

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 125 (Delegate Goldwater, *et al.*)

Health and Government Operations

Finance

Health Insurance - Medicare Supplement Policies - Individuals Enrolled in the
Maryland Health Insurance Plan

This emergency bill requires a health insurer, nonprofit health service plan, or fraternal benefit society (carrier) to issue a Medicare supplement policy to a Medicare-eligible individual who is eligible due to age, if the individual: (1) transferred from a Substantial, Available, and Affordable Coverage (SAAC) plan to the Maryland Health Insurance Plan (MHIP) on July 1, 2003; (2) is terminated from MHIP as a result of Medicare eligibility; and (3) applies within six months of termination.

If an MHIP enrollee under the age of 65 becomes eligible for Medicare due to disability and is therefore terminated from MHIP, a health insurer, nonprofit health service plan, or HMO (carrier) must make both a Medicare supplement policy Plan C and Plan I available to the individual within six months after the individual has been terminated from MHIP.

The Maryland Insurance Administration (MIA) must provide notice of the availability of Medicare supplement coverage to each eligible individual enrolled in MHIP.

The bill terminates December 31, 2005.

Fiscal Summary

State Effect: Notification of eligible MHIP enrollees about the availability of Medicare supplement policies could be handled with existing MIA budgeted resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A Medicare supplement policy or Medigap policy is a health insurance policy advertised, marketed, or designed for Medicare recipients primarily as a supplement to Medicare reimbursement for hospital, medical, and surgical expenses.

MHIP is an independent unit of MIA whose purpose is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically-uninsurable residents. Currently, an individual cannot enroll in MHIP if the individual is eligible for enrollment in other group health coverage such as: COBRA continuation coverage, Medicaid, the Maryland Children's Health Program, Medicare, or any other government-sponsored health insurance program.

If an individual under 65 and Medicare-eligible due to disability applies for a Medicare supplement policy, a carrier must, during the six-month period following the applicant's enrollment in Medicare Part B, make available to the applicant both a Medicare supplement policy Plan C and Plan I.

Background: Chapter 153 of 2002 established MHIP, a high-risk pool that provides health insurance to medically-uninsurable people. On July 1, 2003, MHIP replaced the SAAC product sold to people who are generally too sick to obtain affordable health insurance coverage. Health insurance carriers had been given a 4% differential on their hospital rates as an incentive to offer SAAC products in the individual market. However, many carriers had discontinued their SAAC products in recent years. In response, Chapter 153, created MHIP to provide health insurance coverage to medically-uninsurable individuals.

Historically, state high-risk pools have prohibited enrollment of Medicare eligibles. In states where high-risk pools permit Medicare eligibles to enroll, the pool may offer a discounted premium since Medicare is the primary payor or may continue to charge the full premium. Some states that cover Medicare eligibles offer only a standard Medigap plan (with no meaningful drug coverage) rather than full, comprehensive secondary coverage in the risk pool.

There were 7,100 individuals covered by SAAC who were automatically enrolled in MHIP on June 30, 2003. Of these, it is estimated that 766 either had or became eligible for Medicare. While State law prohibits Medicare eligibles from enrolling in MHIP, the MHIP board determined that these Medicare-eligible enrollees could remain enrolled

until their renewal date, when they would be automatically disenrolled. The bill's provisions permit these MHIP enrollees to obtain a Medicare supplement policy before being disenrolled from MHIP on July 1, 2004.

The monthly premium for Medicare supplement policies ranges from \$70 to \$242, compared to MHIP monthly premiums of \$328 to \$523 for individuals 65 and over.

Additional Information

Prior Introductions: Chapter 2 of 2003 (HB 1100) contains several health insurance provisions, one of which requires a carrier to issue a Medigap policy under certain circumstances to an individual who is ineligible for MHIP due to his or her Medicare status.

Cross File: None.

Information Source(s): *State High Risk Health Insurance Pools*, Health Administration Responsibility Project, 2002; Department of Health and Mental Hygiene (Medicaid, Family Health Administration); Maryland Insurance Administration; Maryland Health Insurance Plan; Department of Legislative Services

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