

## MEDICARE PART D AND MEDIGAP: Medigap Policies with Prescription Drug Coverage (H, I, J)

### I. Introduction

- New Medigap policies H, I and J with prescription drug coverage cannot be sold or issued as of January 1, 2006.
- Medigap policies in effect as of December 31, 2005 may not be renewed *except* under two conditions:
  - Condition #1: A Medigap H, I, or J policy can only be renewed if it is modified to *remove* the prescription drug coverage.
  - Condition # 2: A beneficiary who keeps a H, I, or J Medigap policy *with* prescription drug coverage cannot enroll in a Medicare Part D plan.

### II. Options for Beneficiaries

Condition #1: A Medigap H, I, or J policy can only be renewed if it is modified to *remove* the prescription drug coverage.

A. What are the consequences of this decision?

The beneficiary has two choices:

- The beneficiary may choose to *keep* the H, I, or J Medigap policy as modified to exclude prescription drug coverage.
- The beneficiary may choose to *cancel* the H, I or J policy as modified to exclude prescription drug coverage. The beneficiary will have guaranteed issue rights for 63 days to enroll in a policy A, B, C, F, K or L that is issued by the same company that had issued the H, I, or J policy.

B. What factors might influence the beneficiary's decision?

Several factors may influence the beneficiary's decision to remain in the modified H, I, or J policy or to switch to another policy with guaranteed issue rights?

- A Medigap policy H, I, or J as modified to eliminate prescription drug coverage is similar to a C policy *except* that:

- A C policy does not cover Part B "excess charges" by a provider that does not accept assignment, as do policies I and J.
- A C policy does not cover up to \$120 worth of preventive benefits that Medicare does not cover if a doctor orders them, such as an annual physical exam or an eye exam, as does policy J.
- A Medigap policy H, I, or J as modified to eliminate prescription drug coverage is similar to a F policy *except* that:
  - Policy F does not cover at home recovery (up to 40 visits per year, covered at no more than \$40 per visit, or \$1,600 per year for home care services, such as homemaker services, that do not meet the Medicare home health criteria *after* a beneficiary has used, but no longer qualifies for Medicare-covered home health care), as is covered by policies I and J.
  - Policy F does not cover the cost-sharing associated with Medicare preventive benefits (after the beneficiary pays the annual Medicare [Part B deductible](#)), and does not cover up to \$120 worth of preventive benefits that Medicare does not cover if a doctor orders them, such as an annual physical exam. Both types of preventive benefits are covered by a policy J.
  - Policy F *does* cover the Medicare Part B deductible.
- Two other Medigap policies that insurance companies are not required to offer to beneficiaries leaving modified H, I, or J policies, but that might be issued by insurers to their customers are policies D and G.
  - Policy D:
    - Does *not* cover the Medicare Part B deductible as does policy J.
    - Does *not* cover "excess" Part B charges as do policies I and J.
    - *Does* cover at home recovery as do Medigap policies I and J.
  - Policy G:
    - Does *not* cover the Medicare Part B deductible or the extra preventive services that policy J covers.

Condition # 2: A beneficiary who keeps a H, I, or J Medigap policy *with* prescription drug coverage does *not* enroll in a Medicare Part D plan.

A. What are the consequences of this decision?

- The beneficiary would have a Medigap H, I, or J policy *with* prescription drug coverage after January 1, 2006, but would not enroll in a Medicare Part D plan for 2006.
- The beneficiary's prescription drug coverage would not be as extensive as the benefits offered by a standard Part D plan because the Medigap H, I, or J prescription drug benefit is capped and does not have the catastrophic benefit that Part D plans must offer to their enrollees.
- If a beneficiary who retains a Medigap H, I, or J Medigap policy *with* prescription drug coverage after January 1, 2006 decides at a later time to [enroll](#) in a Medicare Part D plan, s/he would have a [late enrollment penalty](#) and could not enroll in a Part D plan until the next Annual Enrollment Period for the following year.
  - Medigap policies H, I, or J are not "[creditable coverage](#)," and therefore a beneficiary would not have a special enrollment period to join a Part D plan.

**Source:** Section 104 (a)(1) of the Medicare Modernization Act, creating Section 1882(v) of the Social Security Act.