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Health, Education, and
Human Services Division

B-284796

March 1, 2000

The Honorable John D. Dingell
Ranking Minority Member
Committee on Commerce
House of Representatives

Subject: Medigap: Premiums for Standardized Plans that Cover Prescription Drugs

Dear Mr. Dingell:

This letter is in response to your request for information on premiums for Medicare supplemental insurance (Medigap) policies that provide outpatient prescription drug coverage. Many Medicare beneficiaries purchase Medigap plans because they supplement Medicare by covering, for example, hospital deductibles and physician coinsurance amounts. Three of the 10 standard plans cover outpatient prescription drugs.[1] In 1996, 9 percent of Medicare beneficiaries obtained some prescription drug coverage through individually purchased Medigap plans.

We obtained Medigap premiums for four standard plans from insurance commissions in 38 states.[2] (See enclosure I for a description of the benefits under each plan.) The tables in enclosure II show average premiums by state and various ages for standard plans F, H, I, and J, which are generally comparable except for their prescription drug coverage. Plans H and I provide drug coverage with a $250 deductible, 50 percent coinsurance, and an annual limit of $1,250. Plan J has the same drug benefit deductible and coinsurance and an annual limit of $3,000. Premiums for plan F, the most frequently purchased plan, are presented as a comparison because it does not cover prescription drugs.

The average premiums presented in enclosure II reflect insurance company reporting practices as well as different state regulations. The insurance companies report their premiums to state insurance commissions. Some companies list different premiums that are specific to a certain type of policy. For example, a company may have different premiums for policies that use different age-rating methodologies. Premiums may also differ by characteristics of the policyholder, such gender or smoking status. Other companies may

[1] All policies sold after July 1992 are required to conform to one of 10 standard benefit packages.
[2] We requested premium information from all states. Three states, Massachusetts, Minnesota, and Wisconsin, are exempt from the standard plans because they standardized their Medigap policies prior to the establishment of plans A through J. Arizona, California, Hawaii, Idaho, Indiana, Kentucky, Maryland, and Tennessee did not publish premium information. We were unable to obtain information from New Jersey.

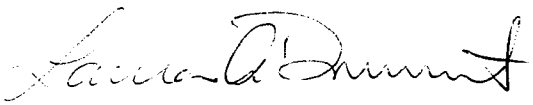
report a single sample premium for each age. States may also have regulations that affect the premiums listed. For example, some states do not allow premiums to vary based on age.

The average premiums should not be interpreted as the average prices that Medicare beneficiaries are paying for Medigap policies in a given state. Although companies may offer policies at the published premiums, the number of Medicare beneficiaries who are actually paying the premiums listed was not available from the states, so we were not able to calculate the average premiums weighted by the number of policyholders.

We did not independently verify the Medigap premium data provided by the state insurance commissions. With this exception, we performed our work in accordance with generally accepted government auditing standards.

Please call me at (202) 512-7114 if you or your staff have any questions about the information in this letter.

Sincerely yours,



Laura A. Dummit
Associate Director, Health Financing
and Public Health Issues

Enclosures-2

ENCLOSURE I

Table I.1: Standard Medigap Benefits for Plans F, H, I, AND J

Core benefits	**Plan F**	**Plan H**	**Plan I**	**Plan J**
Part A hospitalization (days 61-90)	X	X	X	X
Lifetime reserve (days 91-150)	X	X	X	X
365 Lifetime hospital days—100%	X	X	X	X
Parts A and B blood	X	X	X	X
Part B coinsurance—20%	X	X	X	X
Additional benefits				
Skilled nursing facility coinsurance (days 21-100)	X	X	X	X
Part A deductible	X	X	X	X
Part B deductible	X			X
Part B excess charges	100%		100%	100%
Foreign travel emergency	X	X	X	X
At-home recovery			X	X
Prescription drugs		X	X	X
Preventive medical care				X

Table II.1: 1999 Annual Premiums for Standard Medigap Plans F, H, I, and J for Age 65 in Selected States (In Dollars Rounded to the Nearest Dollar)

State	F	H	I	J
AK	1,173	1,529	1,572	2,163
AL[a]	1,220	1,487	1,622	2,433
AR	1,412	1,901	2,318	2,771
CO[b]	1,170	1,622	1,863	2,165
CT	1,426	2,487	2,763	2,924
DE	1,167	1,434	1,767	2,380
FL[c]	1,586	2,002	2,391	2,849
GA[d]	1,365	2,577	2,987	2,893
IA	1,034	1,364	1,481	2,269
IL	1,166	1,572	1,746	2,384
KS	1,126	1,510	1,712	2,501
LA[e]	1,429	[f]	2,135	3,694
ME[g]	1,359	2,368	2,659	2,237
MI	1,300	1,997	2,147	2,469
MO[h]	1,144	1,626	1,797	2,007
MS[i]	1,225	1,681	1,767	2,753
MT[j]	1,082	1,334	1,513	2,221
NC	1,096	1,496	1,670	2,313
ND[k]	[l]	1,459	1,647	2,185
NE[m]	1,068	1,336	1,512	2,448
NH	1,170	1,255	1,504	1,901
NM	1,199	1,691	2,102	2,274
NV[n]	1,331	1,715	1,938	2,279

[a] Alabama reports the lowest monthly premium offered by the company.
[b] Colorado rates may vary by location, age, sex, and smoking status.
[c] Florida rates are as of November 1998. Premiums are based on a policy for a 65-year-old man at the time of issue, living in Tampa
[d] Georgia premiums are for males living in the metropolitan Atlanta area and are based on the policyholder's age at the time of purchase.
[e] Only companies responding to a Louisiana Department of Insurance survey are included.
[f] No plan H premiums are listed for Louisiana.
[g] Maine premiums cannot vary based on age or sex, but can vary by smoking status.
[h] Missouri materials show statewide average annual rates for women. As of 2000, insurers can no longer sell policies with premiums that change with the policyholder's age.
[i] Mississippi reports premiums for 10 companies writing Medigap policies with the largest market share as of 12/31/1997.
[j] Montana published premiums are based on responses to a state survey. Some companies provided ranges of premiums; in those cases, the end points of the ranges were used to calculate the averages.
[k] North Dakota published premiums for 65-year-old male non-smokers.
[l] North Dakota did not provide plan F premiums.
[m] Some companies provided ranges of premiums; in those cases the end points were used to calculate the averages.
[n] Premiums listed are for individuals living in Las Vegas.

ENCLOSURE II

State	F	H	I	J
NY[o]	1,667	1,905	2,312	3,216
OH	1,165	1,573	1,755	2,566
OK[p]	1,121	1,350	1,551	2,352
OR[q]	1,100	1,428	1,576	2,293
PA	1,303	1,706	1,685	2,110
RI	1,168	1,288	1,555	1,712
SC	1,129	1,701	1,863	2,437
SD[r]	1,049	1,355	1,604	2,219
TX[s]	1,169	1,489	1,803	2,246
UT[t]	1,022	1,358	1,339	1,781
VA[u]	1,006	1,174	1,289	1,940
VT	[v]	1,857	[w]	2,694
WA[x]	1,337	1,911	2,293	2,398
WV[y]	1,252	1,392	1,941	2,237
WY	1,187	1,481	1,787	2,020

[o] Premiums are the same for all policyholders based on the area of residence.
[p] Premiums are as of March 1998; premiums are based on responses to a state survey.
[q] Some rates may be from 1998 or earlier.
[r] Only companies responding to a South Dakota Department of Social Services survey are included.
[s] Premiums are as of December 1998. Some companies provide ranges of premiums; in those cases the end points were used to calculate the averages.
[t] Premiums are from 1998.
[u] Virginia notes that not all insurers are listed in their materials.
[v] No plan F listed.
[w] No plan I listed.
[x] Washington does not allow premiums to vary based on characteristics of the policyholder.

Table II.2: 1999 Annual Premiums for Standard Medigap Plans F, H, I, and J for age 70 in Selected States (In Dollars Rounded to the Nearest Dollar)

State	F	H	I	J
AK	1,369	1,867	1,863	2,691
AL[a]	1,429	1,794	1,976	2,889
AR	1,412	1,901	2,318	2,771
CO[b]	1,359	1,853	2,101	2,448
CT	[c]	[c]	[c]	[c]
DE	1,382	1,848	2,023	2,759
FL	[d]	[d]	[d]	[d]
GA[e]	1,531	2,809	3,260	3,102
IA	1,223	1,612	1,758	2,640
IL	1,369	1,775	2,057	2,739
KS	1,307	1,716	1,998	2,802
LA[f]	1,650	[g]	2,547	3,975
ME[h]	1,359	2,368	2,659	2,237
MI	[i]	[i]	[i]	[i]
MO[j]	1,325	1,896	2,103	2,300
MS[k]	1,425	1,977	2,093	3,155
MT[l]	1,280	1,645	1,865	2,740
NC	1,276	1,532	1,836	2,418
ND	[m]	[m]	[m]	[m]
NE[n]	1,251	1,535	1,783	2,769
NH	1,357	1,544	1,805	2,281
NM	1,399	2,024	2,507	2,652
NV[o]	1,562	2,150	2,392	2,787

[a] Alabama lists the lowest monthly premium offered by the company.
[b] Colorado rates may vary by location, age, sex, and smoking status.
[c] Connecticut materials do not provide rates for a 70-year-old.
[d] Florida materials do not provide rates for a 70-year-old.
[e] Georgia premiums are for males living in the metropolitan Atlanta area and are based on the policyholder's age at the time of purchase.
[f] Only companies responding to a Louisiana Department of Insurance survey are included.
[g] No Plan H premiums are listed for Louisiana.
[h] Maine premiums cannot vary based on age or sex, but can vary by smoking status.
[i] Michigan materials do not provide rates for a 70-year-old.
[j] Missouri materials show statewide average annual rates for women. As of 2000, insurers can no longer sell policies with premiums that change with the policyholder's age.
[k] Mississippi reports premiums for 10 companies writing Medigap policies with the largest market share as of 12/31/1997.
[l] Montana published premiums are based on responses to a state survey. Some companies provided ranges of premiums; in those cases, the end points of the ranges were used to calculate the averages.
[m] North Dakota materials do not provide rates for a 70-year-old for any plans.
[n] Some companies provided ranges of premiums; in those cases the end points were used to calculate the averages.
[o] Premiums listed are for individuals living in Las Vegas.

ENCLOSURE II

State	F	H	I	J
NY[p]	1,667	1,905	2,312	3,216
OH	1,354	1,808	2,068	2,993
OK[q]	1,291	1,618	1,863	2,718
OR[r]	1,296	1,716	1,902	2,717
PA	1,514	1,916	1,685	2,410
RI	1,358	1,504	1,824	2,020
SC	1,322	2,112	2,278	3,018
SD[s]	1,230	1,614	1,921	2,638
TX[t]	1,350	1,680	2,103	2,553
UT[u]	1,112[v]	1,438[v]	1,443[v]	1,807[v]
VA[w]	1,152	1,374	1,491	2,190
VT	[x]	1,914	[y]	2,694
WA[z]	1,337	1,911	2,293	2,398
WV	[aa]	[aa]	[aa]	[aa]
WY	[bb]	[bb]	[bb]	[bb]

[p] Premiums are the same for all policyholders based on the area of residence.
[q] Premiums are as of March 1998; premiums are based on responses to a state survey.
[r] Some rates may be from 1998 or earlier.
[s] Only companies responding to a South Dakota Department of Social Services Survey are included.
[t] Premiums are as of December 1998. Some companies provide ranges of premiums; in those cases the end points were used to calculate the averages.
[u] Premiums are from 1998.
[v] Premiums are actually listed in state materials as premiums for a 69-year-old.
[w] Virginia notes that not all insurers are listed in their materials.
[x] No plan F listed.
[y] No plan I listed.
[z] Washington does not allow premiums to vary based on characteristics of the policyholder.
[aa] West Virginia materials do not provide rates for a 70-year-old.
[bb] Wyoming materials do not provide rates for a 70-year-old.

Table II.3: 1999 Annual Premiums for Standard Medigap Plans F, H, I, and J for age 75 in Selected States (In Dollars Rounded to the Nearest Dollar)

State	F	H	I	J
AK	1,594	2,366	2,271	3,504
AL	[a]	[a]	[a]	[a]
AR	1,412	1,901	2,318	2,771
CO[b]	1,532	2,049	2,334	2,732
CT	[c]	[c]	– [c]	[c]
DE	1,627	2,634	2,480	3,451
FL	[d]	[d]	[d]	[d]
GA[e]	1,698	3,028	3,535	3,181
IA	1,416	1,961	2,119	3,133
IL	1,582	2,112	2,418	3,270
KS	1,555	2,095	2,398	3,676
LA[f]	1,872	[g]	3,015	3,975
ME[h]	1,359	2,368	2,659	2,237
MI	[i]	[i]	[i]	[i]
MO[j]	1,520	2,207	2,451	2,735
MS[k]	1,657	2,379	2,546	3,757
MT[l]	1,434	1,792	2,079	3,007
NC	1,444	1,600	2,030	2,490
ND	[m]	[m]	[m]	[m]
NE	[n]	[n]	[n]	[n]
NH	1,549	1,886	2,144	2,677
NM	1,588	2,379	2,916	3,058
NV	[o]	[o]	[o]	[o]

[a] Alabama materials do not provide rates for a 75-year-old.
[b] Colorado rates may vary by location, age, sex, and smoking status.
[c] Connecticut materials do not provide rates for a 75-year-old.
[d] Florida materials do not provide rates for a 75-year-old.
[e] Georgia premiums are for males living in the metropolitan Atlanta area and are based on the policyholder's age at the time of purchase.
[f] Only companies responding to an Louisiana Department of Insurance survey are included.
[g] No plan H premiums are listed for Louisiana.
[h] Maine premiums cannot vary based on age or sex, but can vary by smoking status.
[i] Michigan materials only provide rates for a 65-year-old.
[j] Missouri materials show statewide average annual rates for women. As of 2000, insurers can no longer sell policies with premiums that change with the policyholder's age.
[k] Mississippi reports premiums for 10 companies writing Medigap policies with the largest market share as of 12/31/1997.
[l] Montana published premiums are based on responses to a state survey. Some companies provided ranges of premiums; in those cases, the end points of the ranges were used to calculate the averages.
[m] North Dakota materials do not provide rates for a 75-year-old.
[n] Nebraska materials do not provide rates for a 75-year-old.
[o] Nevada materials do not provide rates for a 75-year-old.

State	F	H	I	J
NY[p]	1,667	1,905	2,312	3,216
OH	1,567	2,151	2,483	3,583
OK[q]	1,471	1,891	2,191	3,100
OR[r]	1,486	2,141	2,288	3,332
PA	1,665	2,093	1,685	2,672
RI	1,526	1,684	2,064	2,272
SC	1,514	2,463	2,591	3,470
SD[s]	1,414	1,970	2,335	3,012
TX[t]	1,537	1,915	2,415	2,824
UT	[u]	[u]	[u]	[u]
VA[v]	1,304	1,520	1,664	2,384
VT	[w]	2,070	[x]	2,694
WA[y]	1,337	1,911	2,293	2,398
WV	[z]	[z]	[z]	[z]
WY	1,590	2,041	2,540	2,788

[p] Premiums are the same for all policyholders based on the area of residence.
[q] Premiums are as of March 1998; premiums are based on responses to a state survey.
[r] Some rates may be from 1998 or earlier.
[s] Only companies responding to a South Dakota Department of Social Services Survey are included.
[t] Premiums are as of December 1998. Some companies provide ranges of premiums; in those cases the end points were used to calculate the averages.
[u] Utah materials do not provide rates for a 75-year-old.
[v] Virginia notes that not all insurers are listed in their materials.
[w] No plan F listed.
[x] No plan I listed.
[y] Washington does not allow premiums to vary based on characteristics of the policyholder.
[z] West Virginia materials do not provide rates for a 75-year-old.

Table II.4: 1999 Annual Premiums for Standard Medigap Plans F, H, I, and J for Age 80 in Selected States (In Dollars Rounded to the Nearest Dollar)

State	F	H	I	J
AK	1,756	2,594	2,433	3,717
AL[a]	1,805	2,298	2,531	3,727
AR	1,412	1,901	2,318	2,771
CO[b]	1,697	2,234	2,535	2,944
CT	[c]			
DE	1,804	2,778	2,756	3,663
FL	[d]	[d]	[d]	[d]
GA[e]	1,874	3,325	3,844	3,421
IA	1,587	2,072	2,323	3,423
IL	1,767	2,170	2,640	3,514
KS	1,768	2,161	2,629	4,180
LA[f]	2,097	[g]	3,467	4,281
ME[h]	1,359	2,368	2,659	2,237
MI	[i]	[i]	[i]	[i]
MO[j]	1,692	2,444	2,744	3,127
MS[k]	1,827	2,379	2,687	3,619
MT[l]	1,597	1,865	2,203	3,171
NC	1,612	1,640	2,261	2,592
ND	[m]	[m]	[m]	[m]
NE[n]	1,599	1,899	2,289	3,379
NH	1,710	1,976	2,429	2,842
NM	1,763	2,740	3,315	3,348
NV	[o]	[o]	[o]	[o]

[a] Alabama lists the lowest monthly premium offered by the company.
[b] Colorado rates may vary by location, age, sex, and smoking status.
[c] Connecticut materials do not provide rates for a 80-year-old.
[d] Florida materials do not provide rates for a 80-year-old.
[e] Georgia premiums are for males living in the metropolitan Atlanta area and are based on the policyholder's age at the time of purchase.
[f] Only companies responding to an Louisiana Department of Insurance survey are included.
[g] No plan H premiums are listed for Louisiana.
[h] Maine premiums cannot vary based on age or sex, but can vary by smoking status.
[i] Michigan materials do not provide results for a 80-year-old.
[j] Missouri materials show statewide average annual rates for women. As of 2000, insurers can no longer sell policies with premiums that change with the policyholder's age.
[k] Mississippi reports premiums for 10 companies writing Medigap policies with the largest market share as of 12/31/1997.
[l] Montana published premiums are based on responses to a state survey. Some companies provide ranges of premiums; in those cases, the end points of the ranges are used to calculate the averages.
[m] North Dakota materials do not provide rates for a 80-year-old.
[n] Some companies provide ranges of premiums; in those cases the end points were used to calculate the averages.
[p] Nevada materials do not provide rates for a 80-year-old.

State	F	H	I	J
NY[q]	1,667	1,905	2,312	3,216
OH	1,743	2,317	2,759	3,807
OK[r]	1,643	2,035	2,394	3,352
OR[s]	1,623	2,280	2,453	3,543
PA	1,758	2,298	1,685	2,799
RI	1,707	1,780	2,275	2,404
SC	1,683	2,715	2,904	3,838
SD[t]	1,583	2,075	2,555	3,332
TX	[u]	[u]	[u]	[u]
UT	[v]	[v]	[v]	[v]
VA[w]	1,414	1,633	1,761	2,547
VT	[x]	[x]	[x]	[x]
WA[y]	1,337	1,911	2,293	2,398
WV	[z]	[z]	[z]	[z]
WY	[aa]	[aa]	[aa]	[aa]

[q] Premiums are the same for all policyholders based on the area of residence.
[r] Premiums are as of March 1998; premiums are based on responses to a state survey.
[s] Some rates may be from 1998 or earlier.
[t] Only companies responding to a South Dakota Department of Social Services Survey are included.
[u] Texas materials do not provide rates for a 80-year-old.
[v] Utah materials do not provide rates for a 80-year-old.
[w] Virginia notes that not all insurers are listed in their materials.
[x] Vermont materials do not provide rates for a 80-year-old.
[y] Washington does not allow premiums to vary based on characteristics of the policyholder.
[z] West Virginia materials do not provide rates for a 80-year-old.
[aa] Wyoming materials do not provide rates for a 80-year-old.

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