

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 191

(Senator Kelley)

Finance

Health and Government Operations

Medicare Supplement Plan A Policies - Individuals With a Disability - Rates

This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) to make available a Medicare supplement policy Plan A to an individual under the age of 65 and Medicare-eligible due to a disability. A carrier may not charge such an individual a rate higher than the average of the premiums paid by all policy holders age 65 and older for the Plan A policy. Further, a carrier may not deny or condition the issuance of a Plan A policy because of the individual's health status, claims experience, or medical condition if the individual is currently enrolled with the carrier in a Medicare supplement policy Plan C, as long as the individual applies for a Plan A policy no later than 63 days after the Plan C renewal date.

The Maryland Insurance Administration (MIA) must study the bill's impact on the availability and affordability of all Medicare supplemental policies and report its findings to specified committees by January 1, 2008.

The bill takes effect January 1, 2006 and terminates June 30, 2008. The bill applies to all Medicare supplement policies issued, delivered, or renewed in the State on or after January 1, 2006.

Fiscal Summary

State Effect: Potential minimal special fund revenue increase for MIA from the \$125 rate and form filing fee in FY 2006. MIA could conduct the study and report its findings with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A Medicare supplement policy is one that is advertised, marketed, or designed primarily as a supplement to reimbursements under Medicare for the hospital, medical, or surgical expenses of individuals eligible for Medicare.

A carrier must make available Medicare supplement policy Plan C and Plan I to an individual under the age of 65 and Medicare-eligible due to a disability.

Background: Medical supplement policies (Medigap policies) pay most, if not all, Medicare coinsurance amounts and may provide coverage for Medicare's deductibles. Carriers may only offer 10 standardized plans, Plans A through J, so that consumers may easily compare prices and coverage levels. Some of the standard plans pay for services not covered by Medicare such as outpatient prescription drugs, preventive screening, and emergency medical care while traveling outside the U.S. Medicare supplement Plan A is the most basic benefit plan, providing some additional hospitalization coverage.

Additional Comments: Most Medicare supplement policies are age-rated, and as individuals age, their Medicare supplement policy premiums tend to rise. Carriers tend to charge the same rate to disabled individuals under age 65 that they charge to the oldest Medicare supplement enrollees. Under the bill, this practice could continue if a carrier argues that the rates for individuals over age 80 meet the requirement of a rates for individuals "who are at least 65 years old."

To the extent a carrier is required to lower premiums charged to disabled enrollees under the age of 65, rates for enrollees over the age of 65 could increase. The extent of an increase, if any, is unknown.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Budget and Management, Department of Legislative Services

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