

Section 2: Medigap basics

How insurance companies set prices for Medigap policies (continued)

Type of pricing	How it's priced	What pricing may mean for you	Examples
Community-rated (also called "no-age-rated")	The same monthly premium is charged to everyone who has the Medigap policy, regardless of age.	Premiums are the same no matter how old you are. Premiums may go up because of inflation and other factors, but not based on your age.	Mr. Smith is age 65. He buys a Medigap policy and pays a \$165 monthly premium. Mrs. Perez is age 72. She buys the same Medigap policy as Mr. Smith. She also pays a \$165 monthly premium because with this type of Medigap policy everyone pays the same price, regardless of age.
Issue-age-rated	The premium is based on the age you are when you buy (are "issued") the Medigap policy.	Premiums are lower for people who buy at a younger age, and won't change as you get older. Premiums may go up because of inflation and other factors, but not because of your age.	Mr. Han is age 65. He buys a Medigap policy and pays a \$145 monthly premium. Mrs. Wright is age 72. She buys the same Medigap policy as Mr. Han. Since she is older at the time she buys it, her monthly premium is \$175.
Attained-age-rated	The premium is based on your current age (the age you have "attained") so your premium goes up as you get older.	Premiums are low for younger buyers, but go up as you get older. They may be the least expensive at first, but they can eventually become the most expensive. Premiums may also go up because of inflation and other factors.	Mrs. Anderson is age 65. She buys a Medigap policy and pays a \$120 monthly premium. <ul style="list-style-type: none">At age 66, her premium goes up to \$126.At age 67, her premium goes up to \$132.At age 72, her premium goes up to \$165. Mr. Dodd is age 72. He buys the same Medigap policy as Mrs. Anderson. He pays a \$165 monthly premium. His premium is higher than Mrs. Anderson's because it is based on his current age. Mr. Dodd's premium will go up every year. <ul style="list-style-type: none">At age 73, his premium goes up to \$171.At age 74, his premium goes up to \$177.