

# Medicare Supplemental Policies: Do You Need One?

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If you're on Medicare or about to receive Medicare you might be wondering: "should I also get supplemental health insurance?" The truth is, if you get supplemental insurance for free (for example, from your former employer), then sure. Otherwise, if you have Medicare and buy a supplemental policy with your own money, you are effectively giving an insurance company your money so that they can keep it.

Here's why:

Supplemental insurance (they'll tell you) covers what Medicare doesn't. That's not quite true, but to understand this, let's see what Medicare really covers.

Medicare Part A covers up to 60 days of hospitalization for a single price of \$1,184. Do you need more coverage than that for hospitalizations? No! Here's why:

1. The average length of a hospitalization, even for Medicare patients, is about 5 days. Hospitalizations rarely exceed two weeks and 60-day hospitalizations are practically unheard of. Even hospitalizations for heart attacks or major surgeries rarely exceed a week.
2. An average person might expect to be hospitalized a total of four times after they've retired.

Those facts should make it clear to you that you're unlikely to ever owe more than your \$1,184 deductible for a hospitalization any year you have Medicare part A.

What about outpatient costs? How well does Medicare cover you for all of the tests, office visits and treatments you might need if you're not treated in a hospital?

If you have Medicare Part B, it will cover 80 percent of all approved charges for doctor's office visits, blood tests, X-Rays, CT scans, MRIs and ER visits. It even covers IV medications when given at an office or hospital infusion center or a nursing home. This is after you pay a \$147 deductible each year.

Now, I want to be clear about what it means when I say Medicare covers 80 percent of approved charges. Let's say your doctor orders an MRI of your knee. The hospital where you get that MRI might bill Medicare \$4,000. Medicare looks at that \$4,000 bill and says "we think that MRI is really worth \$580 and not a penny more!" That means that Medicare pays \$464 for that MRI, you pay \$116, and the remainder is completely disregarded. No health

care provider who accepts Medicare is allowed to go after you for any more than what Medicare approves.

So, if you have Medicare Part B, your out-of-pocket expenses for a doctor's follow-up visit would be about \$16 to \$25. A plain X-Ray would cost you about \$9, and so on.

So now we can talk about Medicare supplemental insurance policies. What do they really cover? How much do they cost? And are they worth it?

We'll start with what they cover. Supplemental insurance is sold to cover "what Medicare doesn't." Remember I said that wasn't quite true. Unless a supplemental policy specifically states otherwise, the most it will cover are the Medicare deductibles (\$147 outpatient and \$1,187 hospitalization) and the 20 percent co-insurance. Supplemental policies do not usually cover any medical services Medicare won't cover. What's more, Medicare supplemental insurance will only pay health care providers what you would pay if you didn't have the supplemental policy. Providers aren't paid any more for taking care of you if you have one of these policies.

So that's what you get. How much do they cost? I asked several of my Medicare patients how much they paid for their supplemental policies. The lowest price I was quoted for a policy that covers all Medicare deductible and co-insurance costs was just over \$200 a month (or \$2,400 a year).

Are they worth that much? I guess that really depends on how much medical care you intend on getting each year. For example, if you're hospitalized at least twice a year, every year, then buying a supplemental policy might be worth it. A supplemental policy would also be a good deal if you get:

-- 20 MRIs every year, or

-- 25 CT scans, or

-- You visit your doctor at least 100 times a year (twice a week), or

-- You get between 500 and 1,000 standard blood tests

You buy insurance to cover what you don't expect. Most Medicare patients only see a doctor about 2 to 4 times a year (if that) and get maybe a few blood tests before each visit. If you need at least 20 times more medical care than that every year, a supplemental policy might be a good deal. But Medicare coverage goes far beyond what almost anyone would ever need so buying a Medicare supplemental policy amounts to little more than giving an insurance company your money so that they can keep it.