

# House Research Act Summary

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**TOPIC:** Medicare Supplement Insurance

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## Overview

This act amends Minnesota's Medicare supplement insurance laws to comply with the federal balanced budget act of 1997 (BBA 97). BBA 97 requires that states amend their laws to comply with BBA no later than April 29, 1999. BBA 97 requires state laws to require guaranteed issue, with no preexisting condition limitations, for Medicare supplement insurance in some situations in which current Minnesota law does not now require it. Guaranteed issue means the applicant cannot be turned down for coverage. Under current Minnesota law, Medicare enrollees have a "six month open window" beginning when they first enroll in Medicare Part B. During that period, they have the right to coverage on a guaranteed issue basis. Our current law also has some special provisions for people who enroll in Medicare before age 65, due to disability.

### Section

- 1 Policy requirements.** Updates a cross reference to reflect this act and also a provision enacted in 1992.
- 2 Guaranteed issue for eligible persons.** Paragraph (a) provides that eligibility for the new guaranteed issue provision enacted in this act applies only when the person applies within 63 days of termination of certain types of prior coverage. Provides that these eligible persons must be issued a Medicare supplement policy that does not discriminate on the basis of health status, claims experience, receipt of health care, medical condition, or age. Provides that the

guaranteed issue policy must not use a preexisting condition limitation. (This is consistent with our current guaranteed issue requirement, except that the 63 day requirement is not relevant to current law.)

Paragraph (b) specifies the situations in which a person is eligible for the new guaranteed issue requirement contained in this act. There are six such situations, described in numbered clauses (1) through (6).

Clause (1) applies to employees who are retired and whose former employer provides Medicare supplement coverage. If the employer plan terminates or stops providing Medicare supplement benefits, the retired employee has the right to guaranteed issue.

Clause (2) applies when a person has enrolled in one of the new Medicare+Choice plans, and the plan terminates or the person is not eligible to continue in it, or when the Medicare+Choice plan substantially violated its contract or committed marketing fraud.

Clause (3) applies when a person enrolled in an HMO Medicare plan or a Medicare Select plan, and the person's enrollment terminates for any one of the reasons listed in clause (2) above.

Clause (4) applies when a person is enrolled in a Medicare supplement plan, and the enrollment terminates due to insolvency of the insurer, other involuntary termination, or the insurer substantially violates a material provision of the policy or committed marketing fraud in selling the policy.

Clause (5) applies to a person who was enrolled in a Medicare supplement policy, switches to a Medicare+Choice plan, and then decides to switch back within one year.

Clause (6) applies to a person who, when initially enrolling in Medicare Part B, enrolls in a Medicare+Choice plan and then terminates that enrollment within

twelve months.

Paragraph (c) specifies the type of Medicare supplement policy to which the persons described in paragraph (b) are entitled on a guaranteed issue basis. For clauses (1) to (4) of paragraph (b), eligibility is limited to the "basic" plan, with any combination of three optional riders. Those three riders are Medicare Part A inpatient hospital coinsurance and other Part A eligible expenses not covered by Medicare, daily copayment for Medicare Part A skilled nursing care, and Medicare Part B copayment. For clause (5), the person has the right to get back into the same policy the person left or, if no longer available, any policy available under clauses (1) to (4), from any insurer. For clause (6), the person has the right to buy any Medicare supplement policy from any insurer.

Paragraph (d) requires that persons potentially eligible for guaranteed issue under this act be given notice of their rights by the entity from whom they formerly had coverage.

Paragraph (e) provides that mention of a termination of coverage in this section should not be interpreted as evidence that the termination is permitted under Minnesota law. (It is possible that the person was terminated in another state in which the person formerly resided.)

Paragraph (f) provides that an individual's rights under this section of the act are in addition to, and do not affect, a person's right to guaranteed issue under existing Minnesota law.

- 3** **Definitions.** Lists the sections to which the current and new definitions apply. Adds definitions needed for terms used in this act.
- 4** **Other policies not prohibited.** Changes provisions on the types of policies that may be sold which duplicate Medicare and requires consumer disclosures on forms prescribed by the National Association of Insurance Commissioners (NAIC).
- 5** **Effective date.** Makes the act effective immediately. The analogous federal

provisions for sections 1 to 3 were effective  
July 1, 1998.