



CONSORTIUM FOR CITIZENS  
WITH DISABILITIES

## **HEALTH CARE REFORM RECOMMENDATION NO. 4: EXTENDING MEDIGAP TO MEDICARE BENEFICIARIES WITH DISABILITIES OF ALL AGES**

### **ISSUE:**

Federal law discriminates against Medicare beneficiaries with disabilities who are under age 65 by denying them the same right that seniors have to guaranteed issuance of Medigap policies. Medigap provides beneficiaries with vital assistance to help pay Medicare program cost-sharing such as copayments and, in some cases, premiums and deductibles. There are no limits on out-of-pocket costs under Medicare and, therefore, supplemental insurance is critical to many beneficiaries, including Medicare beneficiaries with disabilities and end stage renal disease (ESRD) under age 65. Medicaid covers Medicare cost-sharing for dual eligibles but the lack of access to secondary insurance (i.e., Medigap) is a significant barrier for Medicare beneficiaries with disabilities and ESRD to access vital health care services.

### **RECOMMENDATION:**

Congress should pass legislation to guarantee issue of Medigap policies to all Medicare beneficiaries with disabilities and ESRD below the age of 65 to bring access to Medigap policies in line with seniors on Medicare, whether or not comprehensive health care reform is enacted this year. Medigap policies should be accessible and affordable to all Medicare beneficiaries regardless of age or health condition.

### **RATIONALE:**

People below age 65 become Medicare beneficiaries if they can no longer work due to disability and receive benefits under the Social Security Disability Income (SSDI) program, or if they require kidney dialysis due to end stage renal disease. However, these Medicare beneficiaries have no federal right to access supplemental insurance through Medigap as seniors do. The need for this supplemental insurance has been recognized by 27 states which mandate some level of Medigap access to Medicare enrollees under 65.

Most states that mandate such access to coverage make it available to *all* Medicare beneficiaries under age 65. California, Massachusetts, and Vermont bar ESRD beneficiaries from the Medigap market and Delaware only permits ESRD beneficiaries from gaining access to Medigap policies, not SSDI recipients. Recently, the Florida State

House and Senate voted unanimously to become the 28<sup>th</sup> state to guarantee issue of Medigap policies to Medicare beneficiaries below the age of 65, both SSDI and ESRD. The Florida Governor is expected to sign the bill.

Many Medicare beneficiaries under 65 have serious trouble covering Medicare copayments, premiums and deductibles. The ESRD population is particularly vulnerable to this problem as kidney dialysis produces significant and ongoing out-of-pocket costs for beneficiaries. Two thirds of seniors on Medicare wishing to limit their out-of-pocket costs purchase a Medigap policy. Others will join Medicare Advantage plans, but federal law also bars ESRD beneficiaries from joining Medicare Advantage plans. A large number of beneficiaries—36 percent—are forced to spend down their assets to become eligible for Medicaid as well as Medicare, becoming so-called “dual eligibles.” This result imposes a significant cost on state Medicaid programs and taxpayers. Only 8% of Medicare beneficiaries under age 65 have Medigap insurance coverage, compared to 28% of Medicare beneficiaries who are 65 or older (Kaiser, 1999).

A study conducted by two professors at the University of South Florida in 2009 found that, while insurance companies offering Medigap insurance generally may not discriminate based on age, health status, claims experience, receipt of health care, or medical condition, insurers differ on the plans and types of policies offered. Some insurers use rate differentials between the under- and over-65 beneficiaries. This has the potential to place the cost of Medigap insurance out-of-reach to most Medicare beneficiaries with disabilities and chronic conditions (Cabness, 2009). Another study by Abt Associates, Inc., found that extending a six-month open enrollment period to Medicare beneficiaries under age 65 would have little effect on premium levels in the Medigap market (Abt, 1998).

As such, guaranteeing access to Medigap insurance for Medicare beneficiaries under age 65 will likely be a significant saver for the federal government as these beneficiaries will have options to purchase Medigap insurance rather than spending down and relying on Medicaid to cover their Medicare cost-sharing burden. Leveling the playing field for all Medicare beneficiaries, both those above and below age 65, will meaningfully advance access to supplemental insurance coverage for people with disabilities, chronic conditions, and end stage renal disease.

**Sources:**

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