Picking Medigap Plans

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A good number of people have asked me for advice about Medigap plans. For example, whether it makes sense to transition from an outside medical insurance plan of Medigap Type F or G (the most popular plans) to one offered through the Via exchange. I do not purport to being an expert, but neither is the University. Nor, by my personal experience, is our advisor Via Benefits. But there is a tremendous aggregate professional and personal knowledge among the active and retired Officers of Columbia University. Some of it is incorporated into this memo. I hope that others will add their perspective and experience.

This analysis is written in a hurry, since Open Enrollment has just started and people must make choices. At the same time, Via has listed the important Humana plans only a day before Open Enrollment on its website. The sensible or rushed reader can skip to the conclusion section. Others might want to educate themselves on the system and work their way through the next pages.

For a general governmental overview: https://www.medicare.gov/health-drug-plans/medigap/basics.

Also, I will address only the *Medigap* (Medicare Supplement) plans. The other major options are *Medicare Advantage* plans, which are cheaper and may cover dental, vision, and medical drugs, but have more restrictions. They are not discussed here.

Medigap (more formally, Medicare Supplement Insurance) covers the expenses that left after *"original" Medicare* that generally covers 80%, not the whole. "Medigaps may cover deductibles, coinsurance, and copayments. Medigaps may also cover health care costs that Medicare does not cover at all, like care received when travelling abroad… Medigap plans generally do not cover long-term care (like in a nursing home), vision, dental care, and hearing aids. There are 10 Medigap types available: A, B, C, D, F, G, K, L, M, and N." For details see https://www.healthline.com/health/medicare/what-is-medigap. Of Medigap Types, I will analyze primarily the two most popular ones, Types F and G, with their low- and high-deductible variants. Types N, K, and L are also briefly considered.

Prices for Medigap plans vary by state and often zip code, even within the same insurance company. (The numbers that follow are mostly for zip code area 10027.) They also vary, at least for New Jersey, by medical history. On top of that, the Via exchange, for its own commercial reasons, offers different plan options in different states. Prices are mostly based on public information, except for Humana, which is non-transparent.

With these qualifications, here are some answers.

1. ***Medigap Type F or G?*** Those are the most popular options. Plan F is basically available only to retirees older than 67. Plans of type F have no deductible, which seems to make them more attractive than Plans G. However, the federally set deductible is $240 per year, whereas the extra cost of Plan F premiums over Plan G, for the 10027 zip code at AARP/UHC, is $636. Thus, you would be clearly ahead financially with UHC's Plan G, at least for New York and New Jersey.

   For Humana, the alternative F or G choice offered by Via for New York, it is almost impossible to provide a clear answer on F vs G, since that company does not offer side-by-side prices and discloses only one option, depending on the user's age. If one tries to get around this, the results are odd. For the 10027 zip code, plans of Type G (the one with a deductible and for younger cohorts) are substantially *more* expensive than those of Type F, which makes no obvious sense relative to the company's cost, so the high price must be based on Humana's assessment that the younger cohorts are less price sensitive and can be charged more. Or, alternatively, that the company wants to actively discourage people from picking that plan instead of the company's high-deductible plan discussed below, so the option is purely nominal. For New Jersey, on the other hand, Humana's Plan Type G is slightly cheaper, but the difference is smaller than the $240 annual benefit of the no-deduction of Plan F for that state. Thus, for New Jersey, Humana's plans Type F are the better deal if you are old enough to be eligible. But, keep in mind that in New Jersey prices vary by age and medical history.

   Also, a more subtle point: Plan F is an older pool with higher medical needs relative to those youngsters in Plan G. In consequence, its premium cost is rising faster and will do so even more in the future, by my assessment. This year, the price of UHC's Plan G rose in NY by 10%, but of its Plan F rose by 13%, so the premium gap widened from $480 a year to $636. For all of those reasons, I will pick Plan G for myself, even though I am eligible for Plan F, too.

2. ***Plans N, K, or L?*** Plan N, in particular, has its adherents. One retiree writes:

   "I think it is important to tell people to look at Plan N . The only difference between N and G is 'excess Medicare charges'. The difference in the Humana premiums is ridiculously large (1,992 dollars) between N and G."

   "Excess charges can only come into play if the physician is a Medicare provider but does not accept assignment. This is the case for only 3 percent of physicians nationwide. If you picked your doctors randomly you would need about 420,000 of doctor bills before you would start benefiting from plan G (over N.) In NY it is even more stark as non office visits can only be charged 5% extra not 15%. Even if all your doctors were non participating, you would need doctor bills of over 13,000 before you paid extra. This will not happen."

   "The differences in AARP premiums between N and G are much smaller at 704 per annum but if doctors were chosen at random (only 3 percent are non participating) , it would take about 130,000 of doctors bills to start benefiting from plan G."

To this I will add: Other differences are that Type N does not cover doctor office co-payments. Thus, if one has many doctor or emergency room visits, Type G ends up ahead. But it would take a lot of visits.

Plan Type K is cheaper still, but it basically pays out only 50% of out-of-pocket, up to about $7,060, when it starts to pay 100%. Also, no foreign travel coverage. Plan Type L is in-between Types G and K, covering 75% of out-of-pocket, and 100% after reaching $3,530 per year.

To reduce catastrophic exposure when it comes to Medicare Advantage plans, Federal law sets 2024 maximum out-of-pocket (MOOP) at $8,850 for covered in-network services; and $13,300 for covered in-network and out-of-network services combined. Individual plans can have lower ceilings. For example, UHC's MOOP for 2024 is $7,750.

3. **Maximum Out-Of-Pocket?** The number of Medigap options seems daunting, though nothing in comparison to Medicare Advantage plans, which are not standardized which makes comparisons difficult. Picking one type of Medigap over another really depends primarily on personal expectations of high-usage and high international travel. But arguably much more important than limiting co-payments for seeing a doctor is to limit exposure to catastrophic situations, because Original Medicare covers only 80%, and the out-of-pocket of 20% could become a huge dollar number. Medigap covers this downside: The maximum-out-of-pocket (MOOP) is $0 for Type F; $240 for Type G; $2,700 for Type F and G high-deductible; $3,500 for Type L; $7,000 for Type K; $7,750 for Medicare Advantage (UHC); and up to $13,300 by law for any Medicare Advantage plan. Within each available type, some plans will be significantly more expensive than others and you can eliminate them. As between the various types, your main decision is how much a lower ceiling is worth to you.

   Other elements of downside are medical drugs and nursing home/home care expenses, both of which can become substantial. For medical drugs, the Inflation Reduction Act (IRA) of last year gradually reduce these expenses. Starting in 2024, people who reach the catastrophic level of $8,000 or more in drug OOP do not have to pay additional costs for the rest of the year. In 2025, the cap drops to $2,000 for people with drug coverage plans. This provides a decent protection.

   In contrast, much of long-term care expenses of nursing homes, assisted living help, and home-based assistance are not covered by either Medicare, Medigap, or Medicare Advantage. They require a Long-Term Care Insurance. To obtain such insurance after the age of 65 is very expensive and depends on medical history, gender, age, location, etc.

4. ***Medigap F or G Plans by AARP/UHC or Humana?*** As the Federal website cited above states: "All Medigap policies are standardized. This means, they offer the same basic benefits no matter where you live or which insurance company you buy the policy from. There are 10 different types of Medigap plans offered in most states, which are named by letters: A-D, F, G, and K-N. **Price is the only difference** between plans with the same letter that are sold by different insurance companies."
   The prices are:

Via, per its website, offered UHC Type F ($361/mo) and Type G (308/mo.). Just one day before the Open Enrollment period started, it hurriedly added Humana plans F and G. But the Humana prices are not realistic. As I read the prices, they are, for the 10027 zip code: AARP/UHC: Plan F $361/mo; Plan G $308/mo. (Please note that for these plans, one must also become a member in AARP, for a fairly nominal extra $1.30 a month.) In contrast, Humana's prices are Plan F: $486/mo; Plan G: $529/mo.
(Humana, BTW, only offers to an individual exploring its prices either Plan F or Plan G, but not both, depending on the eligibility of the individual for Plan F.) Oddly, Humana's Plan G is priced higher than its Plan F, but a normal customer would never see them side by side. Both are priced much higher than their UHC-AARP counterparts: Humana Plan F $486 vs. UHC Plan F $361; Humana Plan G $529 vs. UHC Plan G $308.
In New Jersey, Humana Plan G costs $346 vs. UHC's $230. For Plan Type F, it's Humana $355 vs. UHC $312 . Thus, UHC is clearly cheaper. Note that while the product is standardized, the service quality might vary. Also, some plans might throw in a gym/wellness membership. I have no systematic information about that.

In New Jersey, in contrast to New York, several other options for Plan G are available through Via: Cigna ($231 for Plan G), and AmeriHealth ($253). Prices in NJ are well below NY's. But, keep in mind that NJ numbers vary with age and medical history, and one can thus end up with a higher (or lower) actual price.

Given the numbers, and given Humana's non-transparency, the regular AARP/UHC plans are clearly more attractive. They are ranked by *Investopedia* as #1 when it comes to price. https://www.investopedia.com/best-medicare-supplement-plan-g-providers-5078378.

5. ***High-deductible vs low-deductible vs. no-deductible?*** High-deductible plans require you to pay the first $2,800 of claims, left after Medicare coverage, out-of-pocket. For New York, Humana offers a high-deductible Plan F ($103) and high-deductible Plan G (also $103). These have the same coverage as the Plan F and Plan G, but have a $2800 deductible before coverage kicks in. In both cases the high-deductible Plan makes more financial sense: New York Humana high-deductible Plan F $1236 annually + $2800 deductible = $4036 < low deductible Plan F $5830 annually. Similarly, New York Humana high-deductible Plan G $1236 annually + $2800 deductible = $4036 < low-deductible Plan G $6346.20 annually. In both cases, the high-deductible scenario is cheaper, at least when it comes to Humana.
Via offers no AARP/UHC high-deductible plan for 10027 by for New York or New Jersey, neither Type F or G. In fairness, it's UHC that does not offer such plans to anyone in downstate New York. However, it offers such high-deductible plans for New Jersey through Cigna (Plan F) and AmeriHealth (Plan G).
For New York, as mentioned, talking Humana's *high*-deductible Plan G will cost with out of pocket = up to $4,036. In comparison, the UHC *low*-deductible Plan G will cost $3,696 + $240 out-of-pocket = $3,936. You are slightly ahead with the UHC low-deductible plan.
Conclusion: If you expect out-of-pocket medical expenses (not covered by Medicare) to be lower than $200/month, the Humana high-deductible plan makes more sense. If the expected expenses are higher, the UHC low-deductible plan is slightly better.

Note a positive: by being part of a medigap plan you will normally be charged the lower negotiated rate, even if you have not yet reached the out-of-pocket ceiling when insurance starts to pay.

6. A Benchmark for Prices

The table below shows national average prices listed in 2023 for a 65 year old woman who does not smoke. Expect higher prices for the New York region but the relative costs might be roughly similar.

Table: Average cost of Medicare Supplement plans (Nationally 2023/4)

Medigap plan	**Monthly cost**
F	$184
G	$148
N	$111
K	$77
Less popular plans	
C	$210
B	$179
D	$167
M	$141
A	$135
L	$112
High-deductible F	$52
High-deductible G	$48

Source: https://www.valuepenguin.com/best-medicare-supplement-plans#:~:text=Medigap%20Plans%20G%2C%20F%20and,or%20a%20high%2Ddeductible%20plan.

7. **Keeping one's old plan?** Most of those Officers already retired already have an insurance plan they picked for best fit and performance, and they would be quite happy to stay with it. If they now want to obtain the Columbia subsidy they must go through Via. Keeping the old plan will often not be possible under the arrangement of Via exclusivity. First, Via offers only a limited menu of insurance companies and plans. But even when they offer the pre-existing plan to other retirees, one cannot transfer the same plan from the outside to go through the Via exchange. (At least that is the case for UHC plans and probably the others, too.) This happened to me last year. The reason is that Via cannot collect its sign-up commission from UHC for an already existing UHC customer, and it therefore precludes such retirees from a simple transfer of their plans. I had to switch to the higher-priced Empire insurance plan to be inside the Via system and get the Columbia contribution that is tied to it. But Via 'helpfully' suggested that I could switch back to UHC after one year. (This way Via can collect the full newcomer commission for a second time.)

   There are four options to deal with this situation:
   a. Switching to another plan of the same type offered by Via. For a plan of Type G, the only NY option via Via are the Humana plans. (In NJ, also Cigna and AmeriHealth). For that Plan type G, Humana will then charge, according to New York State website numbers, a very stiff $529 per month, i.e., $6,348 per year, an extra cost of $2,344 over the unavailable UHC alternative. After one year, you would switch to the cheaper UHC plan.
   b. Petition UHC to let you stay in their plan through Via while they make some commission payment to Via anyway. (UHC would have to list Via as the 'agent of record'). It's in UHC's discretion and they are understandably reluctant. I applied last year, and they approved, but only in December, too late for the enrollment period for 2023.
   c. Switch out of an UHC outside plan to an outside plan of yet another insurance company for one year outside the Via system, such as with Emblem ($302) and then come back into the system in a year and then elect UHC. This option forgoes the Columbia subsidy for a year.
   d. The recommended option, if you reside in NY or CT, is to take the affordable Humana high-deductibility Type G plan through Via, and consider switching to UHC after a year.

   When it comes to the transaction hassle of such switching, my personal experience so far in 2023 have not been too bad after the initial registration which is handled by Via. It is mostly presenting the new insurance card at a doctor's office visit and letting the front office staff do the changes in their records.

8. **Pre-existing conditions?** There is a second important wrinkle about switching into Via's options: in principle, you lose what is known as a "guaranteed issue" and instead become subject to the newly chosen insurance company's checks on your medical pre-conditions, which might result in higher premiums and delays. Fortunately, several states require

guaranteed issue, and New York and Connecticut are two of them. “Insurers must accept a Medigap application at any time, regardless of health status, and insurers can't charge an enrollee a higher rate because of a health condition.” But this is not the case if you live in New Jersey. https://www.valuepenguin.com/switching-medicare-supplement-guaranteed-issue. You must therefore consider your medical situation.

9. **Is the Columbia subsidy worth all of this?** In 2023, with a measly $220 subsidy, it seemed hardly worth the trouble. But starting for 2024, we have achieved a significant raise. Taking an outside plan without the Columbia contribution will therefor forego $900 +$450 spousal support for each year. (We might get the University to raise that number. Also, we advocate to make that contribution independent of a nexus to the Via exchange and is portable by the retiree. That is an issue for the next round of talks with the Administration.) However, as mentioned, for the first year, if you live in NY and want to keep your UHC plan, as many retirees do, a couple will have to pay an outrageous extra $$4,688 to Humana just to get access to the Columbia contribution of $900 +$450 on Medigap Plan G, the most popular option. This is purely due to Via’s limited offerings for Type G. I wonder whether the Columbia HR people are aware of this.

10. **Can you wait?** The University provides the contribution only to those who have not left the Columbia system for more than 5 years. This was a concession made this year in response to our arguments. It might be lengthened in the future, but that’s a goal not a certainty. The point is that if you keep staying outside of Via you should be mindful that for a return to the Columbia subsidy, a clock is ticking.

11. **Conclusion.** Within the universe of the medigap plans offered through Via
    a. The Humana High deductible plan G makes most sense if you expect low medical expenses.
    b. The AARP/UHC plan Type G has a slight advantage if you expect higher out-of-pocket expenses.
    c. If you are currently on an UHC plan outside of the Via exchange and want to keep that plan while benefitting from the Columbia subsidy, the best strategy for residents of NY and CT is to get, for one year, the Humana high deductible plan and then switch back to UHC after one year.
    d. If you are currently on a Humana high-deductible plan outside of the Via exchange and want to keep that coverage through Via, NY and CT residents should consider switching into an UHC plan through Via now and switch back to Humana after one year.

It’s simpler to be hired by Columbia than to retire from it.