

REMOVAL OF PART B DEDUCTIBLE FROM CERTAIN “MEDIGAP” INSURANCE PLANS

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House Bill 6431 (proposed substitute H-2)
Sponsor: Rep. Hank Vaupel
Committee: Health Policy
Complete to 12-3-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 6431 would amend Chapter 38 of the Insurance Code, which regulates Medicare supplemental—or “Medigap”—benefit plans, which are the health plans that allow individuals to cover expenses for various kinds of care not paid for by Medicare.

Medicare is regulated by the federal government under Title XVIII of the Social Security Act. Medicare supplemental policies and contracts, also known as Medigap policies, are also governed by that federal law.

Currently, a Medigap benefit plan issued after June 1, 2010 falls under one of ten plans: A, B, C, D, F, G, K, L, M, and N. The bill would amend several of the Medigap plans as described below.

A new Section 3811b of the Code would provide that benefit plan standards applicable to Medigap policies and certificates issued to individuals eligible before January 1, 2020 would remain subject to existing law. However, individuals who turned 65 after December 31, 2019 and those who first became eligible for Medicare due to age, disability, or end-stage renal disease after December 31, 2019 would fall under a new provision. Namely, existing plans would apply to those newly eligible for Medicare after December 31, 2019, with the following exceptions:

- Plan C would be redesignated as Plan D and would have to provide the benefits currently required under the post-2010 benefits for Plan C, as applicable, but could not cover 100% or any portion of the Medicare Part B deductible.
- Plan F would be redesignated as Plan G and would have to provide the benefits currently required under the post-2010 benefits for Plan F, as applicable, but could not cover 100% or any portion of the Medicare Part B deductible.
- Plan F with high deductible would be redesignated as Plan G with high deductible, and would have to provide the benefits currently required under the post-2010 benefits for Plan F, as applicable, but could not cover 100% or any portion of the Medicare Part B deductible. However, the Part B deductible paid by the beneficiary would be considered an out-of-pocket expense in meeting the annual high deductible. The deductible under this plan would be raised from \$1,860 to \$2,240, and benefits would not begin until the deductible had been reached. Beginning January 1, 2020, this plan would be available to individuals who were eligible for Medicare before that date, in addition to the post-2010 plans.

A policy or certificate providing coverage for the Medicare Part B deductible could not be advertised or issued to individuals who became eligible after December 31, 2019, unless it complied with the benefit standards of the new Section 3811b.

The bill also would amend Section 3831 of the Code, which guarantees a right of continuation or conversion. Now, conversion would be to the person's choice of the basic core benefits or to Plan C. The bill would amend that provision so that the person could have a right to either the basic core benefits or Plan C or Plan F, as chosen by the insurer. (For individuals eligible after December 31, 2019, references to those plans would be deemed references to Plans D and G, respectively.) Additionally, the bill would remove a requirement that each insurer offering individual expense incurred hospital, medical, or surgical policies in Michigan must give customers and applicants who are eligible for Medicare written notice of the availability of coverage under Section 3831.

The plans to be removed—Plans C, F, and F with high deductible—would be unavailable to individuals newly eligible for Medicare on or after January 1, 2020.

The bill would also revise the timeline for approval of Medigap advertising by the Medicaid director from 45 days to 30 days.

Finally, the bill would repeal Sections 3804 and 3808 of the Insurance Code.

It would take effect 90 days after enactment.

MCL 500.3801 et al.

BACKGROUND:

This bill is understood to be a necessary update to Michigan statute in order to comply with the federal Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), which was signed into law on April 16, 2015. Section 401 of MACRA prohibits the sale of Medigap policies that cover Part B deductibles to newly eligible Medicare beneficiaries. More information about MACRA can be found here:

https://www.naic.org/documents/cmte_b_senior_issues_related_macra_faq_2018.pdf

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.