

Verbal testimony.

Good afternoon, Madam Chair and members of the Committee.

My name is Alfred Mendelsohn, and I am the President of Abrams/Mendelsohn Insurance. We've been in business since 1948 and I have been in charge since my mother retired as President almost 30 years ago. We provide life, disability and health insurance, including Medicare supplements to many hundreds of people.

You are aware that since the Maryland Birthday rule took effect in 2023, people who have a Medicare Supplement plan in place may replace it with the same or lower plan with no health questions. Did you know that insurance companies try to discourage consumers from making these replacements, in part, by paying a greatly reduced commission to the agents that sell these replacement policies?

I've attached to my testimony a letter from Lee and Connie McDaniel but the most important part of the letter is this,

“By using the Rule, my wife and I were able to reduce our monthly premiums from \$707.29 to \$365.34 [per month] thanks to our agent. This represents a savings to us of \$341.95 per month and an annual savings of \$4103.40.

We understand that some insurance companies are not going to pay commission to agents that sell policies under this law. That would be a disincentive for agents to provide this service to the public.”

Currently, nine States have their own version of the Birthday Rule. Most, if not all, require that commission be paid. I've looked at premiums around America and found that proponents of the original

bill were right. The Birthday Rule did not substantially raise premiums. I also found that where the Birthday Rule requires that commissions be paid did not raise the premium either.

Selling health insurance should not be a one-time sale. It should be an ongoing relationship between the agent and the insured. If agents aren't going to be paid for servicing the clients by making sure that they are paying the lowest prices, there will not be agents selling Medicare Supplement policies and agents will not be there to service the clients and the consumers, your voters, will be the one's who lose out while the big insurance companies will win.

Local insurance agents are part of the foundation of America. If the Insurance companies squeeze out the agents, it will be disastrous not just for the insurance agents but for Marylanders who count on their knowledge and advice.

Senators, I am a top 100 broker with Maryland Health Connection. Every year I review the policies of hundreds of Marylanders on Obama Care (the ACA), and I am paid by the insurance companies equally for new clients and existing clients. All I'm asking is that open enrollment for supplements be treated equally whether due to the birthday rule or turning 65.

Addendum 1, a letter from Lee and Connie McDaniel

Lee and Connie McDaniel

856 Priestford Road

Darlington, MD 21034

We want to express our support for the Maryland Birthday Rule for Medicare that allows Medigap policyholders in Maryland to switch to a new Medigap plan of equal or lesser value without undergoing medical underwriting.

By using the Rule, my wife and I were able to reduce our monthly premiums from \$707.29 to \$365.34 thanks to our agent. This represents a savings to us of \$341.95 per month and an annual savings of \$4103.40.

We understand that some insurance companies are not going to pay commission to agents that sell policies under this law. That would be a disincentive for agents to provide this service to the public. If we want additional incentive for insurance companies to become more competitive and efficient, then there is a need to continue and possibly expand this program.

Thank you for your consideration.

Lee and Connie McDaniel

Addendum 2, a backgrounder on this bill.

Medicare Supplements and the effect of the recently enacted law

The newly enacted law dealing with Medicare supplements in Maryland (the “Birthday Rule”), though well intentioned, has had the opposite effects of some of the original goals. The solution may be quite simple.

Background:

Medicare is the primary coverage for most American over age 65 though there are some that qualify because they are disabled. Most people have Medicare Part A (Hospital) and Medicare Part B (Medical). Part A covers hospitals, rehab, hospice and a few other facilities. Medicare Part B covers doctors, labs, durable medical equipment, and other such things. There are two ways to pay for the copays.

One way to cover the copays is a Medicare Advantage plan, typically an HMO. The plan has a premium and every year an insured can switch from one company or plan to another with no health questions other than suitability for special needs plans.

The other way to pay for deductibles and copays 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) with no health questions being asked. This is referred to as “Open Enrollment.” After that, one could change from company to company so long as they passed medical underwriting. I would analogies it as “musical chairs” where an insured could go from company to company until their good health ends and they are stuck where they were. **The legislature enacted a “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”. This 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 an agent, also known as 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.)

Why it matters: Not only is there no incentive for insurance agents to find less expensive insurance for their clients, but there is a disincentive from reaching out because they may lose renewals.

Suggested cure: Modify the contracts between the agents and the insurance company to require that all guaranteed issue policies pay commission the same on Guaranteed Issue as Open Enrollment.

It is worth noting: The commercials that you see on TV or hear on the radio about “Open enrollment” or “Annual Election Period” have nothing to do with Medicare Supplements. Open Enrollment, in this context, pertains to the Affordable Care Act or Maryland Health Connection (for people not on Medicare.) Annual Election Period is for either Medicare Advantage Plans or Prescription Drug Plans.

I would be very pleased to discuss this with you at your earliest convenience.

Alfred Mendelsohn

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