

AARP

Medigap or Medicare Advantage?

People often confuse the two plans, but their differences are great. Here's what you need to know

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Medicare Advantage plan? I've heard both described as insurance that is "supplemental" to Medicare. Q. What's the difference between a medigap plan and a Medicare Advantage Plan?

A. There are very big differences between these two types of insurance, although both are options for people with Medicare. Technically, only medigap counts as "Medicare supplemental insurance" — in fact, that's its formal name — but Medicare Advantage plans may provide some extra benefits that could be considered as supplementing Medicare.

Medigap can be used only by people enrolled in traditional Medicare. It is not a government-run program, but private insurance you can purchase to cover some or most of your out-of-pocket expenses in traditional Medicare. These may include Part B costs, like the 20 percent you'd otherwise pay for physician visits and other outpatient services, the Part A hospital deductible (\$1,216 in 2014 for each hospital benefit period), most of the cost of medical emergencies abroad and certain other outlays, depending on which kind of policy you choose. Each of the 10 types of medigap policies is standardized by law — meaning the benefits of each are the same, regardless of which insurer sells it. But insurers still charge widely different premiums, so it pays to shop around.

Medicare Advantage comprises a variety of private health plans — most often HMOs and PPOs — that Medicare offers as a coverage alternative to the traditional program. Every plan must cover all the same benefits that traditional Medicare covers. But the plans can charge different copayments (often lower than the traditional program but not always) and offer extra benefits. Most charge a monthly premium in addition to the Part B premium, but some don't. Most include prescription drug coverage at no additional

cost. Some cover routine hearing and vision services, usually as a separate package for an additional premium. All plans, by law, have annual limits on out-of-pocket costs. Another difference from the traditional program is that most plans require you to go to doctors and other providers within their service network or pay higher copays for going out of network.

Note: If you enroll in a Medicare Advantage health plan you cannot use a medigap policy to cover your out-of-pocket expenses; and it's illegal for an insurance company to sell you a medigap policy if you're enrolled in a Medicare Advantage plan. If you stay in traditional Medicare, you would need to join a separate Part D plan to get prescription drug coverage and pay an extra premium for it. And medigap does not cover out-of-pocket drug expenses.

Comparing and choosing plans

When deciding whether to buy a medigap policy to cover expenses in traditional Medicare or enroll in a Medicare Advantage plan, it's important to look at the details of each plan available to you in order to find the one that best suits your needs and pocketbook. Medicare has online programs to help you make these comparisons.

Medigap policies: Visit the [Medigap Policy finder](#) at the [Medicare website](#).

Enter your ZIP code and follow the instructions. You will see a chart showing all the policies (each labeled with a different letter of the alphabet) available in your area. Clicking on "View Details" for each policy brings up full information for that policy. To see which insurers sell the policy, click on "View All Companies" on the right hand side of the details page. This provides contact information for the companies. You will need to contact them for a premium quote.

- If you have Medicare because of disability: Medigap policies are not always available to [beneficiaries under age 65](#). To see the situation in your own area, click on the link marked "Medigap policies available to people under age 65" at the top of the chart that lists all policies. If any appear, click on those for details and then click on "View All Companies." Unless state laws forbid it, Medigap insurers can charge higher premiums based on your past and current health conditions. But when you turn 65, you get federal protections—meaning you cannot be denied coverage or charged more due to health issues, wherever you live—provided that you buy a policy within six months of your 65th birthday.

Medicare Advantage plans: Visit the [Medicare Plan finder](#) at the [Medicare website](#).

Enter your ZIP code and follow the instructions. Eventually you will see a list of about 10 health plans. To see the full list of plans available in your area, click on "View 20" or "View 50" at the top of the list. This page provides broad information such as premiums and whether prescription drugs are covered. To see details of each plan's costs and benefits, click on the name of the plan.

- If you have Medicare because of disability: Medicare Advantage plans are all available to beneficiaries under age 65, regardless of past and present health

conditions, with one exception. You cannot enroll in any of these plans if you already have end-stage renal disease, defined as needing regular dialysis or a kidney transplant, but you can still receive care under the traditional Medicare program.