

Impacts of Open Enrollment on Medicare Supplement Plans and the Medicare Market

Individuals enrolled in original Medicare purchase Medicare Supplement plans to provide coverage for cost sharing (copayments, deductibles, and coinsurance) not covered by original Medicare. This program design makes Medicare Supplement plans appealing to members who prefer to pay a predictable monthly premium rather than a per-service cost sharing amount. This also makes Medicare Supplement plans extremely attractive to those individuals with higher health care needs and higher rates of utilization.

Currently, members can enroll in a Medicare Supplement plan without providing a medical history when they first become eligible for Medicare. However, Medicare-eligible beneficiaries who do not enroll during this eligibility period may not be able to enroll in a Medicare Supplement plan based on their health history. See [Get Medigap Basics | Medicare](#).

In 2023, the Minnesota Legislature created an annual open enrollment period that would allow individuals to make an annual plan selection to enroll in a Medicare Supplement without a health history. The legislation also added continuous open enrollment periods in certain situations. The original statutory change required an effective date of August 1, 2025. However, concerns about the impacts of this change on beneficiaries and the Medicare market prompted a delay in the effective date by one year to August 1, 2026. This provided an opportunity for the state to conduct an analysis of the impacts of the legislative change on the Medicare Supplement enrollees and the Medicare market.

In 2024, the Minnesota Department of Commerce released a report in partnership with Risk and Regulatory Consulting, LLC (RRC). Following release of this report, Blue Cross and Blue Shield of Minnesota (Blue Cross) compared the assumptions used in the analysis against the extensive data we have and found that the report materially underestimates the projected premium impacts which could lead to significant market instability. The potential for increased premiums and market instability poses a substantial risk to all 207,000 Medicare Supplement members in Minnesota and to the broader Minnesota Medicare market. We urge lawmakers to consider our analysis and the potential adverse effects on Medicare members in Minnesota and strongly advocate for a repeal of the legislation in its entirety during the next session.

Blue Cross Actuarial Analysis

As the market leader, holding 70% of enrollees in the Minnesota Medicare Supplement market with over 145,000 members, our data analysis projects a much more substantial impact to the market and significantly revises the projected premium increases that were in the report. In addition, Blue Cross considered historical data from the Medicare Cost plan closure history that we found valuable for consideration in our analysis. During the Medicare Cost plan closure, Blue Cross observed that members electing Medicare Supplement products were twice as unhealthy as those selecting Medicare Advantage products. This data point suggests that the study significantly understates the difference in health status between those entering and leaving Medicare Supplement plans.

Both the RRC report and our analysis estimates premiums will increase as a result of this legislation. The RRC report estimates an increase in premiums of 6% in year one increasing to 16% over current rates by year five. By contrast, Blue Cross estimates a 35% premium increase in the first year increasing to 90% over current rates by year five. The differences in estimates from RRC and Blue Cross can be attributed to the illness burden or morbidity assumptions for individuals entering and exiting Medicare Supplement plans when the legislation becomes effective.

We believe that the individuals enrolling in the plan will have higher health care needs which will drive up premiums. Higher premiums will result in members leaving Medicare Supplement for lower cost coverage, such as Medicare Advantage. We also believe that the individuals leaving the plan will be healthier with lower health care needs. This means that the cost and utilization of the remaining Medicare Supplement members will continue to rise and will not be balanced with individuals with lower utilization because the lower utilizing members have disenrolled from the plan. This will result in significant premium increases year over year. The impact will depend on the member movement that occurs in and out of Medicare Supplement plans and the changes that result - which could even exceed our estimated impact.

We have provided additional details about these key differences between the Department's estimate and the estimates from our data:

1. **Morbidity Assumptions:** The report understates the projected overall health of the Medicare Supplement block by 45% in the first year and 20% in each of the following years. Notable concerns:
 - a) The overall health of individuals enrolling in Medicare Supplement through open enrollment is materially understated by 200% in RRC's report. This is due to an understatement of the overall health or morbidity of the highest cost members enrolling in the plan during open enrollment and RRC's assumption that a significant portion of members with average health will move into Medicare Supplement (100K+).
 - b) We estimate that the health status of enrollees leaving Medicare Supplement plans is overstated by 140%. In our analysis, Medicare Supplement market enrollees leaving the plan will be healthier with lower health care needs which means that the enrollees remaining in the plan will be less healthy requiring higher levels of care which will drive up premiums for the remaining population.
2. **Medicare Supplement Enrollment Impact:** The report overestimates the net number of people switching from Medicare Advantage to Medicare Supplement plans by 65,000 members. In our analysis, we believe that if premiums increase as projected, the opposite will occur. We anticipate Medicare Supplement members will disenroll and move into plans with lower premiums, such as Medicare Advantage.

Recommendations

The report from RRC included recommendations to mitigate some of the anticipated premium increases, such as attained age rating and disability rating that have proved effective in stabilizing premiums and maintaining market health in other states. However, our analysis indicates that the report materially underestimates the potential benefits of these mitigation techniques and that even with these strategies, the Minnesota Medicare Supplement market would still face severe challenges. Therefore, adopting these measures alone is insufficient to counteract the projected impacts.

Given the significant concerns and the compelling data provided by Blue Cross, it is crucial to repeal the legislation in the next session. [Sec. 62A.31](#), Subd. 1h. The risk of increased premiums and subsequent market instability poses a serious threat to all Medicare Supplement members in Minnesota and may make Medicare Supplement plans unaffordable. We urge lawmakers to consider our actuarial analysis and the potential adverse effects on Medicare members in Minnesota and recommend a repeal of the legislation in its entirety. We strongly recommend repealing the legislation in its entirety to protect the welfare of our seniors and ensure the stability of the Medicare market.



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March 25, 2025

House Commerce Finance and Policy Committee
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Co-Chairs O'Driscoll and Her and Members of the Committee:

We urge your support for HF 2335, a bill that would advance the affordability of Medicare Supplement plans for Minnesota's seniors. Medicare Supplement plans, also known as Medigap, provide comprehensive coverage, flexibility, and peace of mind to seniors, many of whom live on fixed incomes. This coverage allows seniors to budget for medical costs and protects them from out-of-pocket costs not covered by traditional Medicare. However, recent legislative changes will threaten the stability of the market and raise premiums for Minnesota's 207,000 Medicare Supplement members, by no fault of their own, would experience a significant rate increase due to a 2023 law that is set to go into effect next year.

Minnesota's Medicare Supplement market is currently stable and predictable for seniors. One is generally eligible to purchase any Medicare Supplement policy offered in the state during the initial six-month open enrollment period when they are first enrolled in Medicare Part B. During the Medicare open enrollment period, the enrollee has guaranteed issue rights and cannot be charged higher premiums based on health nor require medical underwriting. Furthermore, all Medicare Supplement policies are sold on a guaranteed renewable basis, this means that the insurer must renew the policy as long as premiums are paid and cannot cancel it.

This limited open enrollment period ensures that the risk pool includes a mix of healthy individuals and those with higher healthcare needs. This matters because a fundamental principle of insurance involves the pooling of risk to ensure affordability for everyone in the risk pool. Adverse selection occurs when the risk pool becomes unbalanced and results in higher costs, which leads to higher premiums for the enrollees.

Starting next year, legislation from the 2023 session will replace the current process with an annual open enrollment period without a health history and adding continuous open enrollment periods in certain situations. This will lead to significant market instability and higher premiums for Medicare Supplement members. HF 2335 will repeal this law before it goes into effect and preserve the integrity of the market.

We urge the committee to support HF 2335 and advance policies that support the affordability of Medicare Supplement plans.

Sincerely,

A handwritten signature in black ink, appearing to read 'L Nesse', with a stylized flourish at the end.

Lucas Nesse
President and CEO



NABIP Minnesota, the local market chapter of the National Association of Benefit and Insurance Professionals, supports the repeal of (Bill) of the Medicare Supplement Guarantee Issue rule.

The association is committed to supporting private market insurance product solutions that bring stability to the overall Medicare insurance market.

We believe that implementing a Guaranteed Issue Medicare Supplement rule will destabilize Medicare supplement premiums resulting in rate increases that could reach 30% to 50% over a 3-to-5-year period. Additional factors include

- Today's Medicare Advantages plans provide comprehensive coverage for chronic medical conditions and limit consumers' Maximum Out Of Pocket (MOOP). These consumers elect to have lower premiums, in exchange for higher out of pockets exposure.
- The Guaranteed Issue Rule will open carriers to adverse selection, as Minnesotans that develop serious medical problems will seek out lower out of pockets. While this will benefit individuals in those situations, it penalizes policy holders who chose more comprehensive coverage when they first enrolled in Medicare and who have paid more over time.
- With the leading edge of the baby boomers turning 80, the utilization rate of Medicare health plans is increasing as Minnesotan's need more care. The current overall medical trend is resulting in annual premium increases in the high single digit and low double-digit percentages today.

Repealing the Medicare Supplement Guaranteed Issue Rule will protect Minnesotans currently enrolled Medicare Supplement plans against additional rate increases, avoid the unintended consequence of driving more seniors to Medicare Advantages due to higher premiums, and will allow the market to absorb increasing costs with a stable market that provides choice to consumers.

03/24/2025

Shawnee Christenson
NABIP of MN, Legislative Committee Member



AARP Testimony on HF 2335
House of Representatives Commerce Finance and Policy Committee
March 25, 2025

Co-Chairs O'Driscoll, Her, and Committee Members,

AARP encourages you to please oppose HF 2335 which would inhibit older Minnesotans' ability to access Medicare supplemental plans if they desire to utilize one. This bill would eliminate Minnesotans' freedom and choice to enroll in Medicare Supplemental insurance plans by repealing state law set to go into effect in 2026 that allows Minnesotans to pick the plan that works best for them.

Currently in Minnesota, those eligible to enroll in Medicare have an initial enrollment window to enroll in a Medicare Supplemental Insurance Plan (sometimes called Medigap) plan without medical underwriting. If Minnesotans select a Medicare Advantage plan, and in the future want to change to Medigap instead, they cannot do so without going through medical underwriting which often means denial or prohibitive costs. The same can also apply even for those that enrolled in Medigap who want to change plans at a future date since, without an open enrollment window, medical underwriting would be required.

Lastly, we would encourage the Legislature to consider Medicare Savings Programs, a joint federal/state program for people on Medicare who have limited income and resources, as an alternative way of helping Minnesotans with limited income and resources pay for some or all of their Medicare costs. For those who qualify, MSPs can help with out-of-pocket costs such as premiums, copays, coinsurance, and deductibles.

We are sensitive to increasing premiums and balancing affordability with increased access, so we plan to continue to be engaged in discussions around alternatives to repeal. Please oppose HF 2335 and keep our existing state law which will soon give Minnesotans more choices as they age. Thank you for the opportunity to provide written testimony.

Thomas Elness
State Advocacy Director
AARP Minnesota

Testimony against HF2335 and SF2498 (identical companion bills)

In 2023, a law was passed that eliminated denial by Medicare Supplement programs for failing to “buy in” to Medicare Part B within a 6 month window after first becoming eligible for Medicare. This law was to have been implemented by January 1, 2025 but for some behind the scenes actions, this was delayed until January 2026.

Now it looks as if there was something and someone behind the delay to allow exactly this proposed bill (HF2335 and SF2498) to be presented to stop the implementation of the law at all.

The letter submitted by Blue Cross Blue Shield has denied the report conducted by the Commerce department findings that it would not be significantly costly to consumers. They claim to be acting in defense of existing customers to keep their premiums lower, but their stated analysis is so exaggerated worse than the original report, it borders fiction, not fact.

A 6 percent increase versus a 35 percent increase in year one? Ridiculous!

A 16 percent increase increasing even more over 5 years they find would instead be 90 percent by five years! Ridiculous! They have so little regulation now, of course they could choose to increase premiums by 90 percent, however, that does not mean that anyone would be able to buy policies at that price.

Medigap policies are already expensive and vary greatly from the \$150 dollar range to \$400 or more. Someone currently having enough income to afford a \$331 policy, like I was, for example, could cope with a 6% increase in premiums. Depending on the COLA and other factors of the current chaos at the federal level, I could be able to cope with a total of a 16 percent premium price increase over 5 years.

However, that begs the question: Why should we believe the assertions of AN INSURANCE COMPANY that makes billions of dollars of net profits so has an inherent conflict of interest in promoting the continuation of discrimination by preexisting conditions that has been removed for ABLED working people who are not DISABLED or elderly enough to qualify for Medicare.

The people with disabilities and the elderly are the target consumers for mandatory Medicare health insurance. Congress erred bowing to the insurance companies tale of woe and profit losses back in the day when they decided on the 80/20 split in coverage which left millions of people at risk of medical bankruptcy just from the 20 percent, plus deductibles, copays, coinsurance, denials, and every other trick in the book the health insurance financial industry uses to keep outrageous profits and share value with extraordinarily excessively paid CEO and C-suite management.

The report they provided to this committee is full of “we believe” statement that are not proven and are based on unfounded assumptions that so completely differ from the Commerce report that it looks like bad statistics based on unfounded assumptions.

This Blue Cross Blue Shield “Impact of Open Enrollment” report is pure propaganda in their self-interest for maintaining billions in profits.

They pretend that they are concerned about there current customer's financial status. Without leaving the 2023 law intact and allowing it to be implemented as was proper procedure, they want to kill it without regard for the consequences to the people who will (no "may" about it) be denied the right to buy a Medigap policy after the 6 month window closes.

Considering that Medicare allows people to buy into Part B after the 6 month window, albeit a 10% penalty per year premiums were not paid, then it follows logically that Medicare supplement plans should also be available for people with preexisting conditions to buy them. Perhaps they could have a late payment fee of 10 percent to match the penalty the same as Part B is permitted to charge.

Would that be enough to factor in a still smaller increase in all policy premiums? If this law should be amended at all, perhaps allowing a 10 percent penalty per year premiums aren't paid until Part B premiums are paid would be one way to allow what is right — the elimination of underwriting and discrimination against people with disabilities and vulnerable elderly people — to be implemented.

Medical debt is a big issue right now. Another adverse consequence to permitting denial to the right to buy Medigap policies will certainly result in more disabled and elderly people becoming bankrupt by that lack of a Medigap policy. Bankrupt enough, perhaps to become homeless. Bankrupt enough to become eligible for Medicaid (MA), thereby costing the State of Minnesota millions of more dollars for this expanded base of needy consumers.

The Blue Cross Blue Shield analysis did not properly consider the "unintended" consequences of what it means if they deny coverage to people who are finally able to buy Part B for whatever reason they could not before. Let's not presume that all are guilty of trying to get away on the cheap until they get sick so just avoid buying into Part B. Innocent until proven guilty.

On the other hand, we know the insurance companies make profit over people by the buckets full of profit accrued, in part to denying care, charging high premiums, and doing financial manipulations like stock buy backs and other financially suspect but legal loopholes exploitation.

This bill actually only impact a small number of people because most of us do automatically buy into Part B when we are allowed too! Many other circumstances exist that make it difficult to know what is slipping through the cracks. One thing might be changes to a person's retirement plan by employers to that their eligibility date has passed by because they remained on the employer health insurance plan (theoretically guaranteed, by not always done so). Can such a person be punished for not buying Part B when he though he was going to have great employee health insurance as a retiree?

What about someone on MA who wants to get off and switch to Medicare original and buy a supplement plan? If it is 3 years past when they were first eligible, should that justify the discrimination of denying them the right to buy a Medicare supplement? I don't think that is right.

As long as insurance companies are making billions in profits they can afford to sell policies to people with disabilities and the elderly without discrimination and they will still make billions of dollars (net) off our chronic illness, progressive diseases like MS, and the failing bodies that naturally come with aging.