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MEDIGAPS TO ELIGIBLES ONLY

House Bill 4242 as enrolled
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Second Analysis (6-20-89)

Sponsor: Rep. Thomas C. Mathieu
House Committee: Insurance
Senate Committee: Commerce & Technology

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 even after a lengthy dispute, 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 has not applied for or enrolled in Medicare, parts A and B. If it was later determined that a person had not applied for or enrolled in the program, all premiums would be refunded plus interest less the amount of any benefits received under the coverage. Interest would be calculated at six-month intervals from the date the first premium was received at a rate one percent above the rate paid at auctions for 5-year U.S. treasury notes.

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. The bills would take effect July 1, 1989.

FISCAL IMPLICATIONS:

There is no information at present. (6-19-89)

ARGUMENTS:

For:

The bills would prohibit insurance companies from selling a Medicare supplemental policy to a person who has not applied for or enrolled in 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. In cases where such a policy is wrongly sold, the bills would require all premiums to be returned with interest.