



**House  
Legislative  
Analysis  
Section**

Washington Square Building, Suite 1025  
Lansing, Michigan 48909  
Phone: 517/373-6466

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House Bill 4242 (Substitute H-1)  
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First Analysis (4-13-89)

JUN 12 1989

Sponsor: Rep. Thomas C. Mathieu  
Committee: Insurance Mich. State Law Library

***THE APPARENT PROBLEM:***

Because people who are not eligible for Medicare cannot make use of benefits under a Medicare supplemental insurance policy, an insurance agent or company should not sell a supplemental policy to someone until his or her eligibility for Medicare is verified. In cases where this does happen, all premiums paid for the supplemental policy should be returned. However, the Insurance Code does not currently provide for these situations. In one case in Western Michigan, reportedly, a woman paid premiums for 15 years before discovering her policy was of no use (because she was not eligible for Medicare), and she did not receive all of her premiums back!

***THE CONTENT OF THE BILL:***

In general, the bills would prohibit the issuance of a Medicare supplemental policy (or certificate) to a person who is not eligible for Medicare. Insurers would be required to verify that a person was eligible for Medicare before issuing the supplemental policy. All premiums paid by a non-eligible person for a supplemental policy would have to be refunded. (An application for a supplemental policy could be taken, however, before eligibility was determined.)

The bills would also require insurers to determine, before offering an applicant an individual policy, if the applicant was already covered under a group policy providing substantially the same benefits and then notify the applicant how the individual policy being offered would duplicate or coordinate with the existing group policy. The notification would have to be signed by both the applicant and insurance agent. A copy of the notification would be provided to the applicant and the original would have to be kept on file by the insurance company for five years. The files would be available to the insurance commissioner at all times.

House Bill 4243 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1413d) to apply to Blue Cross and Blue Shield of Michigan. House Bill 4242 would amend the Insurance Code (MCL 500.2267d) to apply to commercial insurance companies.

***FISCAL IMPLICATIONS:***

The Department of Licensing and Regulations says the bills have no revenue or budgetary implications. (3-13-89)

***ARGUMENTS:***

***For:***

The bills would prohibit insurance companies from selling a Medicare supplemental policy to a person who is not eligible for Medicare. Such a person cannot make use of a supplemental policy, so it only makes sense to prevent agents and companies from selling them in such cases. Companies will have to make sure that customers are

eligible for Medicare before selling them a policy. In cases where such a policy is wrongly sold, the bills would require all premiums to be returned. They also would require insurers to inform a customer considering a supplemental policy in what ways the policy they are selling duplicates the customer's existing coverage or how the policy would coordinate with existing coverage. This would help make consumers more aware of their insurance coverages and less likely to purchase duplicate and unnecessary coverages.

***Against:***

These bills, while well-intentioned, may make it more difficult for seniors to get Medicare supplemental coverage. If a company cannot verify that a person is eligible for Medicare, it will not sell the person a supplemental policy. Yet, according to the Insurance Bureau, verification of Medicare eligibility can be very difficult. There have been instances, the bureau says, of people having Medicare coverage for two years before receiving their Medicare cards, leading to difficulties with providers as a result. A person who could not establish his or her eligibility to a company's satisfaction would not be able to purchase a supplemental policy. Furthermore, the bureau says the marketing of supplemental policies to non-eligible individuals does not appear to be much of a problem. Certainly, premiums should be returned in these cases, but the determination of eligibility requirement is problematic.

***POSITIONS:***

The Department of Licensing and Regulation supports the bills if amended to delete the requirement that insurers verify that customers are eligible for Medicare. (3-13-89)

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