



# Medicare Supplements & *How to Sell Them*



Medicare Supplement plans, also known as Medigap, supplement the coverage of policyholders enrolled in the federal Medicare Part A and B programs.

These plans are sold by private insurance companies and cover some of the things Medicare Parts A and B don't cover like copays, deductibles and coinsurance.

Policyholders with Medicare Parts A and B are typically also enrolled in a Medicare Part D prescription drug plan. Keep in mind that it is illegal for a beneficiary to be enrolled in both a Medicare Part C Medicare Advantage plan and a Medicare Supplement plan.

Selling Medicare Supplements is relatively easy. Most carriers offer e-applications, giving you the opportunity to work over the phone if doing so compliantly. Certifications are not required to sell and selling year-round is possible as there is no special sign-up period.

All Medicare Supplement plans are guaranteed renewable, meaning that as long as clients continue to pay the premium, they can stay in their plan.

Services not covered by Medicare Supplements include prescription drug plans, routine dental, vision, and hearing services, custodial long-term care, life insurance, and annuities. Licensed agents can sell additional, privately sold plans available to Medicare Supplement enrollees to help them pay for services not covered by Medicare Supplements.

Plans with the same letter offer the same benefits from carrier to carrier. Plans with different letters offer different benefits.



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## Medicare Advantage vs. Medicare Supplements

Medicare Advantage is another alternative to Original Medicare coverage but they aren't always the best option for Medicare-eligibles. Purchasing a Medicare Supplement to fill in the gaps alongside Original Medicare enrollment could make more sense depending on location, financial situation, hobbies, and so on.

There are set service areas, the plans are not standardized, they can include prescription drug coverage, and beneficiaries' providers may be restricted by a network. There are strict enrollment periods for Medicare Advantage and the industry is heavily regulated by the federal government.

While Medicare Advantage plans typically offer extra benefits and services, Medicare Supplement plans are meant to supplement Original Medicare coverage. There are no set service areas, plans are standardized for most states, they do not include prescription drug coverage, and beneficiaries can enroll in plans year-round. Beneficiaries are typically able to see any Medicare provider nationwide.

Both options have monthly premiums (not including \$0-premium Medicare Advantage plans), both have the potential for deductibles, and with both, the enrollee will need to pay Part B premium. Oftentimes the deciding factor between the two options is the client's ability to pay Medicare Supplement premiums.

## How does licensing work?

You must earn your health insurance license and possess errors and omissions (E&O) insurance to sell Medicare Supplements. Requirements for licensing vary by state, and that information can be found on each state's Department of Insurance websites.

## What is underwriting?

Underwriting consists of the individual applying for a policy answering questions about their health. The insurance carrier then uses that information to determine how expensive a person is to cover. It's good to know if your client will be subject to underwriting, as Medicare Supplement insurance companies often use medical underwriting to determine whether to accept an application.

If you have a client who'd like to buy a plan during their Medicare Supplement Open Enrollment Period, they can buy any plan their desired company sells without having to pass underwriting. The same is true if they have a guaranteed issue right and want to buy or switch to a Plan A, B, K or L. Guaranteed issue rights vary by state. If a client wants to buy or switch to a Plan D, G, M, or N plan and is outside of their Medicare Supplement Open Enrollment Period, they'll have to pass underwriting.





## When can beneficiaries enroll in Med Supps?

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Medicare Supplement plans usually don't have an Annual Enrollment Period, however, the best time to enroll is during the beneficiary's Medicare Supplement Open Enrollment Period or another enrollment period.

A person can join any Medicare Supplement plan available to new enrollees without having to pass underwriting when they qualify for their Medicare Supplement Open Enrollment Period.

For most clients 65 and older, their six-month Medicare Supplement Open Enrollment Period generally starts the month of their Medicare Part B effective date. Individuals can typically apply for a Medicare Supplement plan a few months before they turn 65 so their Medicare Supplement and Part B effective dates match.

Successful enrollment methods include by mail, email, mobile apps, and over the phone. Be sure to check each state's policy as not all states allow Medicare Supplement sales over the phone.

Medicare Supplement policies should start on the first of the month following the one in which an individual applied. If they applied before turning 65, the policy will have an effective date on the first of their 65th birthday month. Coverage can become effective on a certain date upon client request if aiming to line up Medicare Supplement coverage with the end of their current coverage.



## How do premiums & excess charges work?

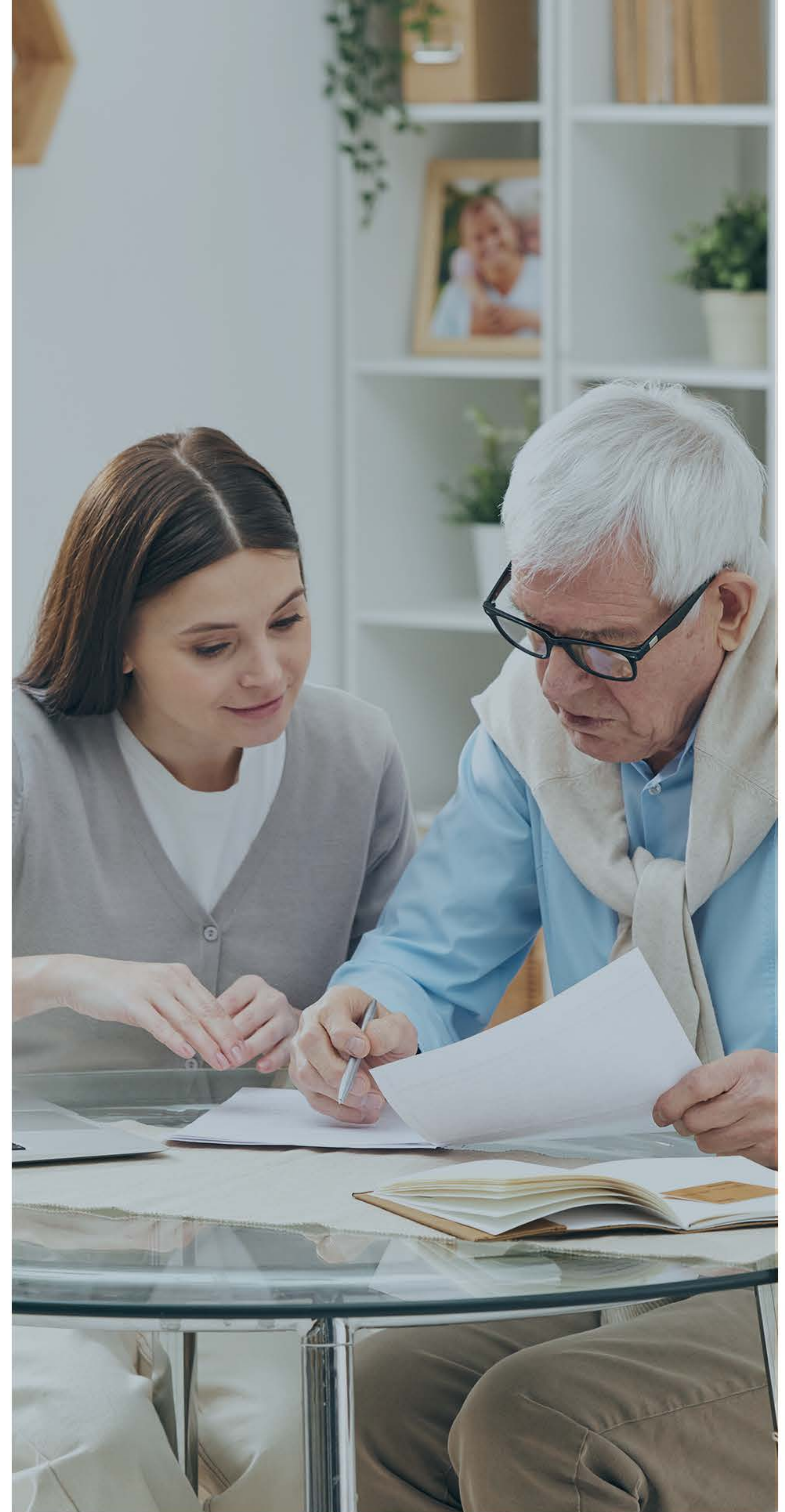
With more coverage comes higher premiums, and vice versa. Prices are set by insurance companies based on three types of ratings: the plan's community or member pool, enrollee's issue age, and enrollee's attained age. Carriers may increase premiums based on inflation and other factors, including gender, location, time of enrollment, tobacco usage, or the manner in which they pay their premiums.

As for excess charges, those vary by state. Only Plans F and G cover excess charges, which are the differences between what Medicare has established for reimbursement and the costs that a doctor who doesn't accept Medicare assignment can charge. Beneficiaries won't incur excess charges if they only receive care from doctors who accept Medicare assignment. Pennsylvania, Vermont, New York, Massachusetts, Rhode Island, Ohio, Minnesota, and Connecticut prohibit doctors from charging more than the Medicare-assigned rate.

## What are the compliance regulations for Med Supps?

**Compliance is incredibly important as Medicare Supplement sales are generally less regulated than Medicare Advantage and Part D sales, and are subject to regulations decided by individual states and insurance plans.**

A few rules to follow upon introducing Medicare Supplements into the conversation. You must intend to sell a client a Medicare Supplement plan when telling them you'll find them a Medicare Supplement plan. It can't be a tool to discuss Medicare Advantage and Prescription Drug Plans. Your client must bring up Medicare Advantage and Prescription Drug Plan products and declare they want more



information. After a Scope of Appointment is signed, you may then discuss. Unlike with Medicare Advantage and Prescription Drug Plans, you may cold call and knock on doors to try to get leads for Medicare Supplements for many carriers in most states.

It is illegal to sell someone a Medicare Supplement policy if they have a Medicare Advantage plan. The only situation where it could be permitted is if there would be no overlap in the Medicare Advantage and Medicare Supplement coverage.

At all times you must stay compliant with HIPAA (the Health Insurance Portability and Accountability Act of 1996).



## How can I market myself?

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Increasing visibility is an effective way to gain new clients. Think about your personal branding instead of self-promotion and try to partner with local organizations to host educational events that serve your demographic.

Networking is a great tool and can take many different forms: Community events, workshops, trade shows, educational seminars, mixers, open houses.

Advertising allows you to target specific demographics across many platforms, including digital ads, print ads, television ads, and radio ads. Consider your demographics across social media and make sure your branding is present on each platform and your website. Some options that must be handled compliantly are through referrals, cold calling, and going door to door.

When contacting through the phone, make sure you have a plan in place. It's important to know about each plan you'll offer and also to answer the basics when asked, even if it's "what is a medicare supplement?"

Since you have a small window to build trust with a caller, introduce yourself first, let them know why you're calling, and make sure it's OK to speak with them. It's alright to have a script (and to tweak that script over time), but don't sound like you're reading from one.

Partnering with an FMO like Senior Market Advisors is another great option to increase your business. An FMO (Field Marketing Organization) is an entity that recruits agents to contract with carriers.

Senior Market Advisors can provide training, sales tools, sales support, leads, marketing, partnerships and other perks like exclusive contracts, competitive commissions, and sales incentives.

“Partnering with an FMO like **Senior Market Advisors** is another great option to increase your business.”





## How do I pick the right plan?

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It's important you are picking the right plan for your client based on their individual needs and wants. Make sure the plans you recommend have competitive premiums, underwriting that your client can pass, and any additional features your client wants. At the end of the day, the carrier should be one that you and your client trust and also have a stable financial background.

## Available Med Supp plans & which clients they might be best for:

### Plan A

Plan A offers the least coverage of any Medicare Supplement, but it does pay 100% of select benefit it covers. It's good for clients who aren't travelers, are residents of states that don't allow excess charges, want a lower premium, and aren't as concerned about out-of-pocket costs if hospitalized. Plan A does not cover Part A or B deductible, Part B excess charges, skilled nursing facility care coinsurance, or the foreign travel benefit.

### Plan B

Plan B offers the second least coverage of any Medicare Supplement, but it does pay 100% of select benefits it covers (includes Part A deductible). The plan does not cover Part B deductible, Part B excess charges, foreign travel benefit, or skilled nursing facility care coinsurance. Plan B is good for clients who reside in states that don't allow excess charges, want a lower premium and are concerned about out-of-pocket costs if hospitalized, and aren't travelers.

### Plan C

Plan C offers the second-most comprehensive coverage a Medicare Supplement can provide to those eligible for Medicare before January 1, 2020. It's for people who visit the doctor semi-frequently, may travel outside the U.S. (pays 80% of foreign travel exchange), and reside in states that don't allow excess charges. Plan C covers Part B deductible, but not excess charges. As of January 1, 2020, Plan C has been discontinued, however, if your client was already enrolled in Plan C, they can remain on their plan.





## Available plans (cont.)

### Plan D

Plan D offers the second most comprehensive coverage to newly eligible Medicare enrollees. It does not cover Part B deductible or excess charges (which is great if you live in a state that doesn't allow excess charges). Plan D is a good option for travelers (pays 80% of foreign travel exchange) and those concerned about future hospital visit payments.

### Plan F

Plan F offers the most comprehensive coverage a Medicare Supplement can provide to people eligible for Medicare before January 1, 2020, as the plan no longer accepts newly eligible Medicare enrollees as of January 1, 2020. It's a great option for those who visit the doctor semi-frequently, travelers (pays 80% of foreign travel exchange), and residents of states that allow excess charges (as it covers Part B deductible and excess charges).

### Plan G

Plan G offers the most comprehensive coverage to newly eligible Medicare enrollees. It covers Part B excess charges, but not the Part B deductible. Plan G is good for travelers (pays 80% of foreign travel exchange), residents of states that allow excess charges, and those concerned about paying future hospital visits.

### Plan K

Plan K is great for those who are aging into Medicare, used to having employer coverage, have out of pocket expenses, don't travel often, live in states that don't allow excess charges, are aging into Medicare, and want lower premiums. The plan pays 100% of Part A coinsurance/hospital costs and 50% of other other benefits it covers. Once the annual out of pocket limit is met (\$5,880), the plan pays 100% of covered costs for the rest of the policy year.



### Plan L

Plan L pays 100% of Part A coinsurance/hospital costs and 75% of the other benefits it covers. It's a great plan for those who want a lower premium, non-travelers, and residents of states that don't allow excess charges, as the plan does not cover Part B deductible, excess charges, or foreign travel exchange. Once the annual out of pocket limit (\$2,940) is met, the plan pays 100% of covered costs for the rest of the policy year.

### Plan M

Plan M pays 50% of the Part A deductible, 80% of foreign travel exchange, and 100% of the other benefits it covers, however, it does not cover Part B deductible or excess charges.

### Plan N

Plan N is generally 25% less expensive than Plan F. It's ideal for those who sporadically visit the doctor, residents of states that don't allow excess charges (it doesn't cover Part B deductible or excess charges), and foreign travelers (pays 80% of foreign travel exchange).



Medigap Benefits	Medigap Plans									
	A	B	C	D	F*	G*	K	L	M	N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Part B coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes***
Blood (first 3 pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A hospice care coinsurance or co-payment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled nursing facility care coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Part B deductible	No	No	Yes	No	Yes	No	No	No	No	No
Part B excess charge	No	No	No	No	Yes	Yes	No	No	No	No
Foreign travel exchange (up to plan limits)	No	No	80%	80%	80%	80%	No	No	80%	80%
Out-of-pocket limit in 2020**	N/A	N/A	N/A	N/A	N/A	N/A	\$5,880	\$2,940	N/A	N/A

\* Plans F and G also offer a high-deductible plan in some states. With this option, you must pay for Medicare-covered costs (coinsurance, copayments, and deductibles) up to the deductible amount of \$2,340 in 2020 before your policy pays anything. (Plans C and F aren't available to people who are newly eligible for Medicare on or after January 1, 2020.)

\*\* For Plans K and L, after you meet your out-of-pocket yearly limit and your yearly Part B deductible (\$198 in 2020), the Medigap plan pays 100% of covered services for the rest of the calendar year.

\*\*\* Plan N pays 100% of the Part B coinsurance, except for a copayment of up to \$20 for some office visits and up to a \$50 copayment for emergency room visits that don't result in inpatient admission.



**NOTE: Medigap policies are standardized in a different way in these three states**

- [Massachusetts](#)
- [Minnesota](#)
- [Wisconsin](#)

For more information from CMS on Medigap policies in Massachusetts, Minnesota or Wisconsin please visit the above links.

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Sometimes a client wants to change Medicare Supplement plans, either because they want to change insurance companies, want a new plan that costs less, need more or different benefits than before, or don't need all the benefits they're paying for.

Clients can change their plan if they are in their Medicare Supplement Open Enrollment Period or have a guaranteed issue right. They may also switch if they have a right through their state, they can pass underwriting, or the insurance company is willing to sell them a policy.

In order to change plans, you need to collect an application for enrollment in a new Medicare Supplement plan from the new insurance company. If the carrier accepts the application, your client has 30 days of their "free look period" to decide if they'd like to keep their coverage or return to their old plan.

The new insurance company can't exclude your client's pre-existing conditions as long as your client had their own policy for at least six months and it contains the same specific benefits as the policy they're moving to.





## 2020 Medicare Supplement Changes

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Congress passed the Medicare Access and CHIP Reauthorization Act (MACRA) in 2015, which prohibits Medicare Supplements from providing first-dollar coverage to those who become eligible for Medicare on or after January 1, 2020. Through this act, consumers are encouraged to use health care services smarter and more efficiently.

As of January 1, 2020, Medigap plans sold to new people with Medicare aren't allowed to cover the Part B deductible. Because of this, Plans C and F are not available to people new to Medicare starting on January 1, 2020.

If your clients were enrolled in Plans C or F prior to January 1st, 2020, they were grandfathered in and should not have lost their coverage. Now that Plans C and F have been discontinued, Plans D, G, and N may be good options. Without requiring underwriting, individuals are able to enroll in Plans D and G outside of their Medicare Supplement Open Enrollment Period as long as they have a guaranteed issue right.



## Who is the ideal candidate for a Med Supp plan?

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A client will qualify for any available Medicare Supplement if they have Medicare Parts A and B, do not have a Medicare Advantage plan, and are in their Medicare Supplement Open Enrollment Period.

If the client is outside their Medicare Supplement Enrollment Period and would like to enroll in a plan, they must also be healthy enough to pass underwriting. Some carriers will disqualify anyone applying for a Medicare Supplement who has certain conditions or anyone who has been hospitalized within the last few years.

Ideal clients are those who live in rural areas with limited network options, don't want to deal with copays or coinsurance, don't want to be confined in a Medicare Advantage plan's provider network, and have health issues that won't allow them to pass underwriting in the future.

Keep in mind that Medicare Supplement premiums tend to be higher than Medicare Advantage so a Med Supp policy may not be the best option for your clients with lower incomes. Many Medicare Advantage plans also offer other benefits that aren't covered by Original Medicare like dental, vision, hearing, over-the-counter benefits and more.

Clients with higher incomes and who are more interested in filling the cost gaps than extra benefits may be most suited for a Medicare Supplement plan.

The Department of Veterans Affairs (VA) strongly encourages veterans to enroll in Medicare as soon as they become eligible. Medicare Supplements can offer clients with VA benefits and Original Medicare even more protection, specifically, Original Medicare and a Medicare Supplement policy can come in handy to a veteran if their VA benefits are reduced or removed.

***Still want more information about Medicare Supplement plans?***

***Reach out to us at SMA, we'd be happy to help!***





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