

Medicare testimony (final).pdf

Uploaded by: ALFRED MENDELSON

Position: FAV

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

Abrams/Mendelsohn Insurance, Inc.

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MD SB956 - Support - B Mainster, Broker.pdf

Uploaded by: Brad Mainster

Position: FAV



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,

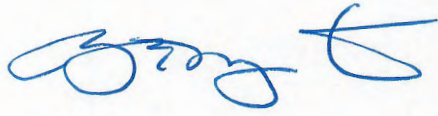
not subject to medical underwriting, and the replacement policy will be issued at the carrier's best rates (as applicable for the individual's age and gender). This is a need, not only for 2023, but on an ongoing basis as carriers will most assuredly continue to move in and out of competitiveness over 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

SB 956_NABIP MD_FAV.pdf

Uploaded by: Bryson Popham

Position: FAV

Bryson F. Popham, P.A.

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February 24, 2025

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

RE: Senate Bill 956 - Health Insurance - Medicare Supplement Policies - Broker Commission
FAVORABLE

Dear Chair Beidle and Members of the Committee,

On behalf of the National Association of Benefits Insurance Professionals of Maryland (NABIP MD), I wish to express our support for Senate Bill 956.

NABIP MD (formerly Maryland Association of Health Underwriters - MAHU) is a trade association comprised of several hundred licensed health insurance producers in Maryland who represent both businesses and individuals in analyzing their need for health insurance and advising clients on health insurance coverage and benefits. NABIP MD members have traditionally served as the representatives for small and medium-sized businesses in the negotiation of health benefit plans for the employees of those businesses.

As we have testified in the past, an important part of the services provided by NABIP MD members is assisting clients in evaluating the cost of benefits and coverages.

In this legislation, the interests of NABIP MD members and other health insurance brokers are secondary, however, to the interests of hundreds of thousands of Marylanders who make the decision each year to enroll in, or to switch to, a Medicare supplement health insurance plan. This is an important decision, and our seniors who must face this decision each year are often in need of experienced advice and counsel, provided by a licensed professional in the field.

The bill that is before you addresses a market imbalance that impedes the ability of NABIP MD members to provide this service, and therefore consumers to obtain this service. We hope to engage the Finance Committee in an objective discussion of the problem, and to agree that we should work together toward a solution.

Senate Bill 956 is one such solution, and for that reason NABIP MD supports this legislation.

Very truly yours,



Bryson Popham

cc: Melissa Coles, President, NABIP MD
Kevin O'Toole, Co-Chair, NABIP MD Legislative Committee
Glenn Arrington, Co-Chair, NABIP MD Legislative Committee

SB 956 FAV.pdf

Uploaded by: Christopher West

Position: FAV

CHRIS WEST
Legislative District 42
Baltimore and Carroll Counties

Judicial Proceedings Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 26th, 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.

jacob mcgeoy testimony SB0956.pdf

Uploaded by: Jacob Mcgeoy

Position: FAV

Testimony by Jacob McGeoy

1409 Charmuth Rd Lutherville, MD 21093

I am providing my testimony regarding my favorable stance on SB0956. I have been an independent insurance agent for over 15 years and my primary focus has been on Medicare lines including Medicare supplement and Medicare Advantage. I have recruited, trained and managed hundreds of agents in Maryland and abroad throughout my time in this industry.

The “Birthday Rule” law that was passed and enacted in 2023 has been largely beneficial to Maryland seniors but it did not take long for the Insurance carriers to adjust and effectively ensure that insurance agents would be unable to help their clients take advantage of their new right. The Birthday rule requires that the policy be accepted on a “Guaranteed Issue” basis (without underwriting) and insurance carriers currently pay little to nothing on this type of application in Maryland.

Agents earn about \$35 a month on average per member per month in commission on medicare supplement plans for the first 6 years they are insured if the client is enrolled when they first started medicare (no underwriting required) or if the client went through underwriting to begin their coverage. If an agent helps their client to use the birthday rule and obtain a lower cost on their plan (because they are unable to pass underwriting) with the current landscape, they will no longer receive \$35 a month but instead earn \$25 one time only.

This effectively means that any broker using the birthday rule to help an existing client will permanently lose the income on that client. It also means that there is no incentive to write any new medicare supplement plans because in a very short period of time the client will have incentive to leave the plan they are on and choose a new insurance plan with a lower rate.

As of 3/1/25 we are down to one insurance company that will pay the standard commission rate for an application submitted using this birthday rule to avoid the underwriting requirement. This company was already the lowest paying carrier in the state (\$20/member/month) and one with some of the highest rates, so it is unlikely that it would ever be one that is used to lower a consumers monthly premiums.

Insurance agents who service seniors on medicare supplements typically spend time with those clients each year to help them navigate their medicare part D (drug) plans as well as they are very confusing and hard to shop. This service has always been more or less un-

compensated, and especially after the IRA passage and effective changes on part D this past Annual Enrollment period.

Furthermore, the only health insurance product that would remain as a “compensated” plan that agents could promote would be Medicare Advantage plans. While I am not “against” Medicare Advantage plans as an option for clients, they are certainly not the best option for everyone and do have more financial risks for the client. Most insurance companies that sell Advantage plans have the opportunity to make more profit from advantage plans than Medicare supplements, so this situation works in their favor.

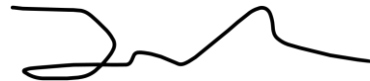
If something is not done to change the law in Maryland regarding the Birthday rule and the compensation of Guaranteed Issue medicare supplements, the only insurance agents that remain will only be selling Medicare Advantage plans regardless of the clients needs.

SB0956 would be of huge benefit to all Maryland seniors because it will allow them to continue to get the service from their agents on their medicare supplement policies as well as their part D plans and allow those agents to do what is best for the client without financial incentive to promote other products which may be more financially risky.

Thank you

Jacob McGeoy

2/24/25

A handwritten signature in black ink, appearing to read 'Jacob McGeoy', with a stylized, cursive-like flow.

NAIFA-MD2025sb956info.pdf

Uploaded by: Brett Lininger

Position: INFO



Senate Bill 956
Health Insurance-Medicare Supplement Policies-Broker Commission
Position: Informational Only

Dear Chair Beidle and Members of the Senate Finance Committee,

NAIFA-MD (“The National Association of Insurance and Financial Advisors – Maryland Chapter”) appreciates the opportunity to submit testimony on SB 956. NAIFA-MD is made up of insurance agents and advisors, financial advisors and financial planners, investment advisors, broker/dealers, multiline agents, health insurance and employee benefits specialists, and more. We are the closest to the consumer and provide products, services, and guidance that increase financial literacy in our society, protect their clients against life’s inherent risks, help hard-working Americans prepare for retirement, and create financial security and prosperity so their clients can leave a legacy for future generations.

NAIFA-MD’s membership has reviewed this legislation at great length and given the differing points of view, we have decided to provide this informational testimony for the Committee’s consideration.

Since the Maryland legislature passed the bill to allow individuals with a Medicare Supplement (MedSupp) policy to switch to another MedSupp plan on a guaranteed issue basis within 30 days after one’s birthday, many people have taken advantage of the new law. There is a significant discrepancy in commissions paid to health insurance producers. Although it varies by carrier, an example of one carrier’s payment scale is \$25 under the birthday rule vs. \$300 for open enrollment.

One of our members thinks that this is fair because of the exorbitant amount of time it takes to help someone select the right plan through open enrollment versus under the birthday rule. Others are in favor of the legislation because a producer should be compensated fairly, regardless of placing coverage under the birthday rule or during open enrollment. One member is concerned that passage of this bill would invite certain out of state companies who only target market seniors under the birthday rule. The thought being to make a quick buck on a volume basis. Others felt that Maryland’s market is robust and this will not be a significant issue.

A concern was raised that the net effect of this legislation is payment of commissions under open enrollment would be reduced significantly which denies proper compensation for the amount of time it takes to properly advise someone of the proper Medsupp plan to select at the outset. Not everyone agreed this was a legitimate concern, however.

Given the varying points of view, the legislature might consider studying the possible impacts of such legislation.