the calculations for Medicare Advantage. In the 2012 report, we changed this hierarchy to better present the experience of the Medigap policyholders since Medigap is the focus of this report. The new hierarchy used to organize the data for the presentation in Figure 1 is as follows:

- Has self-purchased insurance (Medigap)
- Enrolled in Medicare Advantage
- Enrolled in Medicaid
- Has employer-based insurance
- Has other public coverage
- Has Medicare only (Medicare fee-for-service only).

All other statistics in the report were calculated following the rule that each coverage category includes all of the beneficiaries with this type of coverage.

As a general rule, all records in the MCBS dataset containing data such as “unknown” or “refused” were dropped from the analyses.

## Appendix B: Detailed Tables

**Table B-1: Geographic Location of Medicare Beneficiaries, by Coverage Type, 2012**

Coverage Type	Geographic Location		
	Rural	Urban	Total
All Medicare Beneficiaries	23%	77%	100%
Medigap	29%	71%	100%
Medicaid	26%	74%	100%
Employer-Based	20%	80%	100%
Medicare Advantage	14%	86%	100%
Other Public	17%	83%	100%
Medicare FFS Only	28%	72%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2012 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 percent due to rounding.

Table B-1 shows the geographic location (rural or urban) of Medicare beneficiaries by coverage type. For example, 29 percent of Medigap policyholders lived in rural areas in 2012.

**Table B-2: Marital Status of Medigap Policyholders, by Geographic Location, 2012**

Marital Status	Geographic Location		
	Rural	Urban	All Areas
Married	60%	57%	58%
Widowed	27%	26%	26%
Divorced	10%	11%	11%
Separated	3%	5%	4%
Never Married	**	1%	1%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2012 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent due to rounding.

\*\* Less than 0.5 percent

Table B-2 shows the percent of Medigap policyholders, by marital status, who resided in rural and metro areas in 2012. For example, 26 percent of Medigap policyholders who lived in urban areas in 2012 were widowed.

## End Notes

- 1 AHIP Center for Policy and Research, Trends in Medigap Coverage and Enrollment, 2012 (May 2013). <http://www.ahip.org/Trends-Medigap-Coverage-Enroll2012/>
- 2 Three states (Massachusetts, Minnesota, and Wisconsin) offer standard Medigap plans, but are exempt from the OBRA 1990 standardized plan provisions (and subsequent revisions).
- 3 AHIP Center for Policy and Research, Trends in Medigap Coverage and Enrollment, 2012 (May 2013) <http://ahip.org/Trends-Medigap-Coverage-Enroll2012/>
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## Acknowledgments

The statistics in this report were calculated and prepared for publication by German Veselovskiy, Director of Research.

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## Related Topic

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