



**House
Legislative
Analysis
Section**

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

MEDICARE SUPPLEMENTAL REGULATIONS

Senate Bill 309 (Substitute H-1)
First Analysis (7-26-89)

RECEIVED
SEP 06 1989

Sponsor: Sen. Doug Carl

Senate Committee: Commerce & Technology

House Committee: Insurance

Mich. State Law Libr.

THE APPARENT PROBLEM:

The Insurance Bureau has requested that technical amendments be made to the Insurance Code's regulation of policies aimed at supplementing the federal Medicare program to take into account recent changes in the federal law, notably those made by the new catastrophic health care coverage act. Some of these amendments must be made by September of this year, the bureau says, or federal regulations will pre-empt state regulation of Medicare supplementals.

THE CONTENT OF THE BILL:

The bill would make technical amendments to the Insurance Code so that its Medicare supplemental regulations conform to federal regulations and to take into account changes in the federal Medicare program. The outline of coverage that the code requires be provided to all applicants for a supplemental policy would be updated to reflect the new federal catastrophic coverage; supplemental policies that ordinarily must cover all Medicare deductibles would be allowed to exclude deductibles for outpatient prescription drugs (a new coverage); and insurance companies would be required to file supporting documentation for their rates with the insurance commissioner, including information demonstrating that actual and expected losses in relation to premiums comply with state loss ratio standards. Companies also, within 45 days after any change in Medicare benefits, would have to file with the commissioner any appropriate premium adjustments and modifications to their policies so that Medicare benefits are not duplicated. (The bill specifically prohibits a supplemental policy from duplicating benefits provided by Medicare.) Companies would also have to notify policyholders of Medicare benefit changes and supplemental policy changes (including premium adjustments) in an outline form acceptable to the commissioner featuring clear and simple language.

MCL 500.2256 et al.

HOUSE COMMITTEE ACTION:

The House Insurance Committee adopted a substitute for Senate Bill 309. Among the main differences from the Senate-passed bill are: deletions of an effective date of January 1, 1990, so that the bill could take effect immediately; additions to the outline of coverage detailing blood benefits and out-of-pocket maximums (from new federal legislation); a provision specifically requiring that filings and schedules demonstrate that state standards on loss ratios are met; language specifically prohibiting a supplemental policy from duplicating Medicare benefits; and a requirement that companies notify the insurance commissioner of changes in coverage and premiums due to changes in federal benefit changes. The Insurance Bureau has categorized these as technical changes required by federal Health Care Financing Administration officials.

FISCAL IMPLICATIONS:

The Department of Licensing and Regulation reports that the bill has no budgetary or revenue implications to the state. (7-25-89)

ARGUMENTS:

For:

The bill makes technical amendments, as requested by the Insurance Bureau, to the regulation of Medicare supplemental policies in the Insurance Code to take into account changes in federal law and new federal regulations. (These are found in the Medicare Catastrophic Coverage Act of 1988 and the Omnibus Budget Reconciliation Act, or OBRA, of 1987.) The bureau says the bill contains amendments that have been identified as necessary by the federal Health Care Financing Administration for Michigan to be certified as meeting federal minimum standards. The bill also allows Medicare supplemental policies to exclude coverage for prescription drug deductibles. Prior to the recent addition of prescription drug coverage, certain policies (known as type 1 policies) have had to cover all Medicare deductibles, but covering prescription drug deductibles would increase the cost of policies enough to cause hardship. The Insurance Bureau expects some companies will offer the coverage for drug deductibles, so that it will be available to those willing to pay the higher premium.

POSITIONS:

The Department of Licensing and Regulation supports the bill. (7-25-89)