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SB 682 / HB 1063 – Insurance – Medicare Supplement Policy Plans – Open Enrollment Period Following Birthday

Position: Oppose

Thank you for the opportunity to provide written comments regarding Senate Bill 682 / House Bill 1063. This bill requires that each year during the 30 days following the birthday of an individual enrolled in any Medicare Supplement policy plan, all carriers shall make available to the individual different Medicare Supplement policy plans with benefits that are equal to or lesser than the benefits of the individual's existing coverage. The bill prohibits carriers from denying coverage or rating Medicare Supplement policies based on health status and/or excluding benefits based on pre-existing conditions during this annual open enrollment period. The bill also includes a notice requirement for insureds to be sent by the carrier between 30 and 60 days before the insured's birthday. This bill would take effect 10/1/21.

While well intentioned, passing this bill could drive up the costs of Medicare Supplement coverage for Marylanders. Allowing an annual open enrollment period would incentivize consumers to switch in and out of coverages based on their own financial and health requirements. Allowing external member movement into existing Medicare Supplement plans creates volatility in the receiving carrier's book, and results in higher rates for everyone because higher risk is shifting. 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.

Like Medicare Supplement policies, 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.

While CareFirst strongly supports the policy goal of ensuring that Medigap premiums remain stable for current and future enrollees, this bill could have the unintended consequence of raising premiums by creating volatility in Medicare Supplement rates. For this reason, CareFirst respectfully opposes **SB 682 / HB 1063**.

We urge an unfavorable report.

About CareFirst BlueCross BlueShield

In its 83rd year of service, CareFirst, an independent licensee of the Blue Cross and Blue Shield Association, is a not-for-profit healthcare company which, through its affiliates and subsidiaries, offers a comprehensive portfolio of health insurance products and administrative services to 3.4 million individuals and employers in Maryland, the District of Columbia, and Northern Virginia. In 2019, CareFirst invested \$43 million to improve overall health, and increase the accessibility, affordability, safety, and quality of healthcare throughout its market areas. To learn more about CareFirst BlueCross BlueShield, visit our website at www.carefirst.com and our transforming healthcare page at www.carefirst.com/transformation, or follow us on [Facebook](#), [Twitter](#), [LinkedIn](#) or [Instagram](#).