

Kimberly Y. Robinson, Esq.
Regulatory & State Government Affairs Director



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The Honorable Shane Pendergrass, Chair
Health and Government Operations Committee
Maryland House of Delegates

Routing B6LPA
900 Cottage Grove Road
Hartford, CT 06152
Telephone 860.907.6396
Kimberly.Robinson@Cigna.com

Submitted electronically

Re: Opposition to House Bill 1063- Insurance - Medicare Supplement Policy Plans - Open Enrollment Period Following Birthday

Dear Chairwoman Pendergrass:

Thank you for the opportunity to share Cigna's opposition to Senate Bill 1063- Insurance - Medicare Supplement Policy Plans - Open Enrollment Period Following Birthday. Cigna appreciates the bill's intent, but believes the bill will have an unintended consequence of higher premiums for Medicare Supplement purchasers in the state. ***We respectfully offer these comments for your consideration and request an unfavorable report.***

Medicare Supplement is health insurance sold by private insurance companies to fill the "gaps" in Original Medicare Plan coverage. Often referred to as Medigap, Medicare Supplement policies pay some of the health care costs that the Original Medicare Plan doesn't cover, such as copayments, coinsurance and deductibles, or some services Original Medicare does not cover, such as medical care when you travel outside of the United States.

Currently, Marylanders are generally eligible to purchase any Medicare Supplement policy offered in the state during an initial six-month open enrollment period at 65 or older and when first enrolled in Medicare Part B. During the Medicare Supplement open enrollment period, the enrollee has guaranteed-issue rights (cannot be turned down because of pre-existing conditions or health problems) and cannot be charged higher premiums based on health or require medical underwriting.

Outside of the original enrollment period, there are some specific triggers that allow guaranteed issue access to a Medicare Supplement policies. Otherwise, Medicare Supplement insurance companies can require medical underwriting or take health status into consideration when reviewing the application; premiums with the new plan can be higher or the application

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can be rejected altogether. These plan requirements help guard against adverse selection and enhance risk pool stability. The result is effective plan offerings at reasonable premium rates. Not unlike other insurance products, in order to manage premium costs eligible purchasers should not wait until they need the product to enroll. This delay drives up cost for all purchasers. If Maryland were to pass HB 1063, allowing an annual open enrollment with guaranteed-issue, the risk profile of the group will be altered. This will result in higher premiums

During the interim, the Maryland Insurance Administration attempted to review the impact of similar provisions in other states. The MIA was able to look at a data from various sources. A close review of the MIA's response is not inconsistent with our view of what will happen under the bill. The MIA notes in their letter that they surmise the market impact to be a **2% net increase** to the Medicare Supplement market – meaning across the entire market. We do not dispute that assumption. We are focused on the varying experience of specific insureds, as the impact **will not be an even 2% for all but higher increases for some and lower increases for others**. A close read of the MIA letter finds that the MIA recognizes this reality and they state “the [birthday rule] is likely to drive up the lowest/standard rates” (MIA letter, Page 7). We are concerned about those price sensitive consumers who are in those lowest/standard rates and working to afford the product without the volatility additional guaranteed issue open enrollments will bring. This is the volatility about which we and others have expressed concern. The MIA further recognizes this price volatility in their letter where they say that “the MIA believes that this description of the impact of the BR in Oregon is an indication of what is most likely to happen in Maryland:

“[W]e now see a lot of member adverse selection to the lowest cost insurer on the market. After the insurer becomes the lowest rate on the market (or in the lower quarter of rates maybe) the insurer sees sharp losses and can **justify rate increases between 15 and 30 percent the following year**. We also see another year or two of ‘higher than normal’ rate increases after the first sharp rate increase as members level out and leave to other insurers.”
(MIA letter Page 9) (Emphasis added)

The fact that you can see these types of justifiable increases while having only a 2% net market impact is an important nuance and factor to understand with regard to how product rating occurs. We agree with the overall picture the MIA paints in its conclusion, but urge you to remember that the individual experience of insureds with different policies and carriers can vary.

Our experience in Oregon, which has a similar law, bears this out. The guaranteed issue open enrollment period has caused a shift in the market for carriers who sell individual Medicare Supplement policies which has produced higher premium costs to consumers. While we understand the sponsor's desire to enhance access to these policies, we believe that HB 1063

would create a harm to consumers in need of Medicare Supplement benefits who are often price sensitive, living on fixed incomes and need for premiums to remain within reach. We believe the state should look at other ways to address the proponent's concerns that does not result in financial implications to Maryland consumers.

Ultimately, the General Assembly must balance adding this additional choice and the impact it will have for those who find themselves in the product that sustains the greater rate impact solely because of this policy change. We value our Medicare Supplement members and will remain a committed writer in this market supporting them and our Medicare Advantage and dual eligible populations.

Thank you for your time and consideration of these comments on HB 1063. We urge the committee to give the bill an unfavorable report.

Sincerely,

Kimberly Y. Robinson

Kimberly Y. Robinson, Esq.
Director, Regulatory and State Government Affairs

cc: Delegate Kiril Reznik