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MEDICARE BASICS

Those of us in our middle to later years have lived nearly our entire lives in the Medicare era.

Medicare, the law enacted by Congress and signed by President Lyndon B. Johnson on July 30, 1965, included two parts when it was passed: Part A (hospital insurance) and Part B (medical insurance). Those two parts, which will be explained in greater detail below, have come to be known as “Original Medicare.”

In the years since the passage of the law, Medicare has become a fixture in our country with nearly 60 million Americans relying upon this vital program for their health care. Despite a general familiarity with Medicare, most Americans don’t fully understand what it is or how it works. Although this brief article doesn’t adequately address the many complexities of Medicare, it should give the reader a basic understanding of the program and how it operates in conjunction with various Medicare Supplement (i.e., Medigap) insurance policies and Medicare Advantage plans. Much of the information I have presented in this article comes from the 2019 publication by the Centers for Medicare & Medicaid Services (“CMS”) entitled *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*. If you would like a free copy of this publication, you can contact me or you can download one directly from the CMS website at <https://www.medicare.gov/Pubs/pdf/02110-Medicare-Medigap-guide.pdf>

What is Medicare?

Medicare is the federal insurance program that provides health insurance to: (a) people age 65 or older; (b) people under age 65 with certain disabilities; and (c) people of any age with end-stage renal disease (“ESRD”) (permanent kidney failure requiring dialysis or a kidney transplant).

What are the Various Components of Medicare?

- **Part A (Hospital Insurance)** – Medicare Part A helps cover inpatient hospital care, skilled nursing facilities, hospice, and home health care. When Medicare Part A is coupled with Medicare Part B, the coverage is known as “Original Medicare”

as opposed to Medicare Advantage (Part C) plans which are described in greater detail below. Most people get Medicare Part A for free.

- **Part B (Medical Insurance)** – Medicare Part B helps cover services from doctors and other health care providers, hospital outpatient care, durable medical equipment, and home health care. It also covers many preventive services, screenings, and immunizations. Medicare Part B does not, however, include coverage for prescription drugs which are covered under Part D of Medicare (see below). There is a premium for Medicare Part B that varies based on income. The standard premium amount (2019) is \$135.50 per month, but wealthier seniors must pay more (up to a maximum of \$460.50 per month).
- **Part C (Medicare Advantage)** – Medicare Part C is also known as Medicare Advantage. This part of Medicare is a substitute for Original Medicare and is run by private insurance companies rather than the government. It includes all benefits and services covered under Part A and Part B, and it usually includes coverage for prescriptions drugs (Part D). Medicare Advantage plans often include other benefits and services at no additional cost (e.g., fitness center access, *SilverSneakers* programs, dental care, eyeglasses, and wellness programs). In exchange for the additional benefits, Medicare Advantage participants must generally accept restrictive provider access or other coverage limitations and must pay a copayment or coinsurance every time they visit a doctor. Most Medicare Advantage plans require a monthly premium in addition to the Medicare Part B premium that is paid to the government.
- **Part D (Prescription Drug Coverage)** – Medicare Part D is the prescription drug part of Medicare. It is run by Medicare-approved private insurance companies, and it helps cover the cost of outpatient prescription drugs. There are two ways to get prescription drug coverage under Medicare Part D:
 - (1) a **stand-alone plan** that offers a separate prescription drug plan (“PDP”) which is available to individuals who are entitled to Medicare benefits; and

(2) a Medicare Advantage prescription drug plan (“MA-PD”) that covers prescription drugs as part of the Medicare Advantage (Part C) coverage. Stand-alone drug plans help pay for outpatient prescription drugs and vaccines (subject to deductibles, coinsurance and/or copayment amounts). Medicare Advantage drug plans integrate prescription drug coverage and coordinate care and costs with other Medicare benefits into one plan. Most drug plans have a coverage gap (also called the “donut hole”) where coverage is temporarily reduced after a predetermined amount is reached. It is important that seniors not delay enrolling in a Medicare Part D prescription drug plan since Medicare assesses a premium penalty for each month an individual goes without prescription drug coverage.

What’s the Difference Between Medicare and Medicaid?

Medicare is an insurance program that is run by the federal government. It provides health insurance coverage for people who are at least age 65 and for certain disabled individuals who are younger than 65. In contrast, Medicaid is an insurance program that is run jointly by the federal government and various state governments, and it provides long-term medical and custodial care coverage to low-income individuals and families.

What are Medicare Supplement (aka Medigap) Insurance Policies?

Medigap policies are health insurance policies that are sold by private insurance companies to supplement or fill in the gaps of Original Medicare coverage. Medigap policies can help pay an enrollee’s share of the costs of Medicare-covered services like coinsurance amounts, copayments, or deductibles. In order to purchase a Medigap plan, the applicant must be enrolled in Medicare Part A and Part B. Insurance companies are prohibited from selling a Medigap plan to an individual who is on a Medicare Advantage plan (unless that individual is dropping the Advantage plan).

Although the Medigap naming conventions are confusingly similar to the names of the various Medicare “parts,” the standardized Medigap plans and their alpha “plan” names are totally different. The word “parts” refers to the four Medicare programs (Parts A, B, C and D) that are run by (or under the tight supervision of) the government. The word “plans” refers to privately sold supplemental

insurance policies that are permitted by the government (currently Plans A, B, C, D, F, G, K, L, M and N).

The most basic Medigap plan is Plan A. That supplemental plan covers the Medicare Part A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are used). It also covers Medicare Part B coinsurance or copayment costs, the first three pints of blood, and the Medicare Part A hospice care coinsurance or copayment costs. The other Medigap plans cover these same basic benefits (most at 100%), but add varying levels of coverage for other things like skilled nursing facility care coinsurance, the Medicare Part A deductible, the Medicare Part B deductible, foreign travel emergency, and Medicare Part B excess charges. The CMS Medigap handbook referenced above includes a helpful and easy-to-read matrix that illustrates the various coverages of each of the Medicare Supplement policies.

Federal law requires that all Medigap plans must be standardized. Since there is no difference in the benefits of the Medigap plans sold by various insurance companies, most people shop for a Medigap plan based on service and price (which can vary widely). Important Tip: The premium for most Medigap plans will increase annually to reflect aging. Many Medigap companies attract younger seniors by artificially lowering the rates of the earlier entry ages and inflating the rates of older seniors, so be sure to also compare premiums at older ages when you shop for the most affordable Medigap plan.

How can I Learn More About Medicare and Medigap Insurance Policies?

If you have questions about Medicare and Medigap policies, I would invite you to contact me at davidleo@wmimutual.com. You can also contact our office for your free copy of the referenced CMS publication or visit our website at www.wmimutual.com/medigap. Of course, the ultimate authority on Medicare is the federal government, and you can find a lot of helpful information at the Centers for Medicare and Medicaid Services website at www.cms.gov. Finally, if you’re looking for a Medicare Part D prescription drug plan, you can take advantage of the helpful and user-friendly Medicare plan finder at <https://www.medicare.gov/part-d/index.html>.

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