

Pros and Cons of Medicare Supplements

Because there are so many options, Medicare can sometimes be confusing. But having all these options also makes Medicare great—you can choose the best type of health care coverage for your needs.

One coverage option is to add a Medicare supplement plan, called Medigap, to Original Medicare. There's no shortage of information on supplements, but it's hard to find it all in one place. So, we've condensed all you need to know about Medicare supplements into three categories:

1. Why supplements exist
2. The pros
3. The cons

Why Supplements Exist

It's a common misconception that once you sign up for Original Medicare, or Medicare Part A and Part B, all your medical expenses are covered. Though Medicare does cover 80 percent of your medical costs, 20 percent remains entirely up to you. If an unexpected illness or injury should arise, that 20 percent will add up quickly. That's why many who are eligible for Medicare choose an alternative form of coverage. Options include:

- Combining Original Medicare with a Medicare supplement plan
- Signing up for a Medicare Advantage plan
- Combining Original Medicare with a Part D prescription drug plan

There are pros and cons to each option, but for now, we'll focus on Medicare supplement plans. There are 10 different types of supplement plans available in most states, and each is labeled with a letter that indicates the category of the plan. Each plan within a letter category has to offer the same benefits, but they can vary in price. All Medicare supplement plans have similar qualities and come with the same set of pros and cons.

The Pros

Your medical costs are covered.

The main pro to a Medicare supplement is that it helps cover the 20 percent that Original Medicare doesn't cover. That means you get extra coverage to help pay out-of-pocket expenses like copayments, coinsurance and deductibles. It's important to note that this doesn't include prescription drugs, but we'll review that in the "Cons" section.

Budgeting is easy.

Another advantage to a supplement is that it makes budgeting on a monthly basis pretty easy. Each month, you know exactly what'll come out of your account. This cost remains the same no matter how many times you need medical care.

No referrals are needed.

With a supplement, you don't need a referral from a physician to see a specialist. It's entirely up to you to decide how to use and navigate health care services.

There's no network of physicians.

Supplements don't have in-network or out-of-network physicians. You can see any physician or any specialist anywhere in the country. You'll be charged the same amount every month whether you see a doctor in your hometown or across the country.

The Cons

Your medical costs are covered, but what about drug coverage?

Original Medicare combined with a Medicare supplement offers you no coverage for prescription drugs. If you have a chronic condition that requires medications, or even need the occasional antibiotic, you'll pay the entire cost of those prescriptions out of your pocket. Your only option for prescription drug coverage with a supplement is to purchase a separate Part D Prescription Drug plan and combine that with your supplement and Original Medicare. With these three separate plans, however, come three separate premiums.

Budgeting is easy if you don't mind paying more.

While it's true that supplements will charge you the same amount every month regardless of how much medical care you use, this can be a fairly steep premium. The average Medicare supplement costs around \$155* per month. This is in addition to the \$174.70 premium you'll pay for Medicare Part B. With your medical coverage alone, on average, running at \$329.70 per month, adding a Part D prescription drug coverage plan could quickly bring your total to \$386.16** per month or more, depending on your income and plan choice. Perhaps what's hardest to gauge is how much your supplement premium may increase every year, since it's subject to change annually.

Your costs remain the same whether or not you see a doctor.

For some, this automatically reads as a positive. But when it comes to your actual dollars, it could be a negative. For example, if you pay \$155 a month for your supplement premium, that's \$1,860 a year. If you see your physician six times a year, divide that total cost by six, and you're essentially paying \$310 per doctor visit. If you're in fair health and see your physician less often, in this type of plan, your per-service average cost will be significantly more, or you could be paying monthly for services you never use.

No referrals are needed.

We intentionally listed this as both a pro and a con because it falls into both categories. Referrals these days are not the "permission slips" of old. They're used more as a line of communication from one physician to another. It's your primary care physician's way of making sure you see the right specialist and receive the right tests. They can only offer this service if they have a relationship with the specialist you're seeing. If your specialist knows nothing about your condition when you walk in the door, they might have you take time-consuming, expensive and sometimes painful tests that are unnecessary. A referral means that a good primary care physician will reach out to that specialist ahead of time and make them aware of the nuances that come with your specific health concern.

Numerous companies and numerous bills add up to countless headaches.

If you've ever had a billing issue with an insurance company, you know getting the issue resolved is no easy task. With a supplement, you're not only dealing with Original Medicare, but also your private supplement, your private Part D plan and, in some cases, additional private plans to cover extras like dental and vision. At minimum, you'll be receiving and paying three separate bills every month. That's a lot of bills to worry about and manage every month, especially if you're sick.

There are no extra benefits.

Even if you decide to use Original Medicare combined with a Medicare supplement and a Part D prescription drug plan, your dental, vision and hearing costs are still up to you. If you need dental care or wear glasses, for example, this is a significant con. It may be worth considering a Medicare coverage option that has extra benefits built in.

With the right information, Medicare doesn't have to be confusing. It's a good thing to have options. In order to make a wise choice, know your options and pick a plan that best meets your individual needs.

*Average Medigap monthly premium in 2023, according to Fortune WELL magazine

**Based on the 2023 average monthly Part D premium of \$56.49, according to CMS

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