

INSURANCE INFORMATION FOR SENIORS



Working to serve the insurance education needs
of Kentucky's senior citizens

Other publications

Several publications of interest to older adults are available. You can get free copies of the *Long-Term Care Insurance Guide*, *Medicare Supplement Guide*, *Auto and Home Insurance Guide* and other publications by calling **800-595-6053** (in Kentucky) or **502-564-3630** (out of state) or the TDD line (for the deaf/hard-of-hearing) 800-648-6056. You also can view or order these publications under Publications at the Department of Insurance website — <http://insurance.ky.gov/>.



A Medigap Primer

Medicare is a federal health insurance program for people age 65 or older, younger people with disabilities and people with end-stage renal disease (permanent kidney failure requiring dialysis or transplant). Medigap insurance is designed to supplement Medicare's benefits and is regulated by federal and state law.

Medigap must be clearly identified as Medicare supplement insurance and it must provide specific benefits that help fill gaps in Medicare coverage. Other kinds of insurance may help with out-of-pocket health care costs, but they do not qualify as Medigap plans.

Standard Medigap Plans

To make it easier for consumers to comparison shop for Medigap insurance, Kentucky limits the number of different Medigap policies that can be sold to no more than 11 standard Medigap plans, including one with a high deductible option (High Deductible Plan F).

They have letter designations ranging from "A" through "N." Plan A is the "basic" benefit package. The other plans include the basic package plus a different combination of additional benefits. Each plan covers specific expenses either not covered or not fully covered by Medicare. Insurance companies are not permitted to change the benefits or the letter designations of any plan.

Medigap insurers must make at least Plan A available and if they sell more than Plan A, must also make either Plan C or Plan F available. Insurers can decide which of the optional plans they will sell as long as the plans they select have been approved for sale in Kentucky by the Kentucky Department of Insurance.

Some Medigap insurers also offer plans that utilize a provider network, referred to as Medicare Select plans. These plans must meet the same requirements as the standardized plans; however, they often have cheaper premiums because of the restricted network provisions.

Medigap Premiums

Medicare supplement policies sold after January 1992 are standardized. There are no benefit differences in these standard plans among insurance carriers. (Benefits in plans issued prior to 1992 may differ somewhat from company to company.)

Types of private health insurance that supplement Medicare

If you decide you need more insurance, there are private insurance policies available to help pay health care expenses not paid by Medicare. The basic types of coverage include:

1. Medigap policies that pay when Medicare does not fully pay for a covered service or that pay for services not covered by Medicare.
2. Managed-care plans such as a Health Maintenance Organization (HMO).
3. Nursing home, long-term care or home health care policies that pay cash amounts for each day of covered nursing home or at-home care.
4. Hospital indemnity policies that pay cash amounts for each day of in-patient hospital services.
5. Specified disease policies that pay only if you need treatment for the insured disease, such as cancer, heart disease, etc.

Although the benefits are identical for standardized Medigap plans, the premiums may vary greatly from one company to another and from area to area.

Insurance companies use three different methods to calculate premiums: **issue age**, **attained age**, and **community rating**.

If your company uses the **issue age** method, your premium will not increase due to aging. If it uses the **attained age** method, your premium will automatically increase as you age. Under the **community rating** method, everyone pays the same premium regardless of age. Insurers may file for rate increases with any of these rating methods. All rates and rate increases must be approved by the Kentucky Department of Insurance before they may be used by your insurer.

Guaranteed Renewable

All standard Medigap policies are guaranteed renewable. This means that the insurance company cannot refuse to renew your policy unless you do not pay the premiums or you made material misrepresentations on your application.

What Medigap Plans Cover

Medigap policies pay most, if not all, Medicare co-insurance amounts, and may provide coverage for Medicare's deductibles. Some plans pay for services not covered by Medicare such as emergency medical care while traveling outside the United States and health care provider charges that are in excess of Medicare's approved amount.

An important point to remember: providers (physicians, medical suppliers) may not always file claims on Medicare supplement insurance. It is your responsibility to make sure the claims are filed.

For information about Medicare Advantage plans (Medicare Part C) and Medicare Prescription Drug plans (Medicare Part D), call 800-MEDICARE (800-633-4227) or go online to www.medicare.gov.

Tips for buying Medigap

1. When applying during your open enrollment or guaranteed issue period you are not required to answer any health questions (including tobacco use, height or weight) and the insurance company is required to provide you the best available rate.
2. When replacing an existing policy:
 - Do not cancel the old one until the new one is in force.
 - Be sure to state in the application that you are replacing your old policy. (It is illegal for an insurer to sell a consumer more than one Medicare supplement policy.)
3. When you are outside an open enrollment or guaranteed issue period, be sure to answer all health questions accurately.
4. Individuals who qualify for a Medigap plan under the age of 65 are not provided an open enrollment period until turning 65. Insurers must make plans available upon request for those individuals to apply; however, you may be underwritten or even denied. Under certain circumstances (i.e. loss of employer group coverage or Medicare Advantage plan discontinuance), individuals under 65 may qualify for a 63-day guaranteed issue period.
5. An insurance company can't make you wait for coverage to start, but in some cases, the insurance company can refuse to cover your out-of-pocket costs for pre-existing conditions for up to six months. This is called a pre-existing condition waiting period.
6. Remember that once you receive your policy, you have a 30-day "free-look" period during which you can return the policy for a full refund.
7. When you purchase your policy from an insurance agent, get addresses and telephone numbers for the agent and the company.
8. When you purchase a Medicare supplement policy, always use a check made payable to the insurance company:
 - Do not make the check payable to the insurance agent.
 - Do not pay with cash.

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Long-Term Care Insurance

Long-term care insurance is a form of health insurance that provides coverage, for at least a year or longer, for nursing home and/or home health care. There are also short-term nursing home and/or home health care policies that provide benefits for less than twelve months.

Purchasing long-term care insurance may not be a good idea if:

- You can't afford the premiums now or in the future
- You have limited assets
- Your only source of income is a Social Security benefit or Supplemental Security Income (SSI)
- You often have trouble paying for utilities, food, medicine, or other important needs

You should CONSIDER buying long-term care insurance if:

- You have significant assets and income
- You want to protect some of your assets and income
- You want to pay for your own care
- You want to stay independent of the support of others

Some important points:

1. Long-term care policies sold today cannot require prior hospitalization or a higher level of institutional care before providing nursing home benefits.
2. The policy must provide a 30-day "free-look" provision.
3. A policy issued to an individual must be either guaranteed renewable or non-cancellable:
 - *Guaranteed renewable* means the insurer may not terminate your coverage except for fraud or failure to pay premiums. However, the insurer may increase your premiums after obtaining approval from the Department of Insurance.
 - *Non-cancellable* means the insurer may not terminate your coverage except for your failure to pay premiums or fraud, and the insurer may not increase your premiums beyond those specified in your policy.
4. Long-term care policies cannot be canceled or terminated because of age or deterioration of health.
5. A final note: be sure the company you're dealing with is financially secure.



The Kentucky Long-Term Care Partnership Insurance Program

Effective June 5, 2009, the Kentucky Long-Term Care Partnership program was established. The Partnership program is an agreement between state government and private insurance companies to assist individuals in planning their long-term care needs. Under this program, long-term care partnership insurance policies may be issued to provide an incentive for an individual to insure against the cost of providing for long-term care needs without depleting all of the individual's assets and assist in reducing the financial burden on the Kentucky Medicaid Program

For tips on checking out a company, read the Department of Insurance publication *Your Insurance Company's Financial Strength & You* online at the Department of Insurance website <http://insurance.ky.gov/> under Publications.

A detailed buying guide - the *Long-Term Care Insurance Guide* - is also available from the Department of Insurance and online.

For more information on the partnership program, please review the publication, *Long-Term Care Insurance Partnership Program Frequently Asked Questions*.

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Life Settlements

A *life settlement* is the sale of a life insurance policy to a third party. The owner of the life insurance policy sells it for less than the full amount of the death benefit. The buyer becomes the new owner and/or beneficiary, pays all future premiums and collects the death benefit when the insured dies.

People decide to sell their policies for many reasons. A settlement may or may not be the right choice for you.



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