



MEDICARE SUPPLEMENTS

WHAT IS MEDICARE?

Agents need to understand the five basic areas of Medicare to effectively sell Medicare Supplements:

- **Part A** covers hospital insurance. Seniors may be required to pay a deductible and/or co-insurance.
- **Part B** covers medical insurance, typically picking up 80% of the bill and leaving seniors to pay the other 20% out-of-pocket.
- **Part C or Medicare Advantage** plans cover Parts A and B, plus some of the gaps those leave uncovered, as well as Part D and possibly some supplemental benefits like dental, vision, or hearing. Seniors on these plans may be subject to co-pays, co-insurance, and deductibles.
- **Part D** covers prescription drug benefits.
- **Medicare Supplement or Medigap** plans cover the costs that Parts A and B don't, for a predictable monthly premium with typically fewer out-of-pocket expenses than Medicare Advantage. Medigap plans have no Part D coverage so seniors are required to buy a separate Part D prescription plan.

A senior turning 65 and enrolling in Medicare has three main options for combining these five components to cover their health care needs:

1. Stay on Original Medicare (Parts A and B) and pay out-of-pocket for the gaps Medicare doesn't cover.
2. Enroll in a Medicare Advantage plan (Part C), which covers Parts A and B, and usually Part D.
3. Enroll in a Medicare Supplement plan that will pay for any costs that Medicare Parts A and B don't cover, and add a separate Part D plan on the side to cover prescription drug costs costing on average \$30-\$120 a month

It's vital that agents understand the fundamental parts of Medicare to be able to answer questions from prospects and clients. Even if you only sell Medicare Supplement plans, you should still know how they compare to Original Medicare and Medicare Advantage plans.



SHOULD I OFFER MEDICARE ADVANTAGE (PART C)?

Insurance agents who sell Medicare Supplements have to decide if they should offer Medicare Advantage plans as well. There are extra requirements to sell these plans, including additional certification, continuing education, and marketing rules.

Agents wanting to sell Medicare Advantage plans have to pass annual AHIP certification in addition to individual product certifications with every insurance company they represent. Plus, The Centers for Medicare & Medicaid Services (CMS) sets more rigorous marketing rules for selling Medicare Advantage plans than for Medicare Supplement plans.

To learn more about AHIP certification, we found this article very helpful:

<https://www.psmbrokerage.com/what-is-ahip-certification-and-how-do-i-get-it>

Although selling more types of insurance products can make an agent more well-rounded, you won't usually find Medicare Advantage plans sold where Medicare Supplement plans are sold. That's because Medicare Advantage plans are often competitive in urban environments where hospital networks are more condensed, and doctors are more plentiful. In rural areas where networks are more spread out and doctors are fewer and farther between, Medicare Supplement plans are more prevalent because they give seniors greater freedom to go to any hospital.

Seniors might choose a Medicare Supplement over a Medicare Advantage plan if they'd rather pay a predictable monthly premium than hassle with the co-pays, deductibles, co-insurance, or maximum out-of-pocket limits often found in Medicare Advantage plans. One of the biggest reasons seniors might enroll in a Medicare Supplement plan over a Medicare Advantage plan is so they can go to any doctor that accepts Medicare. Conversely, Medicare Advantage plans limit seniors to a certain network, sometimes requiring referrals from a primary care physician to see other doctors. This is particularly evident in seniors who want to see specialists outside of their local area. For instance, if a senior in North Carolina wanted world-class heart care from the Cleveland Clinic, her Medicare Advantage plan probably wouldn't cover it — whereas a Medicare Supplement plan would. This is especially critical for snowbirds or seniors with vacation homes who spend part of the year in another state; they're better served by flexible Med Supps than the network limitations of Medicare Advantage.

Seniors who don't like change might also choose a Medicare Supplement over a Medicare Advantage plan because every year, Medicare Advantage plans could change networks, co-pay amounts, or co-insurance amounts — especially when the federal government cuts funding. Medicare Supplements, on the other hand, include 11 standardized plans with benefits that stay the same every year. This affords seniors a certain amount of predictability knowing their benefits will stay the same as long as they pay the premium.

That's not to say that Medicare Advantage plans aren't as good as Medicare Supplement plans. Medicare Advantage plans are appealing to seniors who would rather have everything wrapped up in one convenient plan instead of keeping track of both a Medicare Supplement plan and a separate Part D plan. Seniors may also choose a Medicare Advantage plan if all of their doctors are accepted in the network, or if they're not worried about co-pays because they don't have a lot of prescriptions.



SHOULD I OFFER PRESCRIPTION PLANS (PART D)?

Agents who sell Medicare Supplements also have to decide if they'll offer Part D prescription drug plans to their clients. There are extra requirements to offering these types of plans, just as with Medicare Advantage. There's the hassle of passing the AHIP every year, being under the scrutiny of CMS with every interaction, and having to recertify with each insurance company's plans.

The commissions for Part D plans are negligible — less than \$75 per enrollment — and renewals are usually half of that or less. Many agents don't want to jump through the additional hurdles for this low-commission, high-maintenance product.

However, there are three reasons why agents might want to offer Part D plans to their clients:

1. For the commissions (although low, money is money and every little bit counts).
2. To gain a full-service advantage and prevent other agents from wedging between them and their clients when AEP season starts.
3. To gain more referrals.

Since many Med Supp agents don't offer Part D plans, it can give you an edge to help you stand out in a crowded field of insurance agents who all offer the same plans.