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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 309

Sponsor: Senator Doug Carl

Committee: Commerce and Technology

Date Completed: 5-9-89

SUMMARY OF SENATE BILL 309 as introduced 4-13-89:

The bill would amend the Insurance Code to specify the deductibles that could or did not have to be excluded from coverage by Medicare supplemental packages; require annual reports from insurers; require insurers to notify certificate holders of changes in Medicare policies; require insurers to comply with certain Federal requirements; restrict the amount of commissions paid to insurance agents under certain conditions; and add to the conditions under which riders and endorsements are exempted from the requirement that they receive written acceptance from the insured.

Type 1 and Type 2 Medicare Packages

The bill specifies that a Type 1 Medicare supplemental package would have to cover at least the deductible and co-payment requirements of part A and part B of the Federal Medicare program excluding outpatient prescription drug deductibles. Currently, the Type 1 package is required to cover at a minimum the deductible and coinsurance requirements of part A and part B of the Federal Medicare program and coverage of 90% of all Medicare part A eligible expenses for hospitalization not covered by Medicare, subject to a lifetime maximum benefit of an additional 365 days. Further, the bill provides that a Type 2 Medicare supplemental package would not have to exclude coverage for deductibles for blood. Currently, a Type 2 package must provide the same coverage as a Type 1 package but must exclude coverage for part A and part B dollar deductibles.

Annual Reports

The bill would require insurers to file annually with the Insurance Commissioner their rates, rating schedules, and supporting documentation including all claims for Medicare supplemental coverage. (Currently, insurers are specifically required to file only a report of their Medicare supplemental claims experience and to do so at the request of the Commissioner.) The filings and schedules would have to demonstrate that the actual and expected losses in relation to premiums were in compliance with the applicable loss ratio standards of this State.

S.B. 309 (5-9-89)

### Notification of Medicare Changes

The bill specifies that as soon as practicable but no later than 30 days before the annual effective date of any Medicare benefit changes, an insurer providing Medicare supplemental policies or certificates delivered or issued for delivery in Michigan would be required to notify its policyholders and certificate holders of modifications made to its Medicare supplemental policies or certificates in a format acceptable to the Commissioner. The notice would have to be in outline form, contain clear and simple language, include a description of revisions to the Medicare program and of each modification made to coverage provided under the Medicare supplemental policy; and indicate whether a premium adjustment was due to changes in Medicare. The notice could not contain or be accompanied by any solicitation.

### Other Provisions

The bill also would:

- Require insurers to comply with provisions in the Federal Social Security Act concerning voluntary certification of Medicare supplemental insurance policies, receipt of claims from participating physicians and suppliers, and assignment of benefits.
- Prohibit insurers from providing a commission or other compensation to an insurer's representative or agent for the sale or service of a Medicare supplemental policy that was greater than the renewal commission or compensation, if the existing policy were replaced by another policy with the same insurer or any of the insurer's affiliates, the new policy benefits were substantially similar to the benefits under the replaced policy, and the replaced policy were issued by the same insurer or affiliate.
- Specify that riders or endorsements to Medicare supplemental policies that would reduce or eliminate benefits to avoid duplication of Medicare benefits would not have to comply with the Code's general requirements that riders and endorsements that reduce or eliminate benefits receive signed acceptance by the insured.
- Specify that riders or endorsements that increased benefits and, therefore, premiums, to meet minimum standards for Medicare supplemental policies would not have to be agreed to in writing by the insured.

MGL 500.2265 et al.

Legislative Analyst: L. Burghardt

### FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: J. Schultz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.