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MEDIGAP INSURANCE

By: Nicole Dube, Associate Analyst

You asked why a Medigap insurance policy can impose a pre-existing condition exclusion on a Medicare beneficiary who switched into the plan from the Qualified Medicare Beneficiaries (QMB) program.

SUMMARY

Medicare beneficiaries often buy supplemental insurance called “Medigap” to cover the portion of medical care expenses that Medicare does not pay for. However, low-income Medicare beneficiaries can instead qualify for the Qualified Medicare Beneficiary (QMB) and other similar Medicare Savings programs, under which Medicaid pays their monthly Medicare premiums and functions as Medigap insurance.

If an individual had “creditable” health insurance coverage for at least six months before their initial Medicare open enrollment period, the federal Health Insurance Portability and Accountability Act (HIPAA) prohibits a Medigap insurance policy from excluding coverage for pre-existing conditions. But, the QMB program does not qualify as creditable coverage under Connecticut’s insurance regulations.

After the initial Medicare open enrollment period, Medigap insurance policies are allowed to exclude pre-existing conditions for up to six months unless an individual was covered by another Medigap policy or was enrolled in a Medicare HMO for at least six months before purchasing a Medigap policy.

MEDIGAP INSURANCE

Although Medicare benefits are substantial, coverage gaps remain for certain medical care expenses. For example, patients are required to pay a deductible on hospital stays, sizable daily copayments for hospital stays over 60 days, a \$140 annual deductible on physician charges, and 20% coinsurance on additional physician charges the program deems “reasonable.” Medicare does not cover several expenses at all, such as physician charges in excess of the amount it defines as reasonable, hospital stays over 150 days, and most long-term care services.

To address this coverage gap, Medicare beneficiaries often buy supplemental insurance (known as “Medigap”). Federal law standardized Medigap policies into 12 benefit policies designated “A” through “L.” Policy A contains the core benefits, while the other eleven policies also provide one or more additional benefits (see Table 1).

Table 1: Medigap Policy Benefits

Core Benefits (included by all policies)	
<ul style="list-style-type: none"> Part A hospital coinsurance for days 61-90 	<ul style="list-style-type: none"> Part A hospital lifetime reserve coinsurance for days 91-150
<ul style="list-style-type: none"> 365 lifetime hospital days beyond Medicare coverage 	<ul style="list-style-type: none"> Parts A and B three pint blood deductible
<ul style="list-style-type: none"> Part B 20% coinsurance 	
Additional Benefits Offered Through Policies “B” Through “L”	
<ul style="list-style-type: none"> Part A skilled nursing facility coinsurance for days 21-100 	<ul style="list-style-type: none"> Part A hospital deductible
<ul style="list-style-type: none"> Part B deductible 	<ul style="list-style-type: none"> Part B charges above the Medicare approved amount
<ul style="list-style-type: none"> Foreign travel emergency coverage 	<ul style="list-style-type: none"> Home-health aide services
<ul style="list-style-type: none"> Preventive medical care 	

Source: Center for Medicare Advocacy, www.medicareadvocacy.org

Medicare Savings Programs

Low-income Medicare beneficiaries who cannot afford Medigap insurance can qualify for the Medicare Savings Program (MSP) under which beneficiary’s get help from the state Medicaid program with their Medicare cost sharing, including premiums and deductibles. The policy rationale for MSP is that if the state Medicaid program picks up these costs, the Medicare recipient will be less likely to require full Medicaid coverage for things that Medicare does not pay for.

The federal MSP consists of three separate components: the QMB, the Specified Low-Income Beneficiary (SLMB), and the Additional Low-Income Beneficiary (ALMB). To qualify, individuals must be enrolled in Medicare Part A. Table 2 lists each component, its federally prescribed eligibility criteria, and the cost sharing paid by the Department of Social Services (DSS) who administers the state Medicaid program.

Table 2: Medicare Savings Programs

Programs	Financial Eligibility Limit in 2011 for 1 person	Cost Sharing Paid by DSS
QMB	Income: 214% of federal poverty level (FPL) (\$1,943.12 per month);	Medicare Part A (hospital and limited skilled nursing facility) premiums, deductibles, and coinsurance; Medicare Part B (physician and other outpatient services) premiums and deductibles
SLMB	Income: 234% of FPL (\$2,124.72 per month)	Medicare Part B premiums
ALMB	Income: 249% of FPL (\$2,260.92 per month)	Medicare Part B premium

Source: DSS, <http://www.ct.gov/dss/cwp/view.asp?Q=451370&A=2345>

PRE-EXISTING EXCLUSIONS

If an individual no longer qualifies for QMB and subsequently purchases Medigap insurance, that policy may exclude coverage for pre-existing conditions for up to six months under certain circumstances (CGS § 38a-495a(f)). However, under the federal Health Insurance Portability and Accountability Act (HIPAA), if an individual had “creditable” health insurance coverage for at least six months before their initial Medicare open enrollment period, no pre-existing condition exclusion may be imposed (42 U.S.C. § 1395ss(s)). But, under Connecticut’s insurance regulations, the definition of creditable coverage only includes full Medicaid benefits; QMB provides limited Medicaid coverage (Conn. Agencies Reg., § 38a-495a-2). Thus, after the initial Medicare open enrollment period, Medigap insurance policies may exclude pre-existing conditions for up to six months.

In addition, HIPAA prohibits Medigap insurance policies from imposing a pre-existing condition exclusion if an individual was covered by another Medigap policy or was enrolled in a Medicare HMO for at least six months before purchasing a Medigap policy (42 U.S.C. § 1395ss(s)).

According to the Insurance Department, not all Medigap insurers exclude pre-existing conditions. The department maintains a list of the state's Medigap policies on its [website](#) and suggests that an individual with a pre-existing condition consider switching policies to one that does not impose such an exclusion.

ADDITIONAL RESOURCES

Center for Medicare Advocacy, "Medigap," <http://www.medicareadvocacy.org/medicare-info/medigap/>, website last visited on February 8, 2012.

Centers for Medicare and Medicaid Services, "2012 Choosing a Medigap Policy: A Guide to Health Insurance for People With Medicare." <http://www.medicare.gov/Publications/Pubs/pdf/02110.pdf>, website last visited on February 8, 2012.

Connecticut Department of Insurance, <http://www.ct.gov/cid/site/default.asp>, website last visited on February 8, 2012.

Connecticut Department of Social Services, Medicare Savings Program, <http://www.ct.gov/dss/cwp/view.asp?Q=451370&A=2345>, website last visited on February 8, 2012.

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