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Low-Income & Rural Beneficiaries with Medigap Coverage, 2009

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SUMMARY

Medicare supplement (Medigap) coverage has long helped Medicare beneficiaries fill gaps in their benefits. Medigap coverage works in tandem with Medicare, allowing seniors to budget for medical costs and avoid the inconvenience of handling complex bills from health care providers. Data recently released from the 2009 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-one (31) percent of Medigap policyholders resided in rural areas in 2009; by comparison, 24 percent of all Medicare beneficiaries resided in rural areas.
- More than half of all Medigap policyholders (52 percent) and nearly two-thirds (61 percent) of rural Medigap policyholders had incomes below $30,000.
- Overall, 45 percent of Medigap policyholders had incomes ranging from $10,000 to $30,000 in 2009. This income bracket accounted for the highest proportion of Medigap purchasers. In rural areas, 53 percent of Medigap policyholders had incomes in the $10,000 to $30,000 range.

As with prior reports in this series, 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. All of the statistics are based on Medicare beneficiaries in all areas of the United States. For beneficiaries in the Medicare Advantage and Medicaid categories, June 2009 was the point in time for which beneficiary records were selected for inclusion. In this report, we used the term “Medicare only” as shorthand for beneficiaries with only Medicare fee-for-service coverage. We defined “rural” and “metropolitan” areas according to the Office of Management and Budget (OMB) classification system.

EIGHTEEN PERCENT OF MEDICARE BENEFICIARIES HAD A MEDIGAP POLICY IN 2009

Nationwide, 18 percent of all non-institutionalized Medicare beneficiaries chose Medigap policies in 2009 (see Figure 1). Employer-based coverage (29 percent) and Medicare Advantage (25 percent) were the most common forms of supplemental coverage. By contrast, 11 percent of Medicare beneficiaries had supplemental coverage through Medicaid and one percent had supplemental coverage through public programs other than Medicaid. Another 16 percent of Medicare beneficiaries had no supplemental coverage. Persons with both employer-based and Medigap coverage were categorized as having employer-based coverage. Approximately three percent of Medicare beneficiaries were in this category and had both employer-based plans and Medigap policies.

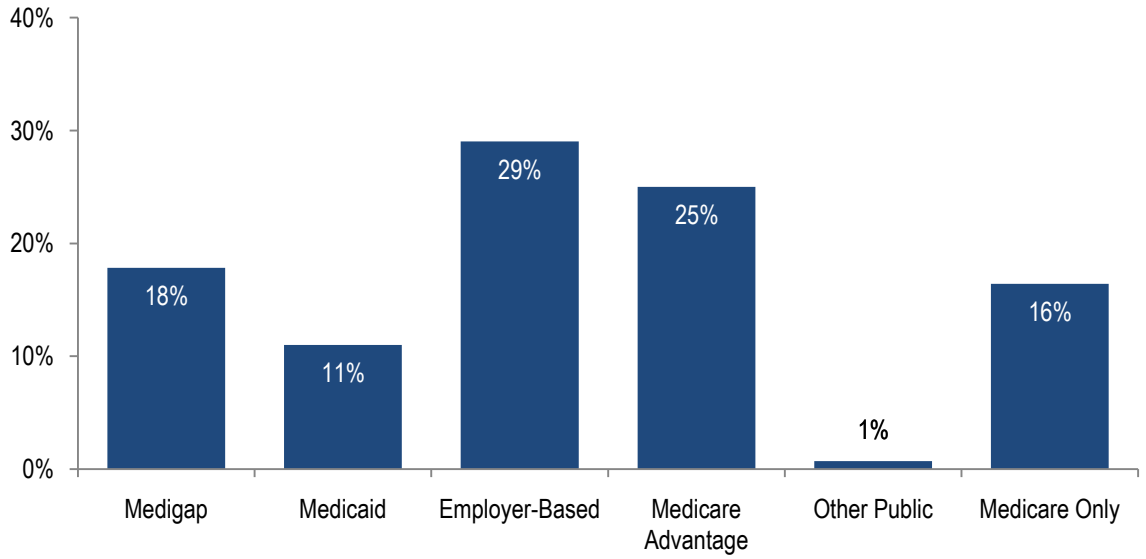
BENEFICIARIES WITH MEDIGAP COVERAGE TEND TO LIVE IN RURAL AREAS AND HAVE LOW OR MODERATE INCOMES

Thirty-one (31) percent of all beneficiaries with Medigap coverage lived in rural (non-metropolitan) areas in 2009. By comparison, 24 percent of all Medicare beneficiaries lived in rural areas (see Figure 2).

In 2009, the most common income range for Medigap policyholders was $20,000 to $30,000 (see Figure 3). Twenty-three (23) percent of Medigap policyholders overall had incomes within this range, and 25 percent of Medigap policyholders living in rural areas had incomes between $20,000 and $30,000.

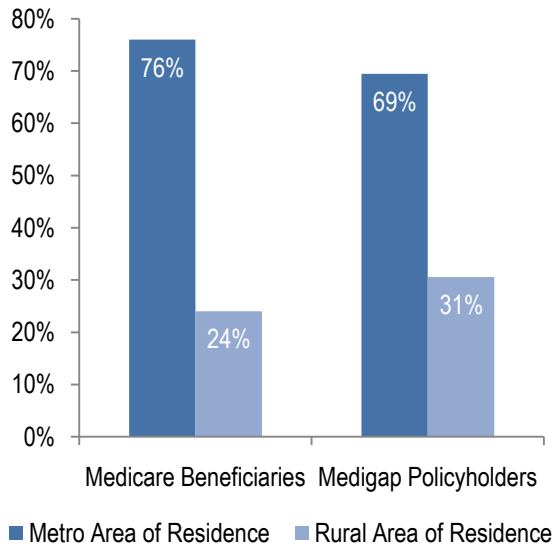
The second most common income range for Medigap policyholders was $10,000 to $20,000. Twenty-two

Figure 1. Coverage Types of Medicare Beneficiaries (2009)



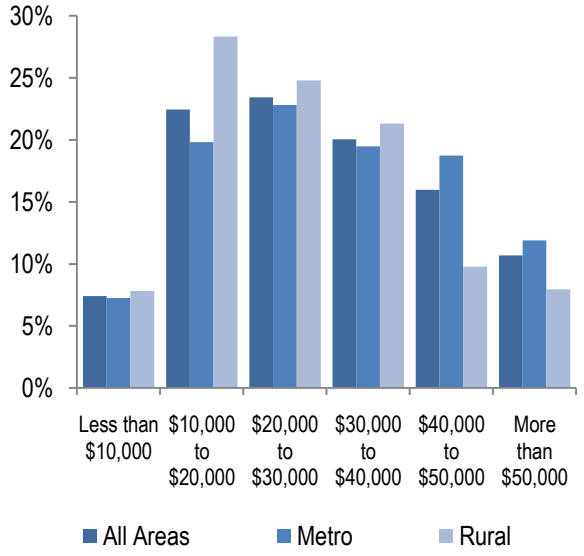
Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries.

Figure 2. Medicare Beneficiaries, by Area of Residence (2009)



Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries.

Figure 3. Medigap Policyholders, by Income, Metro and Rural Areas (2009)



Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on non-institutionalized beneficiaries reporting income.

(22) percent of all Medigap policyholders had incomes in this range, as did 28 percent of rural Medigap policyholders.

Seven (7) percent of all Medigap policyholders and eight percent of rural Medigap policyholders had annual incomes less than $10,000 in 2009.

Overall, 36 percent of rural Medigap policyholders had incomes under $20,000 in 2009, and 29 percent of all Medigap policyholders (rural or metro) had incomes under $20,000. Similarly, 61 percent of rural Medigap policyholders and 52 percent of all Medigap policyholders had incomes under $30,000.

Across the U.S., 16 percent of Medicare beneficiaries with incomes between $10,000 and $20,000 chose Medigap policies in 2009. In that same income range, 31 percent of beneficiaries chose Medicare Advantage plans and 19 percent had Medicare only (see Table 1).

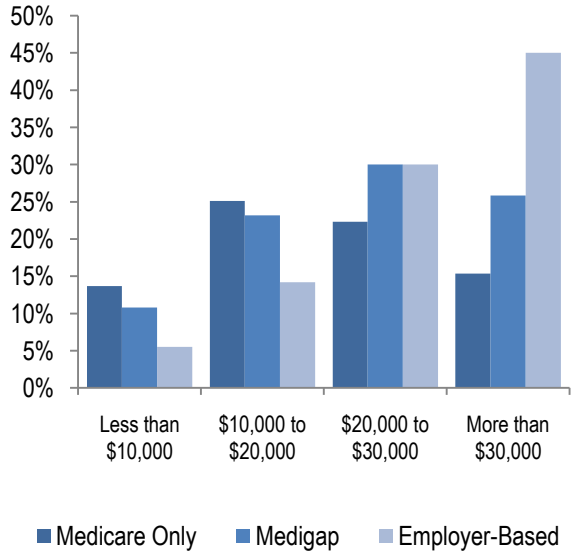
In rural areas, 23 percent of beneficiaries with incomes between $10,000 and $20,000 chose Medigap policies. By contrast, only 14 percent of rural beneficiaries in the $10,000 to $20,000 income range had employer-based coverage. Employer-based coverage was the most common form of supplemental benefit for Medicare beneficiaries in higher income brackets (see Figure 4).

Table 1. Income Range of Medicare Beneficiaries, by Coverage Type, All Geographic Areas (2009)

Coverage Type	Income Range					
	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
Medigap	9%	16%	22%	19%	19%	22%
Medicaid	44%	18%	2%	1%	**	**
Employer-Based	6%	14%	28%	40%	51%	49%
Medicare Advantage	24%	31%	29%	25%	17%	20%
Other Public	1%	2%	1%	**	0%	**
Medicare Only	16%	19%	18%	16%	13%	9%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (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.

Figure 4. Income Level of Medicare Beneficiaries in Rural Areas, by Private Supplemental Coverage Type (2009)



Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on non-institutionalized beneficiaries reporting income.

MOST POPULAR MEDIGAP POLICIES

The Omnibus Budget Reconciliation Act (OBRA) of 1990 first required the establishment of standardized Medigap policies, with the creation of Plans A through J. In recent 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 (deductibles, coinsurance, or copayments). Table 2 lists the currently available standardized policies and the percentage of enrollees in each, according to data from the National Association of Insurance Commissioners (NAIC) from 2010.

In 2010, the Medigap Plan F was the most popular, accounting for 47 percent of all policy types, followed by C, at 16 percent (see Table 2). Both policy types

Table 2. Description of Medigap Policy Types, and Percent of Medigap Policyholders with Each Type (2010)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
Basic Benefits*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skilled Nursing Coinsurance			✓	✓	✓	✓	✓	✓	✓	✓	✓†	✓††	✓	✓
Medicare Part A Deductible		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓†	✓††	✓†††	✓
Medicare Part B Deductible			✓			✓				✓				
Medicare Part B Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓††††
Medicare Part B Excess Charge						✓	✓		✓	✓				
Foreign Travel Emergency			✓	✓	✓	✓	✓	✓	✓	✓			✓	✓
At-Home Recovery				✓			✓		✓	✓				
Preventive Care (not covered by Medicare)					✓					✓				
Percent of Medigap Purchasers with Type of Standard Medigap Plan	2%	5%	16%	4%	2%	47%	4%	1%	2%	10%	**	1%	**	2%

Source for Medigap Policy Description: Centers for Medicare & Medicaid Research (2010). *Choosing A Medigap Policy, A Guide to Health Insurance for People With Medicare*.
Source for Medigap Purchasers' Plan Types: AHIP analysis of the National Association of Insurance Commissioners' *Medicare Supplement Insurance Exhibit for the Year Ended December 31, 2010.*
Notes: The data for standard policies include Medicare SELECT plans and those issued in three states (MA, MN, and WI) that received waivers from the standard product provisions of OBRA 1990. Six (6) percent of Medigap purchasers were from waiver state plans. The Medigap benefit packages were most recently updated to conform to the changes made by the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA). Among other changes, MIPPA called for the introduction of two new Medigap policies (Plans M and N) and the elimination of several standardized plan options (Plans E, H, I, and J). Plans M and N were introduced in mid-2010. Percentages may not sum to 100 percent due to rounding.
* Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up.
** Less than 0.5 percent.
† For Plan K, the supplemental coverage under 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 $4,620 in 2010.
†† For Plan L, the supplemental coverage under skilled nursing coinsurance and the Part A deductible, blood, and Part A hospice care coinsurance or copayment is 75 percent. The annual out of pocket limit was $2,310 in 2010.
††† For Plan M, the supplemental coverage under the Part A deductible is 50 percent.
†††† Plan N allows Part B cost sharing of up to $20 for physician office visits and $50 for certain emergency room visits.

covered nearly all of Medicare's deductibles and coinsurance. New Plan N, which was introduced in mid-2010, has shown rapid growth in enrollment. Plan N covers most of Medicare's deductibles and coinsurance, but allows for enrollee cost sharing for some services, such as cost sharing of up to $20 for physician office visits and $50 for certain emergency room visits.[1]

The Affordable Care Act of 2010 requires the NAIC to revise the standards for Plans C and F to include requirements for nominal cost sharing for Part B physicians' services beginning in 2015. This requirement means that the current benefit designs for Plans C and F, which are among the most popular Medigap plans and generally provide "first-dollar" coverage, will no longer be available to new purchasers after 2014.[2]

[1] AHIP Center for Policy and Research (2011, July). Retrieved September 2011, from Trends in Medigap Coverage and Enrollment, 2010-2011: http://www.ahipresearch.org/pdfs/Medigap2011.pdf

[2] Medicare now covers certain preventive services on a "first-dollar" (no beneficiary cost sharing at the point of service) basis.

ACKNOWLEDGEMENTS

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For further information, please contact Jeff Lemieux, Senior Vice President at AHIP's Center for Policy and Research, at 202.778.3200 or visit www.ahipresearch.org.

APPENDIX A: METHODOLOGY

Data for this study came from the 2009 Medicare Current Beneficiary Survey (MCBS) Access to Care files, Centers for Medicare & Medicaid Services (CMS). We selected a subset of the data, which included records of beneficiaries who were not institutionalized. Each beneficiary record in the subset was categorized according to a hierarchy of six coverage types, as follows:

1. Enrolled in Medicare Advantage
2. Enrolled in Medicaid
3. Has employer-based insurance, or employer-based insurance and self-purchased insurance (Medigap)
4. Has self-purchased insurance only (Medigap)
5. Has other public coverage
6. Has Medicare only (Medicare fee-for-service only)

For example, the first coverage type included beneficiaries with Medicare Advantage, the second coverage type included beneficiaries with Medicaid, excluding beneficiaries who were also enrolled in Medicare Advantage, and so on. For beneficiaries categorized in the Medicare Advantage and Medicaid hierarchies, June 2009 was the point in time for which beneficiary records were selected for inclusion. 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 are more likely to be influenced by beneficiaries' gaps in care, and would therefore tend to show fewer beneficiaries with supplemental coverage than the MCBS Cost and Use files.

The third category includes beneficiaries with employer-based supplemental coverage and those with both employer-based coverage and Medigap plans. The fourth category contains beneficiaries with Medigap only. The "other public coverage" category contains beneficiaries with supplemental health benefits through military or veterans' coverage, such as TRICARE. Beneficiaries in the sixth category were found to have Medicare fee-for-service only, with no supplemental coverage.

In the MCBS dataset, Medicare beneficiaries were classified as residing in either rural (non-metropolitan) or metropolitan areas in 2009 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 "metro" category in this report.

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

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Table B-1. Geographic Location of Medicare Beneficiaries, by Coverage Type (2009)

Coverage Type	Geographic Location		
	Rural	Metro	All Areas
All Medicare Beneficiaries	24%	76%	100%
Medigap	31%	69%	100%
Medicaid	34%	66%	100%
Employer-Based	22%	78%	100%
Medicare Advantage	12%	88%	100%
Other Public	30%	70%	100%
Medicare Only	28%	72%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on 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 metro) of Medicare beneficiaries by coverage type. For example, 31 percent of Medigap policyholders lived in rural areas in 2009.

Table B-2. Income Range of Medigap Policyholders, by Geographic Location (2009)

Income Range	Geographic Location		
	Rural	Metro	All Areas
Less than $10,000	8%	7%	7%
$10,000 to $20,000	28%	20%	22%
$20,000 to $30,000	25%	23%	23%
$30,000 to $40,000	21%	19%	20%
$40,000 to $50,000	10%	19%	16%
More than $50,000	8%	12%	11%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent due to rounding.

Table B-2 shows the geographic location of Medigap policyholders by income range. For example, 28 percent of rural Medigap policyholders had incomes between $10,000 and $20,000 in 2009.

Table B-3. Income Range of Medicare Beneficiaries, by Coverage Type, All Geographic Areas (2009)

Coverage Type	Income Range					
	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
Medigap	9%	16%	22%	19%	19%	22%
Medicaid	44%	18%	2%	1%	**	**
Employer-Based	6%	14%	28%	40%	51%	49%
Medicare-Advantage	24%	31%	29%	25%	17%	20%
Other Public	1%	2%	1%	**	0%	**
Medicare Only	16%	19%	18%	16%	13%	9%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (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-3 shows the income range of all Medicare beneficiaries, by coverage type, in all geographic areas. For example, 16 percent of all Medicare beneficiaries with incomes between $10,000 and $20,000 in 2009 had Medigap coverage.

Table B-4. Income Range of Medicare Beneficiaries, by Coverage Type, Metro Areas (2009)

Coverage Type	Income Range					
	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
Medigap	8%	14%	19%	17%	18%	21%
Medicaid	39%	17%	2%	**	**	**
Employer-Based	6%	14%	27%	40%	51%	49%
Medicare-Advantage	29%	37%	34%	28%	18%	22%
Other Public	1%	1%	1%	0%	0%	**
Medicare Only	17%	17%	16%	15%	13%	8%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (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-4 shows the income range of Medicare beneficiaries, by coverage type, who lived in metro areas in 2009. For example, 14 percent of Medicare beneficiaries who lived in metro areas in 2009 with incomes between $10,000 and $20,000 had Medigap coverage.

Table B-5. Income Range of Medicare Beneficiaries, by Coverage Type, Rural Areas (2009)

Coverage Type	Income Range					
	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
Medigap	11%	23%	30%	27%	22%	27%
Medicaid	60%	20%	3%	1%	0%	0%
Employer-Based	6%	14%	30%	39%	52%	50%
Medicare-Advantage	10%	15%	14%	14%	12%	11%
Other Public	0%	2%	1%	**	0%	0%
Medicare Only	14%	25%	22%	18%	14%	12%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (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-5 shows the income range of Medicare beneficiaries, by coverage type, who lived in rural areas in 2009. For example, 23 percent of Medicare beneficiaries who lived in rural areas in 2009 with incomes between $10,000 and $20,000 had Medigap coverage.

Table B-6. Geographic Location of Medigap Policyholders, by Marital Status (2009)

Marital Status	Geographic Location		
	Rural	Metro	All Areas
Married	58%	54%	55%
Widowed	30%	33%	32%
Divorced	9%	9%	9%
Separated	**	**	**
Never Married	3%	3%	3%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 percent due to rounding.

Table B-6 shows the percent of Medigap policyholders, by marital status, who resided in rural and metro areas in 2009. For example, 30 percent of Medigap policyholders who lived in rural areas in 2009 were widowed.

Table B-7. Geographic Location of Medigap Policyholders, by Education (2009)

Education Level Received	Geographic Location		
	Rural	Metro	All Areas
Less than High School	24%	14%	17%
High School	41%	31%	34%
Some College/Degree	35%	55%	49%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2009 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 percent due to rounding.

Table B-7 shows the percent of Medigap policyholders, by education, who resided in rural and metro areas in 2009. For example, 41 percent of Medigap policyholders who lived in rural areas were high school graduates but did not attend college.