



Medigap Coverage: Preserving Senior Choice

THE ISSUE: Across the country, more than 10.6 million Medicare beneficiaries rely on Medigap coverage to supplement the benefits they receive under the Medicare fee-for-service program. Some policymakers have proposed changes to Medigap that would limit seniors' access to first-dollar coverage in Medigap coverage or impose a tax on premiums for Medigap products that offer first-dollar coverage. These proposals are driven by the false assumption that first-dollar Medigap coverage leads to overutilization of health care services.

BACKGROUND: Medicare supplement insurance – more commonly known as “Medigap” – is private health insurance designed to supplement Medicare’s fee-for-service benefits. The fee-for-service benefits provide coverage for medical benefits, but do not limit a beneficiary’s out-of-pocket expenses. Almost since the Medicare program’s inception, Medigap policies have been a major source of supplemental insurance for beneficiaries due to Medicare’s relatively high cost-sharing requirements and significant gaps in coverage. It offers coverage, at varying levels, for the significant out-of-pocket costs that are not covered by Medicare, such as deductibles, coinsurance, and copayments. Medigap allows seniors and persons with disabilities to manage their medical costs predictably and avoid the confusion and inconvenience of handling complex medical bills. Medigap policies help to shield beneficiaries from sudden, out-of-pocket costs, allow beneficiaries to budget their health care expenses more accurately, and minimize the paperwork burden for beneficiaries.

Medigap carriers do not make medical necessity decisions or perform utilization review for health care services covered under the Medicare program. By federal law, Medigap carriers only pay benefits after Medicare has made a determination that the service is medically necessary and has paid its share for the benefits. Medigap gives seniors financial help to get the medically necessary care that they need. Moreover, by getting that needed care, reduces the long-term costs to Medicare.

NAIFA POSITION: NAIFA supports the preservation of Medicare beneficiaries' access to Medigap coverage in its current form for seniors and individuals with disabilities.

Requiring beneficiaries to pay higher cost-sharing could increase spending over the long term, if they forgo necessary services and as a result use more high-cost, acute care services in the future. Whether a premium surcharge or a prohibition on first-dollar coverage, such policies could have a disproportionate effect on middle-income beneficiaries who are not poor enough for Medicaid, nor have access to employer-sponsored retiree health care.

ABOUT NAIFA: Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is one of the nation’s oldest and largest financial services organizations representing the interests of insurance professionals from every Congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA’s mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.

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