

Health Law Prompts Review Of Some Medigap Plans; Defining Who Gets Dependent Status

By MICHELLE ANDREWS

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Occasionally, this column answers reader questions about health insurance and how the health law affects them. Here are responses to two recent queries.



Q. How will the new health law affect Medigap policies? I'm on Medicare with a Medigap Plan F. Premiums are rising 20 percent a year. It's a real strain for me.

A. The health care overhaul doesn't make any immediate changes to Medigap policies, but it sets the stage for [potential changes](#) to Plans C and F in 2015.

[One in five Medicare beneficiaries has a Medigap policy](#) to supplement their coverage under the traditional Medicare program. The standardized policies, which are identified by letters, cover coinsurance, deductibles and services not covered by Medicare to varying degrees.

Your plan and Plan C are the most popular Medigap plans, chosen by nearly two-thirds of beneficiaries. Those are also the policies that provide significant "first dollar" coverage: they pay the deductibles for both the hospital and outpatient portions of the traditional Medicare program (Parts A and B) as well as the 20 percent coinsurance required for doctor visits, and cover other services as well. People with these supplemental plans may pay virtually nothing for medical services beyond their premiums.

And that has policymakers concerned. If people don't have to pay anything out of pocket for doctor visits and other medical care, there's no financial incentive to get only the care they really need. Studies have shown that people get less medical care when they have to make some sort of financial contribution, though they skimp on both necessary and unnecessary care.

A [2009 study](#) conducted for the Medicare Payment Advisory Commission found that medical costs for people with Medigap policies were 33 percent higher than the costs of beneficiaries without supplemental insurance.

"So the thinking has been that if you prohibit first dollar coverage and require some cost sharing when beneficiaries see a physician, it might encourage them to see the physician only when they need to," says Gretchen Jacobson, a principal policy analyst with the Program on

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Medicare Policy at the Kaiser Family Foundation. (KHN is an editorially independent program of the foundation.)

There have been a [number of proposals](#) put forward in recent years that would reduce Medigap coverage in some policies and require beneficiaries to pay more. To date, nothing has changed.

But the health care overhaul opens the door to changes in the future. Under the law, the National Association of Insurance Commissioners is required TO evaluate the benefit packages of Plans C and F with an eye toward adding nominal cost sharing by 2015.

Even if that happens, however, it's unclear whether it would affect you or other current policyholders, says Jacobson.

"The changes might only apply to new policyholders," she says.

Q. Can I cover a dependent who is not biologically mine on my health insurance? She lives under my roof, and has been for a few years.

A. It depends. Health plans aren't required to cover dependents at all, though most do so, say experts. Companies that offer dependent coverage have wide latitude in deciding how they define a dependent for the purposes of health insurance coverage.

Under the federal law known as ERISA, group health plans must cover adopted children to the same extent that they cover biological children.

The health care overhaul broadens dependent coverage rules, [permitting adult children to stay on their parents' plans](#) until they reach age 26, even if they are married and financially independent.

The law also says, however, that grandchildren do not have to be covered as dependents.

But beyond that, the question of who qualifies as a dependent is murky. State laws may mandate coverage of certain children in some plans, says Kevin Lucia, a research professor at Georgetown University's Health Policy Institute.

Self-funded plans that pay their own claims directly aren't bound by state mandates, however. Typically those plans require some sort of legal relationship between the employee and the person they want to cover, says Tom Billet, a senior consultant at benefits consultant Towers Watson.

In the case of stepchildren, for example, "In most cases, if the stepparent has adopted the child, then the child would be covered," he says. "If not, and they aren't the legal guardian, then probably not."

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