Medicare Basics: Original Medicare, Medigap or Medicare Advantage?



The choice you make when you first enroll is easy to get wrong and hard to undo. Here is how the options differ.

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It is Medicare enrollment season. If you are eligible, your mailbox, phone and TV are probably full of ads, calls and offers, and much of it is confusing.

Medicare is a big subject, and one article cannot cover all of it. This one focuses on the choice where many people go wrong, or do not realize they have a choice at all. Other topics will follow in future articles.

Four names, three different things

Many people use these terms as if they meant the same thing. They do not, and knowing the difference can save you a lot of money and trouble.

- **Original Medicare (often just "Medicare").** This is health insurance from the federal government. It is run by a government agency called the Centers for Medicare & Medicaid Services, or CMS.
- **Medigap (also called Medicare Supplement).** These two names mean the same thing. A Medigap plan is sold by a private insurance company. It helps pay costs that Original Medicare leaves to you, which is why it is said to fill the "gaps."
- **Medicare Advantage (also called Medicare Part C).** Both names mean the same thing. This is privatized Medicare. When you join, the federal government hands your coverage to a private insurance company and pays that company a fixed monthly amount to cover you. The government is no longer your insurer. It becomes the company's paying customer.

Your first choice

When you first sign up for Medicare, you start in Original Medicare. That means the federal government is your insurer. Your red, white and blue "Medicare Health Insurance" card arrives in the mail. At that point you have three choices:

1. **Do nothing.** You stay in Original Medicare. You can see any doctor or use any hospital that accepts Medicare. You need no referrals, and there is no network. The catch is that you pay about 20 percent of most services, plus hospital charges, and there is no limit on what you could owe. A serious illness could be financially devastating.
2. **Add a Medigap plan.** You stay in Original Medicare, and the federal government is still your insurer. The Medigap company covers most of the 20 percent and the hospital charges you would otherwise pay. As in choice one, you can see any doctor or hospital that accepts Medicare, with no network and no referrals.
3. **Join Medicare Advantage.** You leave the federal government's insurance program. A private insurance company becomes your insurer, and the government pays it a monthly amount for you.

Many people wrongly think a Medicare Advantage plan is the same as a Medigap plan. It is not. Moving from Original Medicare to Medicare Advantage changes how your care is approved and paid for, and the effects may not show up until you need care years later.

A one-time window to buy Medigap

Federal law gives you a six-month Medigap Open Enrollment Period. It starts the first month you have Medicare Part B and are 65 or older. During this window you can buy any Medigap policy, and the company cannot turn you down or charge you more because of your health.

This window matters. If you miss it, you may not be able to get a Medigap plan at all, or you may pay a higher premium, depending on your health.

Original Medicare plus Medigap vs. Medicare Advantage

Knowing how these two options differ, and what each decision leads to, is critical. The diagrams below show how each one works.

Original Medicare plus Medigap

- **The federal government is your insurer.** Doctors and hospitals send their bills to the government agency. No private insurance company has to approve your care.
- **There is no network.** You can get treatment from any health care provider in the United States who accepts Medicare.
- **You and your doctor decide on treatment.** The Medigap company has no say.
- **It lasts for life.** Once you are enrolled, Medigap plans do not change from year to year.
- **You pay a monthly premium, and it rises as you age.** In return, you do not have to worry about large medical bills. The main exception is the yearly Part B deductible, which is only a few hundred dollars.

Medicare Advantage

- **This is privatized Medicare.** The federal government is not your insurer. A private company is.
- **Network rules apply.** You usually must use the plan's doctors and hospitals. You pay deductibles and copays until you reach the plan's yearly out-of-pocket limit.
- **You need approval for some care.** This is called prior authorization. The insurance company can say no or ask you to try something cheaper. For many people it is the biggest drawback of these plans.
- **Plans last for one year.** Costs and benefits can change from one year to the next.
- **Doctors and hospitals can leave the network.** They can drop out at any time, even in the middle of the year.
- **Many plans charge no extra monthly premium.** They often bundle in drug, dental and vision coverage. You still pay your regular Part B Premium.

At a glance

	Original Medicare + Medigap	Medicare Advantage
Who is your insurer?	The federal government. The Medigap company pays most of the rest.	A private insurance company.
Choosing doctors	Any doctor or hospital in the U.S. that accepts Medicare.	Usually the plan's network only.
Approval before care	None from an insurer.	Required for many costly tests and treatments.
Plan changes	Medigap benefits stay the same from year to year.	Plans can change every year.
Monthly premium	Yes, and it rises as you age.	Often $0 for the plan itself. You still pay the Part B premium.
If you get seriously ill	No surprise bills. You pay the Part B deductible, a few hundred dollars a year.	Copays and coinsurance, up to the plan's yearly out-of-pocket limit.

Which one is right for you?

You cannot have both Original Medicare and Medicare Advantage at the same time. If you are new to Medicare or about to turn 65, ask yourself which of these sounds more like you.

Medicare Advantage may suit you if you are generally healthy, do not expect serious health problems and do not travel much. You should also be comfortable staying within a network, getting approval before some care, and paying up to the plan's yearly out-of-pocket limit.

Original Medicare plus Medigap may suit you if you want to choose your own doctor and hospital, as long as they accept Medicare, without referrals or prior approval. It also suits people who want to avoid big medical bills and want coverage that is guaranteed for life.

Whichever you choose, compare the costs and rules before you decide, and make sure you know what you are giving up. A choice made in a hurry is hard to reverse.