

By: Chairman, Economic Matters Committee (Departmental - Insurance Administration, Maryland)

Requested: October 16, 1995

Introduced and read first time: January 10, 1996

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Medicare Supplement Policies**

3 FOR the purpose of limiting the applicability of certain provisions of the Insurance Code
4 to Medicare supplement policies; authorizing the Insurance Commissioner to adopt
5 regulations establishing standards for certain policies; requiring certain disclosures
6 in certain policies; requiring the disclosure of any automatic renewal premium
7 increases based on age in certain policies; repealing an exemption from disclosure
8 for requirements for basic, catastrophic, or major medical policies and single
9 premium, nonrenewable policies; amending certain definitions; and generally
10 relating to the Maryland Medicare Supplement Act and conforming that Act to
11 certain federal requirements.

12 BY repealing and reenacting, with amendments,
13 Article 48A - Insurance Code
14 Section 468B(b)(6), 468DA(a) and (e), 468E(e) and (g), and 468F(c)(4)
15 Annotated Code of Maryland
16 (1994 Replacement Volume and 1995 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article 48A - Insurance Code**

20 468B.

21 (b) (6) (i) "Medicare supplement policy" or "Medigap policy" means a
22 group or individual policy of health insurance or a subscriber contract which is advertised,
23 marketed, or designed primarily as a supplement to reimbursements under Medicare for
24 the hospital, medical, or surgical expenses of persons eligible for Medicare.

25 (ii) "Medicare supplement policy" or "Medigap policy" does not
26 include:

27 [1. Benefits offered by a health maintenance organization or
28 other direct service organization in connection with a contract with the United States
29 Health Care Financing Administration;

2

1 2.] 1. A policy issued pursuant to a contract under §1876 [or
2 § 1833] of the federal Social Security Act (42 U.S.C. § 1395 et seq.); or

3 [3.] 2. A policy issued under a demonstration project
4 authorized pursuant to amendments to the federal Social Security Act.

5 468DA.

6 (a) (1) The Commissioner shall adopt reasonable regulations to establish
7 specific standards for policy provisions of Medicare supplement policies and certificates.
8 These standards shall be in addition to and in accordance with applicable laws of the
9 State, including Subtitles 20, 25, 26, and 31 of this article.

10 (2) NO REQUIREMENT OF THE INSURANCE CODE RELATING TO
11 MINIMUM REQUIRED POLICY BENEFITS, OTHER THAN THE MINIMUM STANDARDS
12 CONTAINED IN THIS SUBTITLE, SHALL APPLY TO MEDICARE SUPPLEMENT POLICIES
13 AND CERTIFICATES.

14 (e) The Commissioner shall adopt reasonable regulations which may benecessary
15 to conform Medicare supplement policies and certificates to the requirements of federal
16 law and regulations including but not limited to:

17 (1) Requiring rate adjustments, credits, or refunds if the policies or
18 certificates do not meet loss ratio requirements;

19 (2) Establishing a uniform methodology for calculating and reporting loss
20 ratios;

21 (3) Assuring public access to policies, premiums, and loss ratio information
22 of insurers of Medicare supplement insurance;

23 (4) Establishing a process for approving or disapproving policyforms and
24 certificate forms; [and]

25 (5) Establishing a policy for holding public hearings prior to approval of
26 premium increases, and a process for approving or disapproving proposedschedules of
27 premium changes; AND

28 (6) ESTABLISHING STANDARDS FOR MEDICARE SELECT POLICIES AND
29 CERTIFICATES.

30 468E.

31 (e) (1) The Commissioner shall prescribe the format and content of the outline
32 of coverage required by this section. For purposes of this section, "format" means style,
33 arrangements, and overall appearance, including the size, color, and prominence of type
34 and the arrangement of text and captions.

35 (2) The outline of coverage shall include:

36 (i) A description of the principal benefits and coverage provided in
37 the policy;

3

1 (ii) A statement of the exceptions, reductions, and limitations
2 contained in the policy;

3 (iii) A statement of:

4 1. [the] THE renewal provisions, including any reservation by
5 the insurer of a right to change premiums; and

6 2. DISCLOSURE OF THE EXISTENCE OF ANY AUTOMATIC
7 RENEWAL PREMIUM INCREASES BASED ON THE POLICYHOLDER'S AGE; AND

8 (iv) A statement that the outline of coverage is a summary of the policy
9 issued or applied for and that the policy should be consulted to determine governing
10 contractual provisions.

11 (g) The Commissioner may adopt regulations for captions or notice requirements,
12 determined to be in the public interest and designed to inform prospective insureds that
13 particular insurance coverages are not Medicare supplement coverages, for all health
14 insurance policies sold to persons eligible for Medicare by reason of age, other than:

15 (1) Medicare supplement policies; OR

16 (2) Disability income policies[;

17 (3) Basic, catastrophic, or major medical expense policies; or

18 (4) Single premium, nonrenewable policies].

19 468F.

20 (c) (4) (i) If the proposed policy does not comply with the requirements of §
21 468C of this subtitle for a Medicare supplement policy, a statement printed in a 12-point
22 type shall be given that:

23 "This policy (or certificate) is not a Medicare supplement policy (or certificate). It is not
24 designed to fill the `gaps' of Medicare. If you are eligible for Medicare, review the
25 Medicare supplement buyer's guide available from the company".

26 (ii) The statement required by subparagraph (i) of this paragraph shall
27 either be printed on or attached to the first page of the policy form or certificate or of an
28 outline of coverage delivered to the person covered under the policy or certificate.

29 (iii) Examples of policies and certificates for which the statement in
30 subparagraph (i) of this paragraph is not required are:

31 1. [policies] POLICIES issued pursuant to a contract under §
32 1876 [or § 1833] of the federal Social Security Act (42 U.S.C. § 1395 et seq.)[,
33 disability];

34 2. DISABILITY income [policies,] POLICIES; OR

35 3. [basic, catastrophic, comprehensive or major medical
36 expense policies, and single premium nonrenewable policies] POLICIES OR CONTRACTS
37 OF ONE OR MORE EMPLOYERS OR LABOR ORGANIZATIONS, OR OF THE TRUSTEES
38 OF A FUND ESTABLISHED BY ONE OR MORE EMPLOYERS OR LABOR

HOUSE BILL 104

4

1 ORGANIZATIONS, OR COMBINATION THEREOF, FOR EMPLOYEES OR FORMER
2 EMPLOYEES, OR A COMBINATION THEREOF, OR FOR MEMBERS OR FORMER
3 MEMBERS, OR A COMBINATION THEREOF, OF THE LABOR ORGANIZATION.

4 (iv) Notwithstanding the provisions of subparagraph (i) of this
5 paragraph, the Commissioner shall adopt regulations necessary to make the provisions of
6 this paragraph conform to the requirements of applicable federal law.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 June 1, 1996.