



# Medicare Supplement Plans: Why Rates Go Up

## Rate Increases: A Fact of Life

No matter what kind of Medicare health insurance you have the rate is likely to increase at least once a year. The main reason for rates to go up is inflation and increased health care costs of the group insured (it is not based on just your health experience). A typical increase for Medicare health insurance is 3% to 4% annually.

But what if your premium doubles or triples? What's going on? This FAQ is designed to help you understand why Medicare Supplement rates increase and options for you to consider. Read this sheet before you speak with your Personal Health Plan Advisor to get the most out of your plan review.

### 1. Know How Your Price is Set

The insurance company decides how it will set the price for its policies. How rates are set matters for your first premium and future premiums. There are [three ways rates are set](#):

- **Rates increase at certain ages (Attained-Age-Rated)**  
The premium is based on your age when you first enroll and your premium increases as you age.
- **Rates do not change just because you get older (Issue-Age-Rated)**  
The rate is based on the age you are when you buy the policy. The older you are when you buy, the higher the rate.
- **Same rate applies to everyone (Community-Rated)**  
The same premium applies to everyone with a policy, regardless of age, in a geographic area.

Most policies are attained-age-rated. So your rate will go up because you get older. You may also see your rate increase because of inflation or other factors.

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## Claims Experience and Inflation

Insurance companies may also increase rates to reflect inflation, increased health care costs, and their claims experience for people who bought that policy. We see most companies increase rates for this reason about once a year. These rate increases must be approved by the state insurance department of your state. So there is no consistent timing on when your insurance company will increase your rate.

These rate increases can be minor (under 5%) or they can be substantial (10% or higher).

## Frequency of Rate Increases

Medicare supplement price increases can happen any time during the year. And they can happen once or twice (or more) a year depending on your plan and the company's experience with that plan. The good news is that you can switch plans any time of year; the Medicare Fall Open Enrollment Period does not apply.

### 2. Price Increase Options

Let's say you just got a whopper of a price increase. What are your options? You generally have five:

1. Stay with the plan and company you have and pay the higher price.
2. Change plans (less benefits) and stay with the same company, lowering or keeping your cost about the same.
3. Switch companies and stay with the same plan/or select a different plan to lower or maintain your cost.
4. Move to a Medicare Advantage Plan
5. Go back to just Part A and Part B (we do not recommend this option!).

### 3. Underwriting: Your Health Matters

In most cases, if you have had your Medicare Supplement policy for more than 6 months and you want to switch to a new insurance company that is offering a lower rate you will have to pass health questions. Depending on your health the insurance company can accept you at the preferred rate, at a higher rate or deny you coverage.

In some cases you may be eligible to switch without answering medical questions (underwriting). For example if you live in California or Oregon and you change in your birthday month you won't have to answer health questions. Special situations apply in other states too. That's why it is important to speak with a Longevity Alliance health plan advisor about your personal situation!

### 3. Standardization: Easy to Compare

Medicare Supplement plans are [standardized](#). Plans are identified by letters A through N (except in Massachusetts, Minnesota and Wisconsin). Each standardized policy must offer the same basic benefits no matter which insurance company sells it. This makes it easy to compare plans from different companies based on price. Also the price is the same if you buy it direct from the company or from a health plan advisor at Longevity Alliance. When comparing prices make sure you calculate in any discounts that might apply.



#### Meet Mary

She loves her Plan F from Company A but a whopping 15% monthly increase was just too much. Her Longevity Alliance Advisor found a Plan F at Company B for the same price she was paying. It took just 15 minutes with her advisor to compare plans and decide to switch. She was accepted and kept the Plan F benefits she likes at a cost she can afford!

### What To Do If You Get a Rate Increase?

The best thing you can do for your health and your budget is to get a plan review once a year, especially if you receive notice of a price increase or you are feeling financially squeezed by your payment.

A Longevity Alliance health plan advisor will speak with you about your current situation; compare prices and health criteria at several companies; show you your options; and help you switch if that is the right choice for you.

For those who find that a Medicare supplement plan is becoming too expensive, we will compare Medicare Advantage plans in your area and help you decide if that is right for you.



#### Meet Robert

His Medicare supplement was just getting too expensive. He wanted to find out more about the pay-as-you-go Medicare Advantage plans and how his costs would compare. His advisor showed him the difference in costs with his current health situation. He decided to change to a Medicare Advantage plan that included his doctors and local hospital. The premium and co pays he had to pay were still lower than his Medicare supplement plan. His wife Marie stayed with her Medicare Supplement plan because she likes full coverage and is willing to pay the price.

Remember, different companies handle rates differently. So just because your company increased their rate doesn't mean that others in your area have. A plan review takes about 30 minutes. Please have the amount of your current Medicare supplement payment available.

Avoid surprises by understanding how your Medicare supplement rate changes. When the price goes up we'll make it simple to compare plans and show you all your options. Longevity Alliance is different and it's a difference you can see.