



March 3, 2021

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
Maryland General Assembly
3 East Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB 682 / HB 1063 – Medicare Supplement Policy Plans

Dear Delegate Kelley,

On behalf of America's Health Insurance Plans (AHIP), I am providing comments respectfully opposing Senate Bill 682 related to Medicare supplemental plans offering open enrollment 30 days following an enrollee's birthday.

A Medigap policy is health insurance sold by private insurance companies to fill the "gaps" in Original Medicare Plan coverage. Medigap policies help pay some of the health care costs that the Original Medicare Plan doesn't cover, such as copayments, coinsurance and deductibles, or some services Original Medicare does not cover, such as medical care when you travel outside of the United States.

Maryland SB 682 prohibits carriers from denying coverage or rating Medicare Supplement policies based on health status and/or excluding benefits based on pre-existing conditions during an annual open enrollment period around an individual's birthday. The legislation would apply to existing Medigap policyholders that seek to switch plans during this annual open enrollment period.

Allowing an annual open enrollment period would incentivize consumers to switch in and out of coverages based on their own financial and health requirements. This churn could have a negative impact on premiums for seniors.

- A fundamental principle of insurance involves the pooling of risks. To ensure stable premiums, a pool of individuals must include healthy people as well as those who are less healthy. If a pool only attracts those with a higher risk of health care needs (adverse selection), average costs increase, and consumers face higher premiums. Providing an annual open enrollment period to allow consumers to switch plans, could result in lower-risk and/or financially sensitive individuals switching to an insurer that can offer a lower premium option.
- Insurers who happen to attract a disproportionate number of unhealthy risks, resulting in higher overall premiums, would essentially be penalized as healthier individuals look to other insurers for lower premium policies. This has a **negative impact on competition in the market, potentially resulting in fewer choices for consumers.**
- Churn among plans and insurers will inevitably make pricing more difficult because the risk combination for any given plan or insurer could vary year to year.

Existing guarantee issue requirements offer consumers protection from unexpected circumstances.


- In addition to the 6-month open enrollment period, there are several other circumstances under which enrollees have guaranteed issue rights under Medigap. These are intended to protect beneficiaries from circumstances that could imperil their coverage for circumstances beyond their control.

Like Medigap, traditional Medicare requires a beneficiary to enroll during the designated open (or special) enrollment period. If the requirement is not met, the enrollee faces a penalty (up to 10% of the monthly premium for Part A).

- The federal government views the limited guaranteed issue period as a necessary requirement to address adverse selection, encouraging people not to wait until they need coverage to obtain it and ensuring premiums remain as stable as possible for the entire senior population.

AHIP stands ready to work with legislators to ensure premiums remain stable for current and future enrollees. We appreciate the opportunity to provide insight related to Medicare supplement and the adverse impact SB 682 will have on Maryland residents. Please let me know if you have any questions or concerns related to Medicare supplement or our comments at khathaway@ahip.org or (202) 870-4468. Thank you for your time and attention on this critical issue.

Sincerely,



Kris Hathaway
Vice President, State Affairs
America's Health Insurance Plans

AHIP is the national association whose members provide insurance coverage for health care and related services. Through these offerings, we improve and protect the health and financial security of consumers, families, businesses, communities and the nation. We are committed to market-based solutions and public-private partnerships that improve affordability, value, access and well-being for consumers.