MEDICARE SUPPLEMENT PLAN F VS. G VS. N

Agents selling Medicare Supplements primarily concern themselves with the three most popular supplements: Plans F, G, and N.

Plan F is known as the gold standard or the Cadillac of supplements. Seniors are only responsible for the monthly premium (which is known as "first dollar coverage.") The rest of their medical bills are paid, provided that Medicare Parts A or B cover the expense.

Plan G is very similar to Plan F in that it covers all of the same things except one: the annual Part B deductible. After the senior pays that deductible, the plan acts like a Plan F for the rest of the year. The difference in the monthly premium that a senior will pay for Plan F to have the insurance company cover the deductible can be two to three times the amount of the deductible itself. Not only does Plan G cost less on average than Plan F because of this; it also has lower rate increases due to two factors:

- Plan G requires seniors to qualify by answering a series of health history questions, whereas Plan F guarantees acceptance for certain situations (like coming off of Medicaid or group health care). This means fewer claims with Plan G because, theoretically, it covers healthier people.
- Plan G doesn't have to cover the Part B deductible. Because Plan F supplements do cover the Part B deductible, their prices go up whenever the deductible goes up.
- Plan G requires policyholders to pay the Part B deductible, which is a cost-sharing measure that encourages more frugal medical expenditures by making seniors think twice about unnecessary trips to the doctor if they have to pay out-of-pocket for care.

Because Plan G typically has lower rate increases and lower monthly premiums, it's the wiser choice in most cases. There are exceptions, of course, like in some areas where Plan G rates aren't much cheaper than Plan F.

Medigap Benefits	Medigap Plans		
	F	G	N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	YES	YES	YES
Part B coinsurance or copayment	YES	YES	YES
Blood (first 3 pints)	YES	YES	YES
Part A hospice care coinsurance or copayment	YES	YES	YES
Skilled nursing facility care coinsurance	YES	YES	YES
Part A deductible	YES	YES	YES
Part B deductible	YES	NO	NO
Part B excess charge	YES	YES	NO
Foreign travel exchange (up to plan limits)	YES	YES	YES

Plan N is very similar to Plan G; both require seniors to pay the annual Part B deductible. Where Plan N differs with Plan G is that seniors are responsible for a co-pay when they are admitted to the emergency room and a co-insurance co-pay when they see their doctor. The difference in premiums between Plan G and Plan N can be anywhere from $15- $30 or more a month, for an annual savings of $180-$360 with Plan N. On average; Plan N also has lower rate increases — and even more savings — when compared to Plan F.

WHAT ABOUT EXCESS CHARGES?

One feature of Plan N that makes it hard to sell is explaining what "excess charges" are. Excess charges are what a health care provider charges beyond what Medicare will pay. Providers who accept Medicare's payment in its entirety are known as providers who "accept assignment." About 5% of U.S. providers are not willing to accept assignment, and instead, charge more than what Medicare pays. Many seniors never come across these providers at all, because these doctors:

- Are limited to a 9.25% cap they're able to charge beyond what Medicare will pay.
- Must direct bill the client, which may require hiring extra collections personnel.
- Forfeit quicker payments from Medicare because providers that accept assignment get priority.

These hassles make it easier for providers to accept assignment, explaining why most seniors rarely encounter "excess charges." But there is that possibility, so the easiest way to navigate that hurdle is to advise clients to visit Medicare's website www.medicare.gov/physiciancompare/search.html and click on the additional search options to find doctors who accept assignment.

In some states, seniors don't have to worry about the possibility of excess charges all at. **Ohio**, **Minnesota**, **Vermont**, **Connecticut**, **Rhode Island**, **Pennsylvania**, and **Massachusetts** have all outlawed the practice, so a Plan N might make even more sense in these states.

PLAN F IS GOING AWAY IN 2020

In April 2015, Congress passed legislation to fix several Medicare issues, mostly known as the "doc-fix" bill. This legislation forbids insurance companies from selling Plan F starting in the year 2020. The theory was that seniors who had first-dollar coverage plans would abuse the benefits without having cost-share measures to restrict unwarranted trips to the doctor for small inflictions like a headache or the flu.

There are two schools of thought when it comes to informing Medicare clients of this change. One approach is to inform clients of the pending change coming in 2020, noting that they can keep Plan F if they want, but there may be potential rate increases on closed-off books of business without new people joining the plan. The other school of thought is that bringing up this legislation may be considered scaremongering, especially if it's used to entice seniors to change Medicare plans.

Agents have to tread a fine line when informing seniors of their choices. Because insurance companies aren't entirely transparent on how they calculate rate increases, we can't say for sure whether this change will raise rates or not. The additional benefits of changing from Plan F to Plan G or N are usually apparent, so those should be the main selling points for an agent. Since Plans G and N typically see lower rate increases than Plan F, doubling down on potential "closed book of business" increases won't add any value beyond the usual lower rate increases those plans already enjoy — at least not in the eyes of consumers who don't specialize in Medicare and can't quantify rate increases beyond the fact that they happen.