



How to Maximize your Medigap Market Share

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A refreshed look at Medigap revenue, the opportunity that exists to increase market share and the financial impact it has on healthcare organizations.



The number of Medicare enrollees will increase by approximately **15 million over the next eight years**, bringing the total number to **76 million individuals by 2029**¹.

What does that mean for healthcare finance leaders when it comes to maximizing revenue with this population? Presented here are three considerations for healthcare finance leaders as they look to expand revenue streams and tap into a growing population of insured Medigap patients.

- Differentiate Medigap patients versus Medicare Advantage patients as it relates to demographics, outcome scores and risk of bad debt
- Explore a strategic approach to maximizing Medigap market share while also helping seniors maintain Medigap insurance coverage
- Realize direct financial impact Medigap patients have on hospital revenue and other ancillary benefits

Medigap versus Medicare Advantage

With its many plans, insurance categories, eligibility and the like, it's important to have a full understanding of this diverse Medicare population.



1.

Fee-for-service plan

Original Medicare is a fee-for-service health plan managed by the federal government.

It has two parts: Part A (Hospital insurance) and Part B (Medical insurance). After the patient pays the deductible, Medicare pays its share of the Medicare-approved amount, and the patient pays their share (coinsurance). Generally, an individual can go to any doctor, health care provider, hospital or facility that is enrolled in Medicare and accepting new Medicare patients.



2.

Medigap

Medigap is Medicare Supplemental insurance that helps fill in the "gaps" in Original Medicare. Medigap plans are government standardized and are sold by private insurance companies. Although Original Medicare pays for much of the cost for covered health services, a Medigap policy helps pay the remaining costs like copayments, coinsurance and deductibles. Medigap seniors pay a monthly premium for this coverage.



3.

Medicare Replacement

Medicare Replacement, also known as Medicare Advantage, is another way to get Medicare Part A and Part B coverage. These plans are offered by Medicare-approved private companies that must follow rules set by Medicare.

In many cases, the patient will need to use health care providers who participate in the plan's network and service area for the lowest costs.

According to CSG Actuarial, LLC research, Medicare Supplement will continue to expand at a higher rate than Medicare enrollment growth through 2029, creating ample opportunities for entities relying on Medicare for revenue. Hospitals undoubtedly fall into this category.

In their 10th Annual Market Projection (2020), CSG Actuarial used the following demographic factors in evaluating the current Medicare population and comparing Medicare Supplement insureds to those with Medicare Advantage Plans¹.

- Plan Type
- Eligibility Status
- Age, Gender
- Income Level
- Area of Residence
- Health Status
- Living Arrangement

Through CSG's research, they found that the Medicare Supplement market still had a higher percentage of healthier individuals compared to the Medicare Advantage market, with 20.8% of Medicare Supplement insureds exhibiting Excellent health status and 17.3% of Medicare Advantage having Excellent status. In addition, CSG Actuarial found that Medicare Supplement plans tended to appeal to seniors with higher income on average – nearly 76% of Medicare Supplement insureds had annual incomes of \$25,000 or more whereas 57% of Medicare Advantage enrollees reported that level of income. A healthier Medigap population with higher incomes could help lessen readmissions for hospitals since factors like good nutrition, physical activity and affordability of transportation all play into it. With fewer readmissions, Medicare reimbursement for hospitals could be higher as well as improve outcome scores.

Medicare Advantage beneficiaries encounter more healthcare spending-related problems compared to their Medigap counterparts, according to the Kaiser Family Foundation issue brief, "Cost-Related Problems Are Less Common Among Beneficiaries in Traditional Medicare Than in Medicare Advantage, Mainly Due to Supplemental Coverage." KFF reported on these problems which included difficulty accessing quality care, delays in care due to affordability and problems paying their medical bills².

The results of the study showed that Medicare Supplement beneficiaries had the highest level of stability with their healthcare spending, indicating that Medigap coverage is a key component when it comes to affordable healthcare. The brief explains, "Medicare Advantage plans, like traditional Medicare, generally impose cost-sharing requirements for covered services, subject to certain limits, such as daily copayments for inpatient hospital stays or coinsurance for physician administered drugs, which means that Medicare Advantage enrollees may incur thousands of dollars in out-of-pocket costs for covered benefits before reaching their plan's maximum out-of-pocket limit³. From a hospital finance perspective, with regard to Medigap, there is no burden to the revenue cycle side in chasing money. The hospital simply bills CMS, which will automatically bill Medigap for the overage, and the bill is paid. The process is seamless and easy, creating no additional administrative burden on hospitals.

According to AHIP's most recent Medicare Supplemental Survey, the top three reasons Medigap policyholders chose Medicare supplemental insurance over Medicare Advantage were (1) greater choice of health care providers, (2) lower out-of-pocket costs and (3) it makes more frequent care more affordable⁴.

Maximizing Medigap Market Share while helping Seniors



More important now than ever, hospitals in highly competitive markets are looking for ways to differentiate themselves and gain market share. Healthcare systems are able to maximize their Medigap market share through a partnership with USA Senior Care Network (USA SCN).

Through USA SCN's one-of-a kind Medigap network, their Medigap carrier clients channel patients to contracted facilities all across the country, from rural areas to major metropolitan cities. The only thing participating hospitals are asked to do is waive the Part A deductible when one of USA SCN's clients' policyholders is admitted. There are no Part B waivers or discounts. Contracted hospitals are seeing an increase in the volume of fully-insured Medigap patients and the incremental revenue generated by those patients. A successful example includes a three-hospital system with an increase of 64.5% of Medigap policyholders in one year after contracting with USA SCN, which translated to \$7.1 million in additional inpatient revenue and \$5.2 million in outpatient revenue.

In addition to increased revenue, participating hospitals are helping to reduce cost-related issues for seniors. USA SCN has a patented process to help keep premiums affordable for patients with Medicare Supplemental Insurance. Savings from the Part A deductible waiver are applied to their 130 insurance carrier clients toward keeping a lid on future rate increases for more than 10.5 million seniors nationwide.

According to AHIP's 2021 Medicare Supplement Survey, 90% of Medicare Supplement policyholders are satisfied with their coverage, with 37% Extremely Satisfied⁴. Seniors were also asked how valuable they thought their Medicare supplement policy was considering the monthly premium they had to pay. An overwhelming 79% of those surveyed indicated the value was excellent/good which indicates a desire to maintain this level of coverage indefinitely. Seniors who purchase a Medigap policy within USA SCN network are aware that the Part A deductible savings to the insurer help keep policy premiums affordable, which is a huge enticement to move to an in-network facility.

Financial Impact of Medigap Patients



Allen Bailey & Associates, Inc., an actuarial firm based in Austin, TX, analyzed five years of claims data, claims paid from 2015 through June 2019, related to a population of policyholders for one of the nation's leading Medicare supplement insurance carriers. This particular carrier participates in USA Senior Care Network's Part A deductible waiver program in which they experience a Part A deductible savings when their policyholders have an inpatient admission at a USA SCN contracted facility. The purpose of the analysis was to assess the amount of claim dollars paid by the carrier to providers and facilities. Additionally, this claim data was utilized to calculate an estimate of claims paid by Medicare and the total amount of revenue generated for hospitals by a large population of nearly 2 million Medigap policyholders.

The findings were significant:

- Patients who experienced a hospital admission during the analysis time frame, generated additional Part A revenue (within 12 months of initial admission) approximately 8 times higher than the amount of the Part A deductible - \$1,484 in 2021.
- Patients who experienced a hospital admission during the analysis time frame, generated additional Part B revenue (within 12 months of initial admission) of over \$11,264.
- Patients who did not experience a hospital admission during the analysis time frame averaged approximately \$1,300 of Part B revenue on an annual basis.

- Over 59% of the approximate 2 million policyholders included in the analysis received a household discount on their Medicare supplement insurance premium. Depending on state and product, the household discount is available to individuals that either live with another adult or live with an individual that also has a Medicare supplement policy from the carrier. Therefore, at a minimum, 1.2 million of these policyholders live with at least one other adult. Therefore, this increases exposure to the hospital facilities' total healthcare system to approximately 2.4 million potential utilizers of the system.

Medigap beneficiaries are provided with significant incentive to utilize contracted facilities which helps to keep their Medigap coverage affordable for the future while also offering hospitals significant opportunity to generate Part A and Part B revenue well beyond the amount of the waived Part A deductible. USA Senior Care Network's innovative network, benefits everyone by managing costs, keeping Medigap premiums affordable for a growing senior population and channeling Medigap patients to participating hospitals.



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