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Supplemental Health Insurance: Medigap

Often times Medicare does not cover your entire healthcare costs during retirement, so you may want to buy a supplemental medical insurance policy known as Medigap. Medigap is sold through private insurance companies and is designed to cover costs not paid by Medicare, helping you fill the gaps in your Medicare coverage.

When is the best time to buy a Medigap policy?
The best time to buy a Medigap policy is during open enrollment, when you cannot be turned down or charged more because you are in poor health. If you are age 65 or older, your open enrollment period starts on the first day of the month in which you are both 65 or older and enrolled in Medicare Part B. A few states also require that a limited open enrollment period be offered to Medicare beneficiaries under age 65.

If you do not buy a Medigap policy during open enrollment, you may not be able to buy the policy that you want later on and you may find yourself having to settle for limited options. That is because insurers have greater freedom to deny applications or charge higher premiums for health reasons once open enrollment closes.

What is covered in a Medigap policy?
Under federal law, only 10 standardized plans can be offered as Medigap plans (except in Massachusetts, Minnesota, and Wisconsin, which have their own standardized plans). The plans currently sold are Plans A-D, Plans F and G, and Plans K-N. Each Medigap plan offers a different set of benefits. All plans cover certain out-of-pocket costs, including Medicare coinsurance amounts. Some plans also cover additional costs, such as all or part of Medicare Part A and Part B deductibles, foreign travel emergency costs, and Medicare Part B excess charges. You can buy the Medigap plan that best suits your needs. But it is important to note that not all Medigap plans are available in every state.

Medigap policies do not cover certain healthcare expenses, including long-term care, vision care, dental care, or prescription drugs (to obtain prescription drug coverage you can purchase a Medicare Part D Prescription Drug Plan).

Are all Medigap policies created equal?
Generally, yes. Although Medigap policies are sold through private insurance companies, they are standardized and regulated by state and federal law. For example, Plan B coverage purchased through an insurance company in New York will offer the same coverage as a Plan B purchased through an insurance company in Texas. All you have to do is decide which plan you want to buy.

However, even though the plans that insurance companies offer are identical, the quality of the companies that offer the plans may be different. Look closely at each company's reputation, financial strength, and customer service standards. And check out what you will pay for Medigap coverage. Medigap premiums vary widely, both from company to company and from state to state. You can find a tool on the Medicare website (www.medicare.gov) that will help you compare Medigap policies offered in your area.

Does everyone need Medigap?

No. In fact, it is illegal for an insurance company to sell you a Medigap policy that substantially duplicates any existing coverage you have, including Medicare coverage. In general, you will not need a Medigap policy if you participate in a Medicare managed care plan, private fee-for-service plan, qualify for Medicaid, or have group coverage through your spouse.

Additionally, you may not need a Medigap policy if you work past age 65 and have employer-sponsored health insurance. If you find yourself in this situation, you may want to enroll in Medicare Part A since it is free. Remember that if you enroll in Medicare Part B, your open enrollment period for Medigap starts. If you do not buy a Medigap policy within six months, you may be denied coverage later or charged a higher premium, so you may want to wait to enroll in Medicare Part B until your employer coverage ends.

In addition, you may not need a Medigap policy if you are covered by an employer-sponsored health plan after you retire (e.g., as part of a retirement severance package). In this case, your employer's plan may cover costs that Medicare does not.
