



Center for  
Policy and  
Research

LOW-INCOME & RURAL BENEFICIARIES WITH

# MEDIGAP COVERAGE

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# LOW-INCOME AND RURAL BENEFICIARIES WITH MEDIGAP COVERAGE, 2004

## SUMMARY

Medigap supplemental coverage has long helped Medicare beneficiaries fill gaps in their benefits. While policymakers continue to focus on the new Medicare drug benefit, recently released data from the 2004 Medicare Current Beneficiary Survey (MCBS) serve as a reminder of the critical role played by Medigap coverage.

The MCBS data show that Medigap is particularly important to low- and moderate-income beneficiaries, especially those living in rural areas. Here are some key findings:

- Thirty percent of Medigap policyholders resided in rural areas in 2004; by comparison, only 23 percent of all Medicare beneficiaries resided in rural areas.
- Half (50 percent) of rural Medigap policyholders had incomes under \$20,000 in 2004, and 43 percent of all Medigap policyholders (living in rural or metropolitan areas) had incomes under \$20,000. Nearly three-quarters (74 percent) of rural Medigap policyholders and nearly two-thirds (65 percent) of all Medigap policyholders had incomes below \$30,000.
- Overall, 32 percent of Medigap policyholders had incomes ranging from \$10,000 to \$20,000 in 2004. This income bracket accounted for the highest proportion of Medigap purchasers. In rural areas, 37 percent of Medigap policyholders had incomes in this range.
- Medicare beneficiaries with some form of private coverage — including Medigap, Medicare Advantage, and employer-based plans — reported greater use of preventive care than those with Medicare alone.

The statistics in this report were calculated from the publicly available MCBS Access to Care files. We analyzed a subset of records for non-institutionalized (aged and disabled) beneficiaries. For beneficiaries in the Medicare Advantage and Medicaid categories, June 2004 was the point in time for which beneficiary records were selected for inclusion. We defined “rural” and “metro” areas according to the Office of Management and Budget’s (OMB’s) classification system.

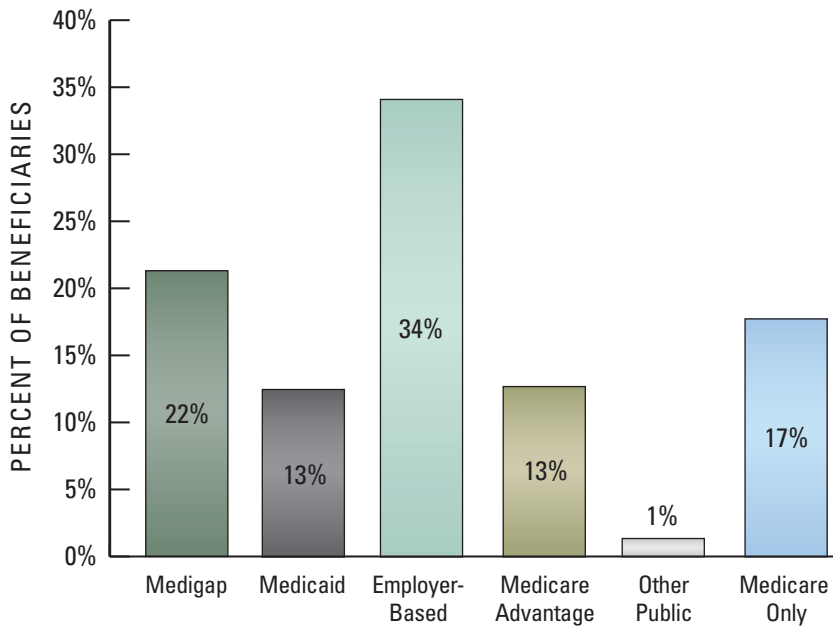
## MEDIGAP COVERED MORE THAN TWENTY PERCENT OF MEDICARE BENEFICIARIES IN 2004

Nationwide, 22 percent of all non-institutionalized Medicare beneficiaries chose Medigap policies in 2004 (see Figure 1). Medigap was the second most common form of supplemental insurance, after employer-based coverage (34 percent).

By contrast, 13 percent of Medicare beneficiaries had supplemental coverage through Medicaid, 13 percent chose comprehensive Medicare Advantage plans, and 1 percent had supplemental coverage through public programs other than Medicaid. Another 17 percent of Medicare beneficiaries had no supplemental coverage.

Persons with both employer-based and Medigap coverage were categorized as having employer-based coverage. Approximately 6 percent of Medicare beneficiaries had employer-based plans and Medigap policies.

**FIGURE 1.**  
Coverage Types Of Medicare Beneficiaries (2004)



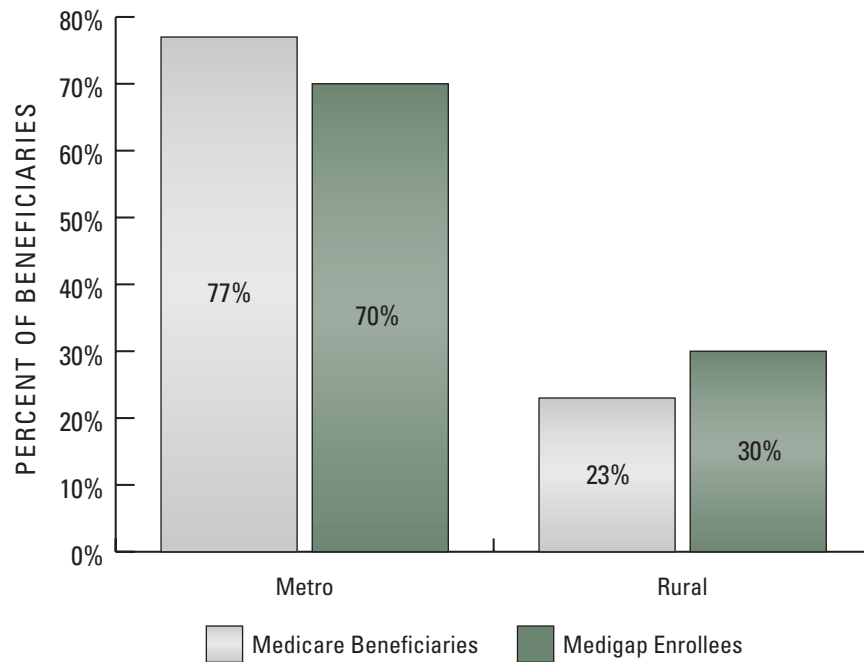
Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries.

## BENEFICIARIES WITH MEDIGAP COVERAGE TEND TO HAVE LOW INCOMES AND LIVE IN RURAL AREAS

A disproportionate number of Medigap policyholders had low incomes and lived in rural areas. Thirty percent of all beneficiaries with Medigap coverage lived in rural (non-metropolitan) areas in 2004. By comparison, 23 percent of all Medicare beneficiaries lived in rural areas (see Figure 2).

**FIGURE 2.**  
Medicare Beneficiaries, By Area Of Residence (2004)



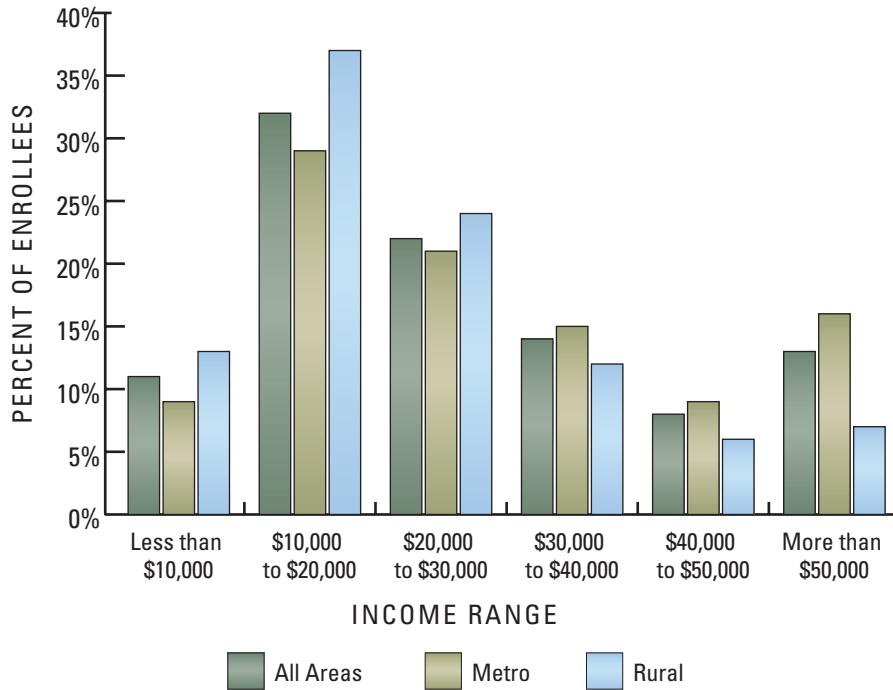
Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries.

In 2004, the most common income range for Medigap policyholders was \$10,000 to \$20,000 (see Figure 3). Thirty-two percent of Medigap policyholders overall had incomes within this range, and 37 percent of Medigap policyholders living in rural areas had incomes between \$10,000 and \$20,000.

The second most common income range for Medigap policyholders was \$20,000 to \$30,000. Twenty-two percent of all Medigap policyholders had incomes in this range, and 24 percent of rural Medigap policyholders had incomes between \$20,000 and \$30,000 in 2004.

**FIGURE 3.**  
Medigap Enrollees By Income, Metro And Rural (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries living in areas with at least one Medicare Advantage plan.

A substantial number of Medicare beneficiaries with incomes below \$10,000 purchased Medigap coverage. Eleven percent of all Medigap policyholders and 13 percent of rural Medigap policyholders had less than \$10,000 in annual income in 2004.

Overall, half (50 percent) of rural Medigap policyholders had incomes under \$20,000 in 2004, and 43 percent of all Medigap policyholders (rural or metro) had incomes under \$20,000. Similarly, 74 percent of rural Medigap policyholders and 65 percent of all Medigap policyholders had incomes under \$30,000.

Across the U.S., 25 percent of Medicare beneficiaries with incomes between \$10,000 and \$20,000 chose Medigap policies in 2004. Sixteen percent chose Medicare Advantage plans, and 21 percent had Medicare only (see Table 1).

In rural areas, 34 percent of beneficiaries with incomes between \$10,000 and \$20,000 chose Medigap policies. By contrast, only 23 percent of rural beneficiaries in the \$10,000 to \$20,000 income range had employer-based coverage. However, employer-based coverage was the most common form of supplemental benefits for Medicare rural beneficiaries in higher income brackets (see Figure 4).

**TABLE 1.**  
Income Range Of Medicare Beneficiaries, By Coverage Type (2004)  
All Geographic Areas

	Less than \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	More than \$50,000
<b>MEDIGAP</b>	11%	25%	24%	24%	23%	26%
<b>MEDICAID</b>	48%	13%	1%	1%	**	**
<b>EMPLOYER-BASED</b>	8%	22%	43%	49%	54%	56%
<b>MEDICARE ADVANTAGE</b>	10%	16%	15%	14%	12%	9%
<b>OTHER PUBLIC</b>	2%	3%	1%	1%	**	**
<b>MEDICARE ONLY</b>	20%	21%	16%	11%	11%	9%
<b>TOTAL</b>	100%	100%	100%	100%	100%	100%

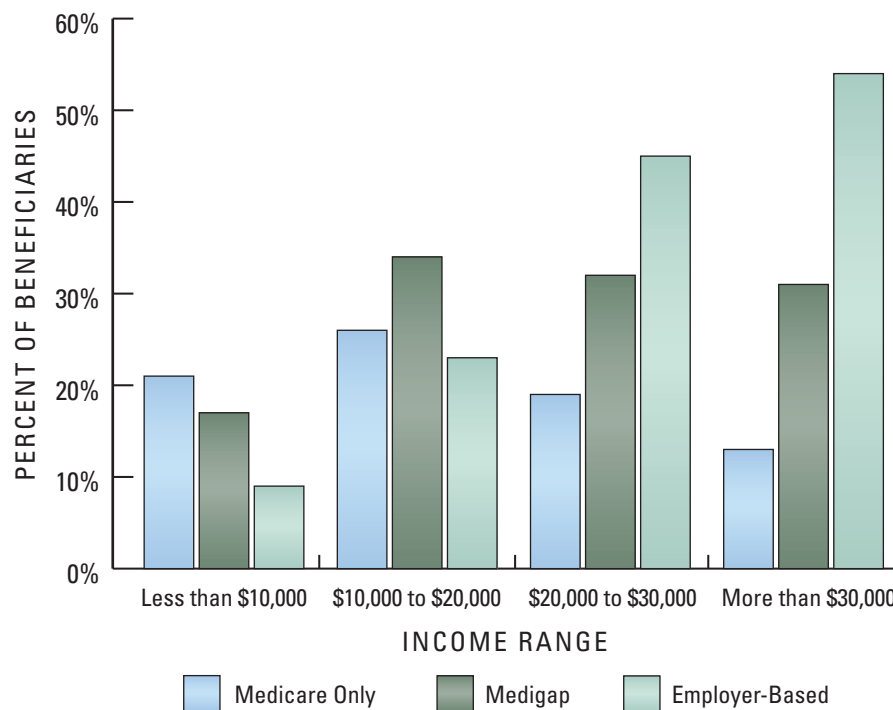
Source: Medicare Current Beneficiary Survey Access to Care files, 2004 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries.

\*\* Less than 1 percent

The percentages in this table may not sum to 100 due to rounding.

**FIGURE 4.**  
Income Level Of Medicare Beneficiaries In Rural Areas, By Private Supplemental Coverage Type (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries who lived in rural areas.

## MEDIGAP POLICYHOLDERS REPORTED USING MORE PREVENTIVE CARE

Medicare beneficiaries with private coverage reported more use of preventive care than beneficiaries without private coverage.

Medigap policyholders and Medicare Advantage enrollees reported rates of preventive services that were about equal to those reported by beneficiaries with employer-based coverage. This is notable because beneficiaries with employer-based coverage have considerably higher average incomes and therefore would reasonably be expected to have a greater likelihood of receiving preventive care.

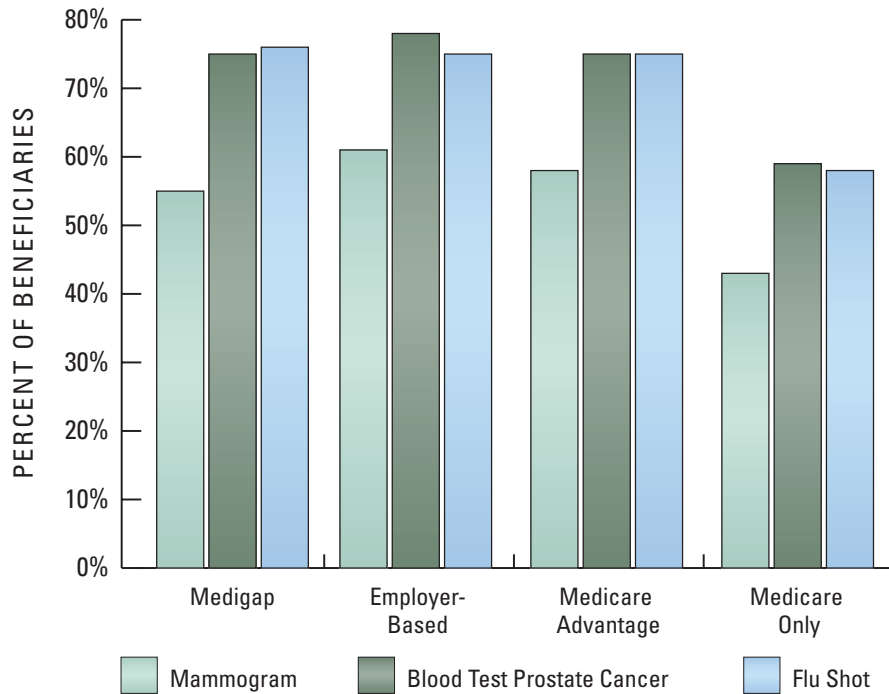
However, Medicare beneficiaries with Medicare alone reported lower rates of preventive care use than beneficiaries with some form of private coverage.

Fifty-five percent of women with Medigap coverage, 61 percent of women with employer-based coverage, and 58 percent of women with Medicare Advantage coverage said they had mammograms in the previous year. However, only 43 percent of women without any private coverage said they had received mammograms during that time frame.

Seventy-five percent of men with Medigap coverage, 78 percent of men with employer-based coverage, and 75 percent of men with Medicare Advantage plans reported having blood tests for prostate cancer in the previous year. However, only 59 percent of men with Medicare alone said they had received the tests during that period.

Finally, 76 percent of beneficiaries with Medigap coverage received flu shots. The percentage of beneficiaries who received flu shots was 75 percent for both beneficiaries with employer-based coverage and for Medicare Advantage enrollees. However, only 58 percent of beneficiaries without private coverage were immunized against the flu (see Figure 5).

**FIGURE 5.**  
 Medicare Beneficiaries Reporting Having Received Specific Services  
 During Previous Year, By Coverage Type (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)  
 Note: Calculations based on responses by non-institutionalized Medicare beneficiaries.

## MOST POPULAR MEDIGAP POLICIES

Under the Omnibus Budget Reconciliation Act (OBRA) of 1990, Medigap policies must conform to a standardized set of benefit models developed by the National Association of Insurance Commissioners (NAIC). The NAIC initially developed 10 models, labeled A through J, and two additional models (K and L) were created through the Medicare Modernization Act (MMA) of 2003. Table 2 lists enrollment in the Medigap policies available in 2004.

The Medigap policies labeled “C” and “F,” which cover nearly all of Medicare’s deductibles and coinsurance, were the most popular.

**TABLE 2.**

Description Of Medigap Policy Types, And Percent Of Medigap Policyholders With Each Type (2004)

	TYPES OF MEDIGAP POLICIES: PLANS A THROUGH J									
	A	B	C	D	E	F	G	H	I	J
<b>BASIC BENEFITS</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>SKILLED NURSING COINSURANCE</b>			✓	✓	✓	✓	✓	✓	✓	✓
<b>MEDICARE PART A DEDUCTIBLE</b>		✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>MEDICARE PART B DEDUCTIBLE</b>			✓			✓				✓
<b>MEDICARE PART B EXCESS CHARGE (100%)</b>						✓			✓	✓
<b>MEDICARE PART B EXCESS CHARGE (80%)</b>							✓			
<b>FOREIGN TRAVEL EMERGENCY</b>			✓	✓	✓	✓	✓	✓	✓	✓
<b>AT-HOME RECOVERY</b>				✓			✓		✓	✓
<b>BASIC DRUG BENEFIT*</b>								✓	✓	✓
<b>PERCENT OF MEDIGAP PURCHASERS WITH TYPE OF MEDIGAP POLICY</b>	6%	6%	19%	7%	2%	41%	5%	3%	2%	10%

\* Basic drug benefit limit for Plans H and I was \$1,250 in 2004; for Plan J, it was \$3,000.

Source for Medigap policy description: *2004, Choosing A Medigap Policy, A Guide To Health Insurance For People With Medicare*, April 2004, Centers for Medicare & Medicaid Services.

Source for Medigap purchasers' policy types: Medicare Current Beneficiary Survey Access to Care files, 2004 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries.

## ADDITIONAL INFORMATION

This overview is based on a report by Karen Heath, Policy Analyst. The full report, including all tables and a description of methodology, is available at [www.ahipresearch.org](http://www.ahipresearch.org). The data cited in the report and overview provide an update to AHIP's 2005 publication, *Low-Income and Rural Beneficiaries with Medigap Coverage, 2002*, authored by Teresa Chovan, Director, and Jeff Lemieux, Senior Vice President, of AHIP's Center for Policy and Research.