



February 24, 2025

The Honorable Pamela Beidle  
Chair, Finance Committee  
Maryland Senate  
3 East Miller Senate Office Building  
Annapolis, MD 21401

Re: SB956 - Health Insurance – Medicare Supplement Policies – Broker Commission

Position: Support

Dear Senator Beidle,

I am writing in support of SB956. As an introduction, I am a Maryland licensed insurance producer, and president of Covenant Financial Strategies, Inc., a Maryland licensed insurance firm. I have been in the insurance industry for 32 years, and have been in the Medicare market for approximately 29 of those years. I am an independent insurance broker, and therefore contract with a variety of insurance carriers in order to provide products that serve the best interest of my clients. I am also a long-term member of the National Association of Insurance & Financial Advisors-Maryland (NAIFA-MD) and the National Association of Benefits & Insurance Professionals-Maryland (NABIP-MD). Serving the insurance, investment, and financial planning needs of my clients is my full-time career.

In order to better understand why SB956 is important, it is important to review federal rules regarding Medicare Supplement policies, and also Maryland HB247 from 2022. Medicare Supplement policies, also called MediGap plans, cover some or all of the cost of Medicare-covered services where Medicare pays a portion of the costs but passes some of the costs along to the Medicare beneficiary. Under federal rules, MediGap plans do NOT participate in the

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Medicare Annual Enrollment Period (a.k.a. “open enrollment”). The Medicare Annual Enrollment Period only applies to Medicare Advantage plans and Medicare Prescription Drug Plans. Under federal rules, the only Open Enrollment period for a MediGap plan is the first 6 months of a person enrolling in Medicare Part B at age 65 or older. Guarantee Issue rights, which are different from the one-time 6-month Open Enrollment period, are very limited, such as when an employer offering group retiree medical benefits cancels that coverage, or when someone with a Medicare Advantage plan moves out of that plan’s service area or the plan is terminated or non-renewed by health plan.

Outside of the MediGap plan Open Enrollment period or Guarantee Issue periods, MediGap insurers may issue a MediGap policy to a Medicare beneficiary based on medical underwriting. Unlike health care products sold in the Affordable Care Act Marketplace or Medicare Advantage plans, which cannot deny coverage or charge higher premiums based on pre-existing medical conditions, a MediGap insurer may deny coverage to, or charge a higher premium to, someone who applies who has, or has had, certain medical conditions, or takes, or has taken, certain medications.

According to the data from December 2024 in a report from the Centers for Medicare & Medicaid Services (CMS), 25% of Marylanders enrolled in Medicare have a MediGap policy, compared to 24% enrolled in Medicare Advantage plans. (Note that Maryland has roughly 50% of Medicare-eligible individuals covered under employer retiree health benefits plans such as state and federal government retirees.) Accordingly, the MediGap population in Maryland is approximately 300,000 individuals.

The cost of medical care rises every year, and as people age, they tend to require more medical care. Consequently, the cost of MediGap policies tend to increase every year. Because MediGap insurers may decide to stop issuing new policies, or decide that they no longer want to price their plans aggressively in the MediGap market, over time some MediGap policyholders have found themselves with policies that are significantly overpriced, or even if they are competitively priced, they may want to change to a lesser benefit plan in order to lower their monthly premiums. Someone who is reasonably healthy can apply for a lower premium policy and potentially have that policy issued at the carrier’s best rates. But someone who cannot meet underwriting guidelines will be stuck in their high-priced MediGap plan.

Maryland took steps to address this problem in 2022 with HB247 – Medicare Supplement Policy Plans – Open Enrollment Period Following Birthday (a.k.a. “the birthday rule”). As a result of HB247, since July 1, 2023, Maryland MediGap policyholders can shop currently-offered MediGap policies for the same or lesser benefits on their birthday and the 30 days that follow,

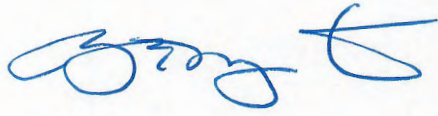
not subject to medical underwriting, and the replacement policy will be issued at the carrier's best rates (as applicable for the individual's age and gender). This is a need, not only for 2023, but on an ongoing basis as carriers will most assuredly continue to move in and out of competitiveness over time, and as the number of carriers offering MediGap plans in Maryland prospectively shrinks. (There were 48 carriers with approved policies and rates in Maryland as of 1/1/2023 that were either sold through agents and brokers or sold direct-to-consumer by the carriers. There were only 34 carriers as of 1/1/2025.)

The need for SB956 is this: with limited exception, the insurers in the Medicare Supplement market are either paying very meager broker commissions, many as little as 5% of their normal broker commissions or less, or in a few cases no broker commissions at all. This is not about brokers being greedy. This is about compensation from carriers being too small for the broker community to be able to afford to help the very people that HB247 in 2022 was intended to provide relief to. Many of us in the broker community who have made a career in the Medicare market are helping Maryland consumers who are only able to change MediGap plans and/or carriers as a result of this Maryland "Birthday Rule", but we can only afford to do so long enough to provide time for the Maryland Legislature to take action with regard to our compensation from the carriers. Additionally, we're not actively looking for such individuals, but rather are only working with them as they happen to come our way on their own. We simply cannot continue to help Maryland consumers while being compensated at a rate far below the fixed costs of operating our practices, let alone a reasonable profit margin.

You will note that SB 956 is written so as to include only the 65+ Medicare population. This is not to be interpreted as an indication that the broker community does not wish to work with the under-65 population eligible for Medicare as a result of disability. Yes, the under-65 disabled MediGap policyholders are protected by the Maryland "Birthday Rule". Rather, it's a matter that the under-65 MediGap pricing seems to be much more stable. Of the carriers that were the most competitive for under-65 MediGap plans as of January 2023, the three of them that are still in the Maryland market as of January 2025 are still the most competitive, and are within \$1 per month of each other. We do not anticipate consumers in this market needing to make frequent changes, and we're certainly all willing to help the disabled population.

In closing, I again state my support for SB956. The passage of this bill will allow the broker community to continue to provide education, expertise, and assistance to the Medicare recipients of Maryland.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Brad Mainster', with a stylized flourish at the end.

Brad Mainster, ChFC, RHU, CKA  
President  
Senior Wealth Advisor