



Medicare Supplement

Southeastern Actuaries
Conference

Annual Meeting

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A Little History



Medicare

- Established 1965
 - Title XVII of the Social Security Act
 - Intended for
 - People over 65
 - People with disabilities
 - ESRD
 - SS Definition

Health Insurance	
SOCIAL SECURITY ACT	
NAME OF BENEFICIARY	Harry S. Truman
CLAIM NUMBER	488-40-6969A
SEX	M
IS ENTITLED TO	EFFECTIVE DATE
Hospital Insurance	7-1-66
Medical Insurance	7-1-66
SIGN HERE	

A Little History



Medicare

- Part A – Hospitalization
 - No Premium (for most)
 - Deductible in 2015 -- \$1,260 (first 60 days)
 - Days 61-90 – Insured pays \$315 / day
 - SNF -- \$157.50 / day
 - Always Proportional





Medicare

- Part B – Physician
 - Premium
 - \$104.90 for 2015
 - Income based since 2007
 - Increase if delay purchase
 - Deductible in 2015 -- \$147
 - Essentially 80% coverage



Medicare

- Part C – Medicare PPO
 - Balanced Budget Act 1997 – Medicare + Choice
 - Medicare Modernization Act 2003 – Medicare Advantage
 - Insurance company surrogate for Medicare
 - Government reimbursement plus premiums





Medicare

- Part D – Medicare Prescription Drug Plans
 - Medicare Modernization Act 2003
 - Stand Alone PDP (Prescription Drug Plans)
 - With Advantage – MA-PD





Medicare

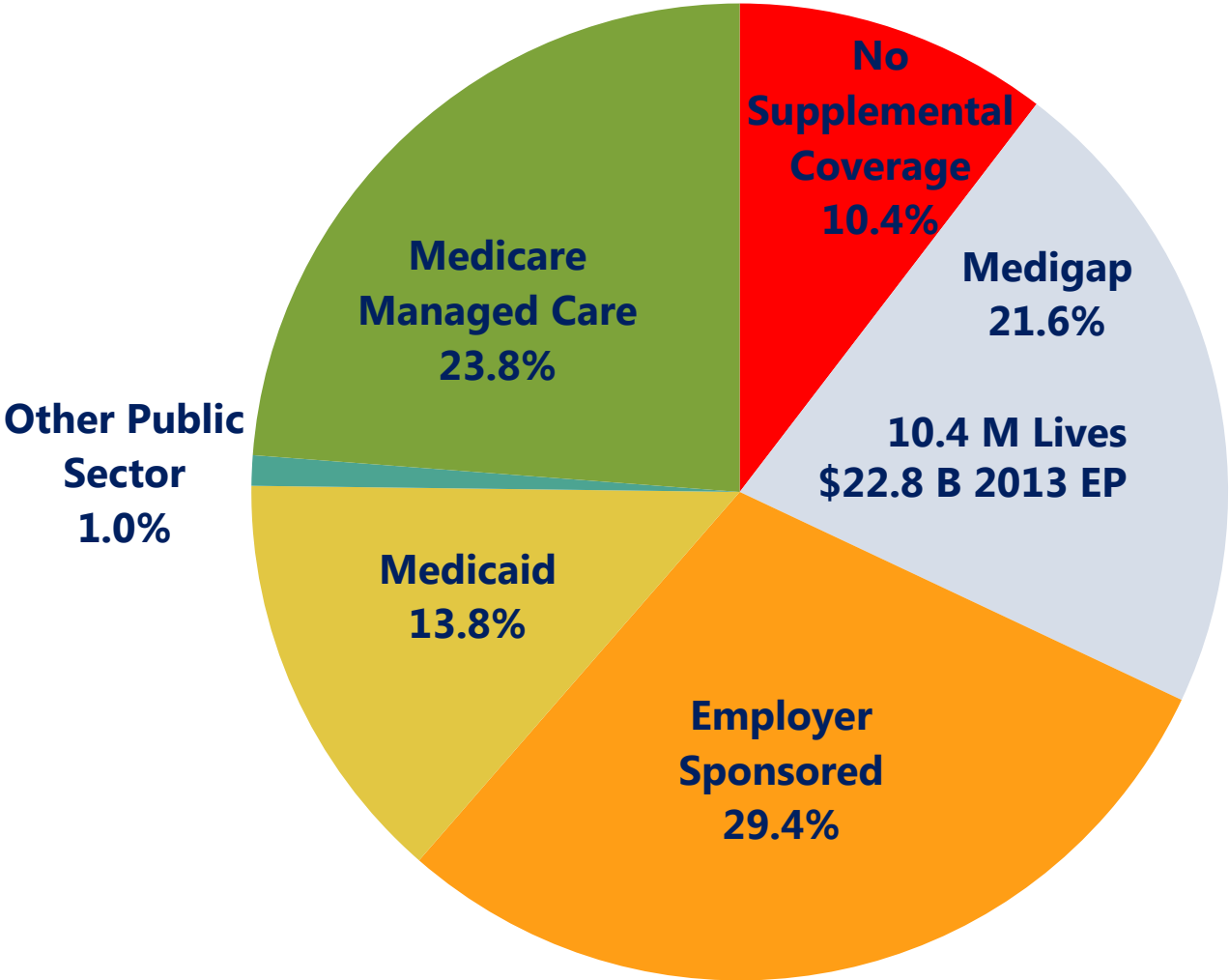
- PPACA
 - Restructures Medicare Advantage reimbursements
 - Phase in to close Part D Donut Hole
 - Adds Preventative Services to Medicare
 - Cost containment initiatives
 - Bonus to physicians in underserved areas
 - Medicare Supplement exempt



Supplemental Coverage among Medicare Beneficiaries



Medicare Current Beneficiary Survey 2010





Medicare Supplement

- Eligible with Part B enrollment
- Open Enrollment
 - Age 65 entrants or recent retirees
 - Under age 65 disabled in some states
- Guaranteed insurability
 - State by state
 - Opt out of Med Adv – 12 months
 - If Med Adv plan discontinued
- Underwriting
- Guaranteed Renewable

A Little More History



Medicare Supplement

- Pre-Standard
 - 1966 – 1992
 - Similar to any other medical coverage
 - Designed to supplement Medicare
 - Lessor or additional benefits
 - Different loss ratio standards
 - Little additional regulation
 - 2013 Earned Premium
 - \$1.345 Billion
 - 6% of Medigap Market
 - 500,000 Lives

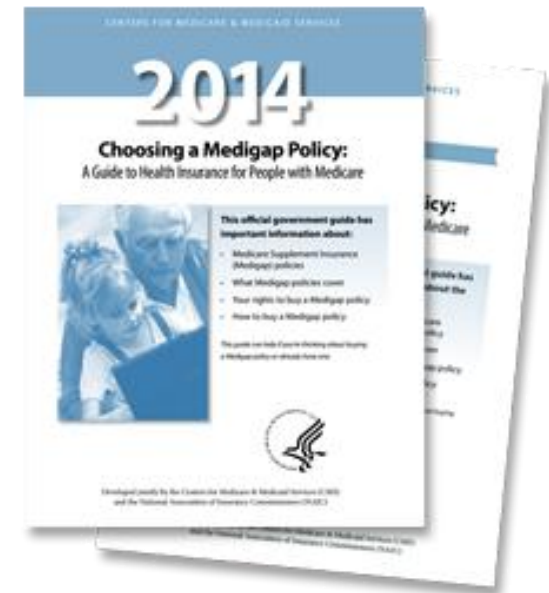


A Little More History



Medicare Supplement

- Standard
 - 1992
 - 10 Specific Plans
 - A - J
 - Waiver States – MA, MN, WI
 - 65% Minimum LR
 - Experience Refunds
 - Guaranteed Renewable
- Select (14% Inforce; 4% Sales)
 - Standard Plans (Except Plan A)
 - Part A Deductible Waived



A Little More History



Medicare Supplement

- Plan A = (Part A Coin; Part B Coin; 3 Pints Blood)
- Plan B = Plan A + (Part A deductible)
- Plan C = Plan B + (SNF; Part B Deduct; Foreign Travel)
- Plan D = Plan B + (SNF; Foreign Travel; At Home Rec)
 - Hospice added to Basic Benefits for all plans (2010)
 - At Home Recovery Eliminated (2010)
- Plan E = Plan B + (SNF; Foreign Travel; Preventative)
 - Preventative Expanded as Basic Benefit (2010)
 - Plan E eliminated as now redundant (2010)

A Little More History



Medicare Supplement

- Plan F = Plan C + (100% Excess)
- Plan G = Plan D + (80% Excess)
- Drug Plans
 - Plan H = Plan E - (Preventative) {1,250 Drug Limit}
 - Plan I = Plan G w/ (100% Excess) {1,250 Drug Limit}
 - Plan J = All Benefits {3,000 Drug Limit}
 - Part D (2005)
 - Insured's Choice to Switch or Keep
 - Alternate H, I & J created w/o Drug
 - Can keep; No new sales





Medicare Supplement

- High Deductible Plans
 - Plans F & J
 - \$2,180 Deductible 2015
 - Otherwise same benefits
- New MMA Plans
 - More Cost Sharing
 - Part A Coinsurance; Preventative
 - % of Part B Coin; Blood; Hospice; SNF; Part A Deduct
 - Plan L – 50%; \$4,940 Out of Pocket 2015
 - Plan K – 75%; \$2,470 Out of Pocket 2015



Medicare Supplement

- Modernized Plans
 - All 2010 Plans Change
 - Fresh start?
 - New Rating
 - Rate Increases
 - Plan M = Plan D – 50% Part A Deductible
 - Plan N = Plan D – \$20 per visit (\$50 ER) Part B copay
 - Most Popular Of The New Plans
 - Very Little Activity K, L, M
- Plans A, B, C, D, F, G, K, L, M, N

Experience - How Do Claims Tend To Trend?



Medicare Supplement

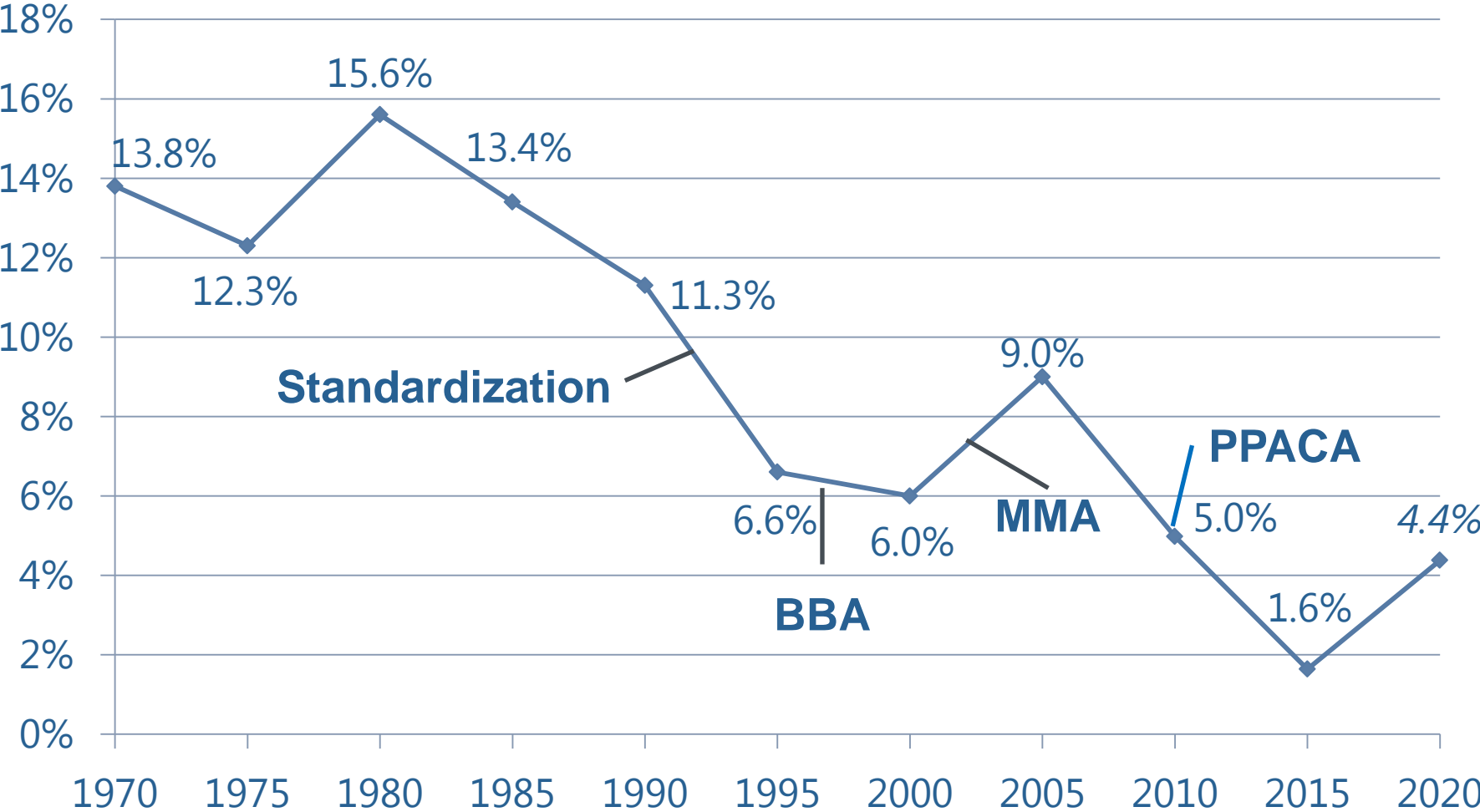
- Part A
 - Approximately 20% Of Medigap Claims
 - Vast Majority Based On Deductible &
 - Proportional Benefits
 - Consistently Averaged 3% Trend Increases
- Part B
 - Approximately 80% Of Claims
 - Very Little From Deductible
 - Mostly Proportional To Medicare



Experience – Average Medicare Part B Trends



2014 Trustees Report





NAIC Data

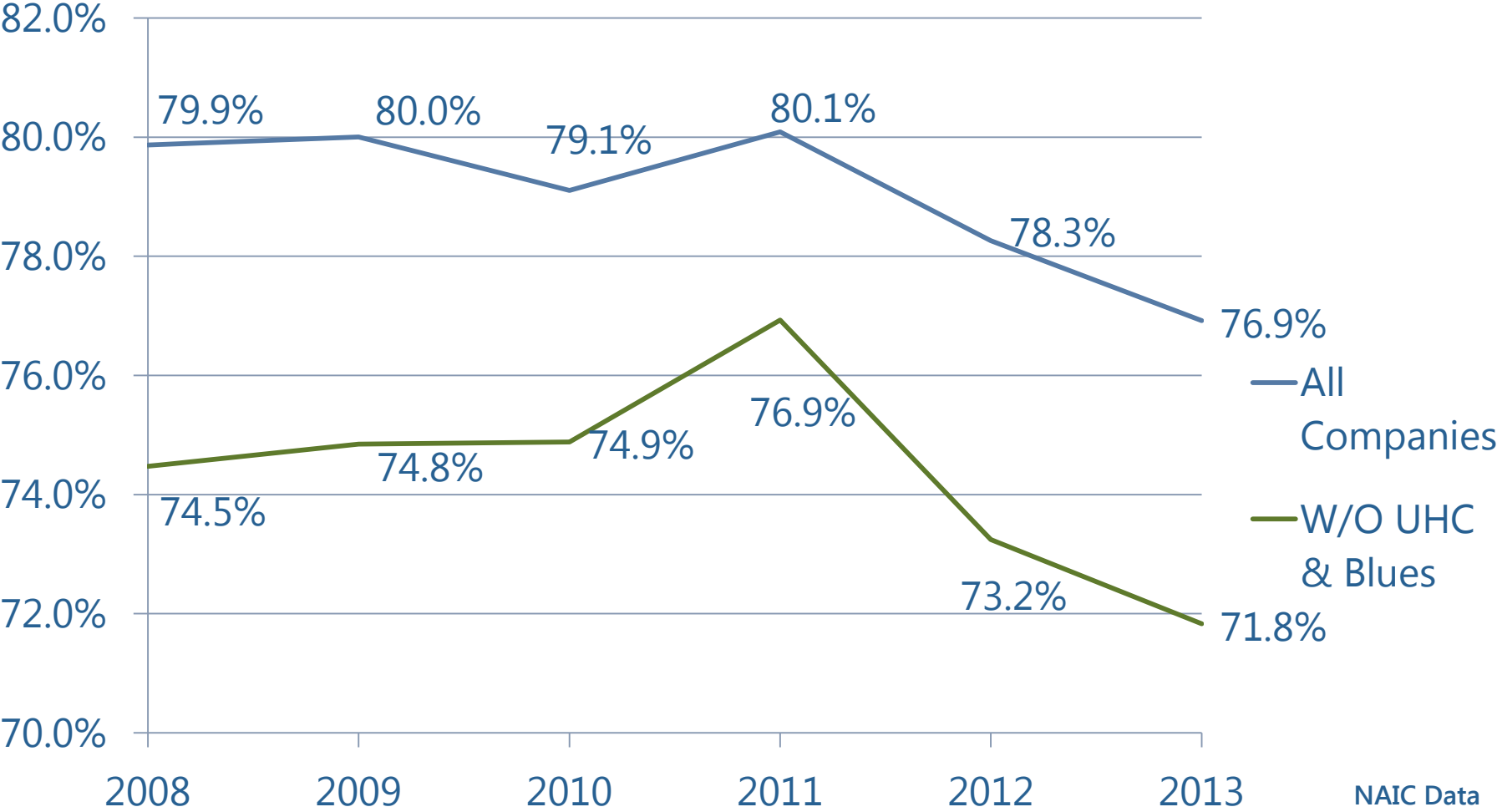
- Top Companies
 - 65% Of Market
 - UHC
 - Blues
 - Different Operations
 - Influence Results
 - MoO – 10%
- 280 Companies With Inforce Premium
- 175 Companies With Sales Last 3 Years
- 75 Companies With \$50m + Premium



Experience – Industry Loss Ratios



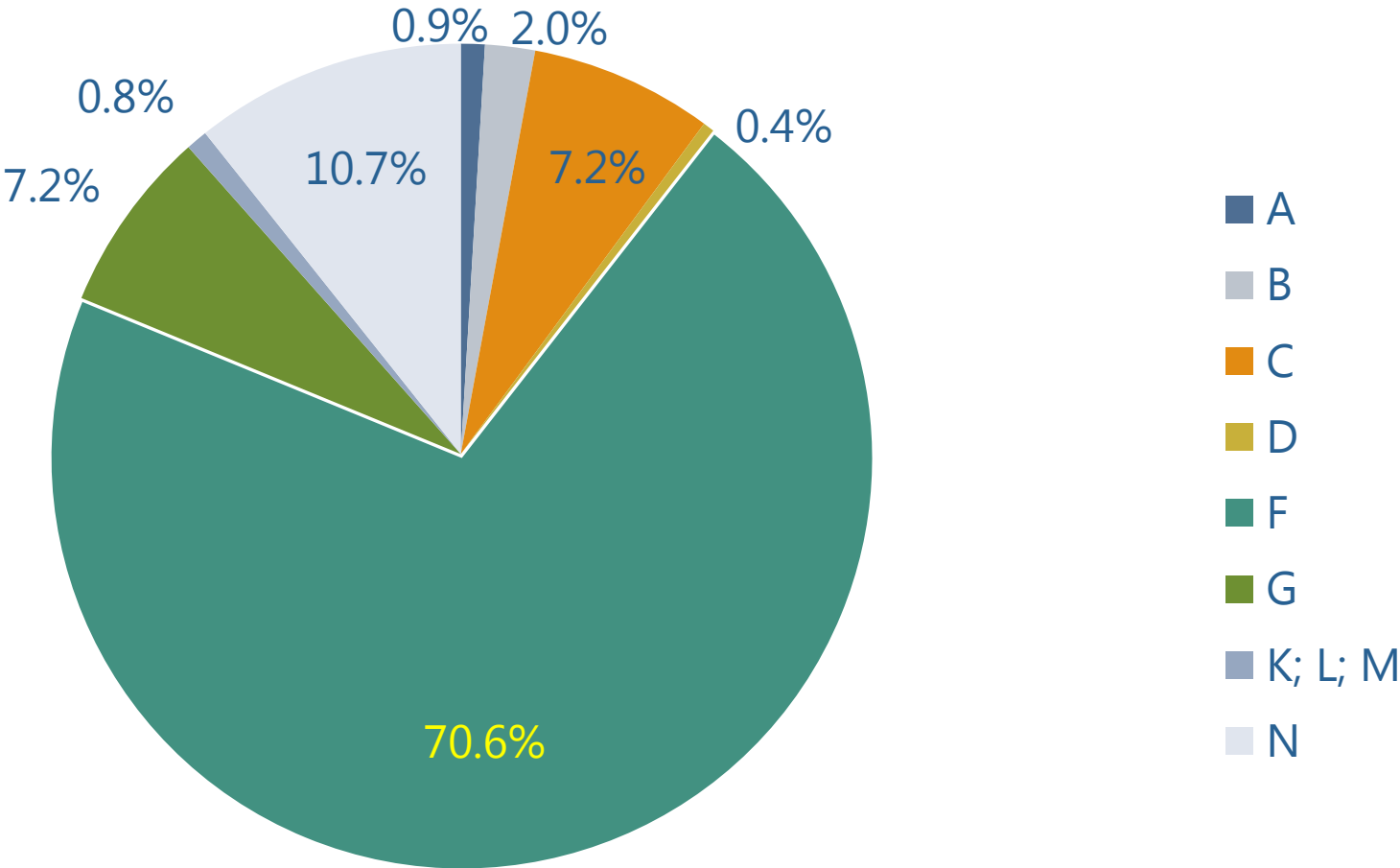
NAIC Data



Experience – Plan Distribution



NAIC Data



NAIC Data

Experience – The Survey Says



GenRe Survey

- 50 Companies Participate
 - Pricing
 - 41% Couples Discounts
 - 57% Preferred Rates
 - 80% Just Smoker
 - Refunds
 - 18 Paid refunds –
 - \$19.3m
 - Average of Six States
 - Persistency
 - 88% On Average



Medicare Supplement

- ESRD
 - 28 States Mandate
- Guaranteed Issue
 - 7 States Mandate
- PPACA
 - What Happens Now?





Medicare Supplement

- Next Revisions?
 - Medigap Creates Additional Costs for Medicare?
 - Major Overhaul or Tweaks?
 - Proposals
 - Surcharge Plans C & F
 - Single Deductible Parts A & B
 - New Beneficiaries - \$25 Higher Deductible Every Other Year





Thank You

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