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How Do Medigap Plans Differ from Medicare Advantage Plans?

Medicare Annual Enrollment Period (AEP)

The Medicare Annual Enrollment Period (AEP), known by many as the annual open season, is coming soon for more than 60 million people who are now enrolled in Medicare. It **starts on October 15th and ends on December 7th**, with your choice being effective January 1st. During this time period each year beneficiaries are encouraged to review their current Part D drug plan or their Part C Medicare Advantage (MA) plan, many of which cover prescribed medications, to determine if a better plan exists for next year. Folks need to understand that this time period has nothing to do with your Medicare supplemental or Medigap plan. You do not have a right to change Medigap plans during this time period or during most times of the year except in specific circumstances. *These are addressed in another VirginiaNavigator article [on Medigap Plans](#).*

Medicare Advantage Plans vs. Medigap Plans

According to a Kaiser Family Foundation (KFF) report dated 06/21/2021 called “Medicare Advantage in 2021: Enrollment Update and Key Trends”, more than 26 million people are now enrolled in Medicare Advantage (MA), approximately 42% of all Medicare beneficiaries. Of the many companies offering such plans, United Healthcare and Humana account for nearly half of all MA enrollees nationwide in 2021. The prevalence of such plans continues to grow, many times to individuals who are not aware of the limitations of such plans until they are sick and it is too late. Let me explain.

There are many factors that should be considered before a person makes a decision to join a MA plan or a Medicare supplement, also known as Medigap. Most folks have only a limited understanding of what coverage each type of plan provides. There are many types of both plans in Virginia.

Let's discuss some of the basic rules of each type of plan. Medicare enrollees have three choices:

1. **Medicare A & B only:** They can receive their care using only Medicare, but unless they also qualify for a Medicaid-type plan they will face deductibles and copays that can really add up to a good bit of money. For example, after a once per year annual deductible for Part B services (\$240 in 2024) you then face a 20% charge for most Part B medical services, including but not limited to emergency room visits, doctor and surgeon fees, lab fees and durable medical equipment. There is no cap on these out-of-pocket costs. They are your responsibility.
2. **Enroll in a Medigap Plan:** Folks who want to avoid such costs can opt to enroll in a Medigap plan and would need to consider a Part D drug plan to make it a complete set of benefits. There are many plans and are given an alpha letter to help describe each type. The most complete plan on the market now is Plan G, which pays for all costs after Medicare pays as your primary coverage except for the annual deductible, which is \$240 in 2024. Such plans can be purchased at age 65 for premiums ranging from \$105 and above depending on your gender and zip code. You can be treated anywhere in the country by any medical provider who accepts Medicare. If Medicare pays, they pay. *For more information read the VirginiaNavigator article [on Medigap Plans](#).*
3. **Enroll in a Medicare Advantage Plan:** There are MA PPO plans with some companies that have a zero premium, zero deductible, zero copay for primary care visits, and a \$35 copay for specialists. Who doesn't like zero costs in life, but does it really happen that way? There are often restrictions hidden in many plans. For example, if your primary doctor is not "in-network" then your zero copay turns into a 40% charge... the same goes for the specialist. Copays of 40% can add up very quickly! The key difference is in the coverage and costs. Another important consideration is the ability, or inability, to switch plans. Let's discuss a few considerations.

Medicare Advantage Plan Considerations

Some MA plans can offer good coverage depending on your health needs. Those plans can also create issues for those people who do not understand the various limits in such plans. For example, **Health Maintenance Organizations (HMO)** usually require that you utilize a limited range of doctors, hospitals, and related

providers in their network. There are usually no out-of-network allowances, meaning you pay all costs if you do stray out-of-network. And those costs do not count toward any annual out-of-pocket maximum set by the plan, usually in the range of \$3,400 to \$6,700 for an HMO.

Another type of MA plan known as a **Preferred Provider Organization (PPO)** generally has a larger provider network with reasonable copays but has higher annual out-of-pocket maximums to reach before you no longer pay for care the rest of the year. Most are in the range of \$6,700-\$7,550 annually for in-network care but as high as \$10,000 for out-of-network care.

The third type of MA plan is a **Private Fee for Service (PFFS)** plan. There are usually no networks but any doctor can decide to accept the payments, which are traditionally the same as Medicare pays. You do pay a copay depending on the type of care received, primary care, or specialty care. The annual out-of-pocket maximum is around \$6,700. Since there are no networks, it may be difficult to find doctors quickly if you wait until you are sick. To make matters worse, a doctor may accept this type of plan on one visit but not the next, which always complicates things. Raise your hand if you like that rule...didn't think so!

Keep in mind that MA plans usually only cover you in a specific geographic area of the state but do cover most *real* emergencies nationally. Did I mention you are not allowed to have any supplemental plan to cover the costs associated with MA plans? These are some of the tradeoffs that you need to be aware of in most MA plans.

Medigap Plan Considerations

Under typical Medigap plans, you can usually use any medical provider who participates with Medicare. Once Medicare pays their share of the approved amount it is sent to the Medigap plan to pay the rest, except for the aforementioned Part B annual deductible of \$240 in 2024 under Medigap Plan G. Medigap Plan G also has coverage for foreign travel needs.

It is important to understand you have a **limited “guarantee issue period” of six months** from the month of your Part B effective date to apply for Medigap coverage without any health questions. After those six months end, the Medigap plans can require you to agree to “medical underwriting” if they suspect you have any serious medical conditions. They can decide to not sell a plan to you or sell a plan but with

many restrictions. Do it when you can control things.

Medicare Advantage (MA) Trial Periods

If you are unable to make a choice, there are **2 Medicare Advantage trial periods** that you can consider.

The **1st trial period** allows a person at age 65 in their initial enrollment period to enroll in a MA plan for up to 12 months and if they are unsatisfied with the plan they can return to original Medicare and still buy a guaranteed Medigap plan. In essence, they extend the Medigap “guarantee issue period” to a total of 12 months.

If you choose to try this trial period it is **VERY IMPORTANT** that you remember to re-evaluate within 12 months so you can disenroll in time to allow you to select a Medigap plan without any restrictions. Remember, folks who are a bit healthier can take the risk of trying such plans at age 65 but when they forget to disenroll within 12 months they place themselves in a predicament since a Medigap plan now would not have to sell a policy to them. A Medpage Today article titled “Medicare Advantage Enrollees Discover Dirty Little Secret” (12/3/2019) describes how **getting out is a lot harder than getting in**. The MA insurance industry is betting against you and they usually win.

A **2nd trial period** applies to people who bought a Medigap policy when first allowed. Then they are convinced they are overspending so try a Medicare Advantage plan. They can drop their Medigap plan for a MA plan and have up to 12 months to test drive it. If they do not like that type of plan they can return to their former Medigap plan if it is still being sold. If that plan is no longer sold there should be a few good alternative Medigap plans from which to choose. Some folks on tight incomes and trying to save money may become convinced they can do this “just for a year” to save some money then bail out. But as noted earlier, **remember to re-evaluate this choice within the allotted 12 month trial period**.

Final Thoughts...

Based on my 25 years of experience speaking with hundreds of people of all ages and income streams, in all parts of Virginia, my advice is to buy the best health coverage you can afford and keep it forever. If a time comes when you simply cannot afford a solid Medigap plan any longer along with a Part D drug plan then

switch to a Medicare Advantage plan that covers your medical and medication needs. Ask questions and guidance from people who actually are trained to know these plans, such as your local **Virginia Insurance Counseling and Assistance (VICAP)** program. They provide free counseling and are not connected with any insurance or drug companies and will put your health needs first!

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Article Source

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