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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 26<sup>th</sup>, 2025  
The Maryland State Finance Committee  
The Honorable Pamela Beidle.  
3 East Miller Senate Building  
Annapolis, Maryland 21401

**Re: Senate Bill 956: Health Insurance – Medicare Supplement Policies – Broker Commission**

Dear Chairwoman Beidle and Members of the Committee,

Medicare is the primary means of coverage for most Americans over the age of 65. Most people have Medicare Part's A and B. Part A covers hospitals, rehab hospice, and other healthcare facilities. Part B covers doctors, labs, medical equipment, and so on.

There are two ways to cover the copays – first is a Medicare advantage plan (typically an HMO) which has a premium and is insured annually. It also can switch from one company or plan to another without health questions other than suitability for special needs plans. The other way is with a Medicare supplement plan. These plans see their premiums increase every year based on the insured getting older and the claims experience of the company.

Until recently, a Medicare supplement plan could be purchased by anyone turning 65 or otherwise eligible for Medicare for the first time without health questions being asked – Commonly referred to as "Open Enrollment." Similar to "musical chairs" an insured could go from company to company until their good health ends and they are stuck where they are.

The General Assembly enacted legislation dubbed the "Birthday Rule" that allows people to switch from company and plan to any other company with the same or lower benefits plan with no health questions. In some cases, there is a "Guaranteed Issue." The Guaranteed issue is for special occasions like an insurance company going out of business or if someone had insurance through their employer but had Medicare Part B already in-force. In this situation, the proposed insured can get any of the Medicare Supplement policies that were offered as Open Enrollment.

The difference to a broker is that most insurance companies pay little or no commission on Guaranteed Issue policies versus several hundred dollars per year on either Open Enrollment or medically underwritten (typically for a period ranging from six years to lifetime.) As a result, there is no incentive for insurance agents to find less expensive insurance for their clients, or to reach out and risk losing renewals.

Senate Bill 956 would require a carrier to pay the same commission rate to a broker for the sale of a Medicare supplement policy sold during a guaranteed issue period as a Medicare supplement policy sold during an open enrollment period.

I appreciate the Committee's consideration of Senate Bill 956 and will be happy to answer any questions the Committee may have.