



February 21, 2013

Re: Impact of Senate Bills 61 and 62 on Medicare in Michigan

Dear Chairman Lund and Members of the House Insurance Committee:

My name is Christopher Smith and I am a Michigan attorney. I previously provided written testimony to this committee on November 19, 2012, but would like to emphasize a few additional points:

- **Most Michiganders will have to pay thousands of dollars more a year to maintain the Medigap health coverage they love.**

To show this, all we have to look at are BCBSM's own Blue Care Network plans (i.e., their non-Public Act 350 plans). As just one example, an 80-year-old non-smoking couple in SE Michigan **would pay \$3,961-\$6,022 more a year** to maintain comparable health coverage with BCBSM. (See Appendix A for the fee schedules).

	<b>Under Public Act 350 (Legacy)</b>	<b>Without Public Act 350</b>	<b>Annual Increase Per Year If SB 61 &amp; 62 Pass</b>
<b>Male</b>	\$121.22 / month	\$309.40 – \$402.22 / month	\$2,258 - \$3,372
<b>Female</b>	\$121.22 / month	\$263.11 – \$342.04 / month	\$1,703 - \$2,650
<b>Couple</b>	\$242.44 / month	\$572.51 - \$744.26 / month	\$3,961 - \$6,022

\* BCBSM can charge higher "tiers" based on a person's body mass index (hence, the price range).

- **BCBSM thinks Medicare Advantage is just as good as Medigap because they will make roughly \$10,000 or more a year in revenue for each customer it can convert to Medicare Advantage.**

With Medicare Advantage, BCBSM is paid a flat amount each month by Medicare that ranges from roughly \$800-\$1,200/month for each Medicare beneficiary. On average, that is roughly \$10,000 more a year than the current Legacy plans. Indeed, if BCBSM could convert the approximately 200,000 current Medigap customers to Medicare Advantage, they would increase its revenue by approximately \$2 Billion.

- **But Medicare Advantage plans provide inferior health coverage at unpredictable cost.**

As I outline in Appendix B, individuals on Medicare Advantage plans are:

- Limited to networks/preferred providers in limited geographies. **This creates real concerns when travelling, such as visiting out-of-state grandchildren. Or needed doctors/providers may not be in the plan.**
  - Forced to take that plan's prescription formulary. **Needed prescriptions may not be covered or may cost a lot more than a standalone Medicare Part D plan.**
  - Faced with arbitrary health coverage denials by insurers. **The federal government ranks BCBSM's PPO plans "below average" for "Fairness of Health Plan's Denials" based upon an independent review.**
  - Stuck with unpredictable co-pays and deductibles.
  - Obligated to read hundreds of pages of fine print to fully understand his or her medical coverage. **BCBSM's evidence of coverage alone is 258 pages.**
- **The modest investment to ensure individuals have the best Medicare coverage has a great return on investment for Michiganders.**

We know that you have a lot of priorities to balance. Yet the modest \$200 million spent to ensure individuals have access to the best Medicare coverage is well worth it:

- It ensures people do not forgo care, which would lead to:
  - More chronic illnesses and long-term disability with much more expensive Medicaid expenditures.
  - Decreased productivity from our work force as more workers will also have to play the role of caregivers.
- It ensures that our health care providers are able to do their jobs and are appropriately paid.
- It ensures that our Medicare beneficiaries maintain a high quality of life and can invest their money in the small businesses of our communities.
- It also modestly compensates the largest investors in BCBSM – the people who invested most in BCBSM through health premiums and tax subsidies over the past 72 years and may never see the fruits of additional "profits" if BCBSM is ever sold.

I appreciate your consideration.

Sincerely,



Christopher W. Smith

# Appendix A

**Monthly premiums for individuals not applying within a Special Enrollment Period**

<b>MyBlue Medigap Plan F, Tier 1 Rates (effective through Dec. 31, 2013)</b>								
AGE	Area 1 (480 - 485 ZIP codes)				Area 2 (all other ZIP codes)			
	Tobacco User		Non Tobacco User		Tobacco User		Non Tobacco User	
	Male	Female	Male	Female	Male	Female	Male	Female
65	\$198.87	\$188.95	\$184.22	\$175.01	\$172.93	\$164.30	\$160.19	\$152.18
66	\$198.87	\$188.95	\$184.22	\$175.01	\$172.93	\$164.30	\$160.19	\$152.18
67	\$209.02	\$196.50	\$193.43	\$181.86	\$181.76	\$170.87	\$168.20	\$158.14
68	\$219.65	\$204.06	\$203.35	\$188.95	\$191.00	\$177.45	\$176.83	\$164.30
69	\$230.51	\$212.33	\$213.51	\$196.50	\$200.45	\$184.63	\$185.66	\$170.87
70	\$241.85	\$220.12	\$223.90	\$203.83	\$210.31	\$191.41	\$194.70	\$177.24
71	\$252.95	\$227.68	\$234.29	\$210.91	\$219.96	\$197.98	\$203.73	\$183.40
72	\$264.76	\$235.71	\$245.16	\$218.23	\$230.23	\$204.97	\$213.18	\$189.77
73	\$276.81	\$243.50	\$256.26	\$225.55	\$240.70	\$211.74	\$222.83	\$196.13
74	\$289.09	\$251.53	\$267.60	\$232.88	\$251.38	\$218.73	\$232.69	\$202.50
75	\$300.90	\$258.86	\$278.70	\$239.73	\$261.65	\$225.09	\$242.34	\$208.46
76	\$311.76	\$265.00	\$288.62	\$245.39	\$271.10	\$230.43	\$250.97	\$213.39
77	\$317.43	\$269.72	\$293.81	\$249.65	\$276.03	\$234.54	\$255.49	\$217.08
78	\$322.63	\$274.21	\$298.77	\$253.90	\$280.54	\$238.44	\$259.80	\$220.78
79	\$328.53	\$279.40	\$304.20	\$258.62	\$285.68	\$242.96	\$264.52	\$224.89
80	\$334.20	\$284.13	\$309.40	\$263.11	\$290.61	\$247.07	\$269.04	\$228.79
81	\$337.51	\$290.27	\$312.47	\$268.78	\$293.48	\$252.41	\$271.71	\$233.72
82	\$340.58	\$296.41	\$315.30	\$274.44	\$296.15	\$257.75	\$274.18	\$238.65
83	\$343.41	\$302.31	\$317.90	\$279.88	\$298.62	\$262.88	\$276.44	\$243.37
84	\$345.77	\$307.98	\$320.26	\$285.07	\$300.67	\$267.81	\$278.49	\$247.89
85	\$347.90	\$313.18	\$322.15	\$290.03	\$302.52	\$272.33	\$280.13	\$252.20
86	\$350.02	\$318.37	\$324.04	\$294.76	\$304.37	\$276.85	\$281.78	\$256.31
87	\$351.44	\$323.10	\$325.46	\$299.24	\$305.60	\$280.95	\$283.01	\$260.21
88	\$352.62	\$328.06	\$326.40	\$303.73	\$306.63	\$285.27	\$283.83	\$264.11
89	\$353.33	\$332.07	\$327.11	\$307.51	\$307.24	\$288.76	\$284.45	\$267.40
90 and Over	\$353.80	\$336.09	\$327.59	\$311.29	\$307.65	\$292.25	\$284.86	\$270.69

*Please note: Depending on information received, an individual may not meet the eligibility requirements for MyBlue Medigap membership.*

*Please note: These rates do not include the Michigan Claims Tax Assessment and other Federal taxes under consideration that will be added to your bill.*

Monthly premiums for individuals not applying within a Special Enrollment Period *continued*

MyBlue Medigap Plan F, Tier 2 Rates (effective through Dec. 31, 2013)								
AGE	Area 1 (480 - 485 ZIP codes)				Area 2 (all other ZIP codes)			
	Tobacco User		Non Tobacco User		Tobacco User		Non Tobacco User	
	Male	Female	Male	Female	Male	Female	Male	Female
65	\$218.75	\$207.84	\$202.64	\$192.51	\$190.22	\$180.73	\$176.21	\$167.40
66	\$218.75	\$207.84	\$202.64	\$192.51	\$190.22	\$180.73	\$176.21	\$167.40
67	\$229.92	\$216.15	\$212.78	\$200.05	\$199.93	\$187.96	\$185.02	\$173.95
68	\$241.62	\$224.47	\$223.69	\$207.84	\$210.10	\$195.19	\$194.51	\$180.73
69	\$253.57	\$233.56	\$234.86	\$216.15	\$220.49	\$203.10	\$204.23	\$187.96
70	\$266.04	\$242.13	\$246.29	\$224.21	\$231.34	\$210.55	\$214.17	\$194.96
71	\$278.25	\$250.45	\$257.72	\$232.00	\$241.95	\$217.78	\$224.11	\$201.74
72	\$291.24	\$259.28	\$269.67	\$240.06	\$253.25	\$225.46	\$234.50	\$208.74
73	\$304.49	\$267.86	\$281.88	\$248.11	\$264.77	\$232.92	\$245.12	\$215.75
74	\$318.00	\$276.69	\$294.35	\$256.16	\$276.52	\$240.60	\$255.96	\$222.75
75	\$330.99	\$284.74	\$306.57	\$263.70	\$287.81	\$247.60	\$266.58	\$229.30
76	\$342.94	\$291.50	\$317.48	\$269.93	\$298.21	\$253.48	\$276.07	\$234.72
77	\$349.17	\$296.69	\$323.19	\$274.61	\$303.63	\$257.99	\$281.04	\$238.79
78	\$354.89	\$301.63	\$328.65	\$279.29	\$308.60	\$262.29	\$285.78	\$242.86
79	\$361.38	\$307.34	\$334.62	\$284.48	\$314.25	\$267.26	\$290.98	\$247.38
80	\$367.62	\$312.54	\$340.34	\$289.42	\$319.67	\$271.77	\$295.95	\$251.67
81	\$371.26	\$319.30	\$343.72	\$295.65	\$322.83	\$277.65	\$298.88	\$257.09
82	\$374.63	\$326.05	\$346.83	\$301.89	\$325.77	\$283.52	\$301.60	\$262.51
83	\$377.75	\$332.55	\$349.69	\$307.86	\$328.48	\$289.17	\$304.08	\$267.71
84	\$380.35	\$338.78	\$352.29	\$313.58	\$330.74	\$294.59	\$306.34	\$272.68
85	\$382.69	\$344.50	\$354.37	\$319.04	\$332.77	\$299.56	\$308.15	\$277.42
86	\$385.03	\$350.21	\$356.45	\$324.23	\$334.80	\$304.53	\$309.95	\$281.94
87	\$386.58	\$355.41	\$358.01	\$329.17	\$336.16	\$309.05	\$311.31	\$286.23
88	\$387.88	\$360.86	\$359.05	\$334.10	\$337.29	\$313.79	\$312.21	\$290.53
89	\$388.66	\$365.28	\$359.82	\$338.26	\$337.97	\$317.64	\$312.89	\$294.14
90 and Over	\$389.18	\$369.70	\$360.34	\$342.42	\$338.42	\$321.48	\$313.34	\$297.75

Please note: Depending on information received, an individual may not meet the eligibility requirements for MyBlue Medigap membership.

Please note: These rates do not include the Michigan Claims Tax Assessment and other Federal taxes under consideration that will be added to your bill.

Monthly premiums for individuals not applying within a Special Enrollment Period *continued*

MyBlue Medigap Plan F, Tier 3 Rates (effective through Dec. 31, 2013)								
AGE	Area 1 (480 - 485 ZIP codes)				Area 2 (all other ZIP codes)			
	Tobacco User		Non Tobacco User		Tobacco User		Non Tobacco User	
	Male	Female	Male	Female	Male	Female	Male	Female
65	\$258.53	\$245.63	\$239.49	\$227.52	\$224.81	\$213.59	\$208.25	\$197.84
66	\$258.53	\$245.63	\$239.49	\$227.52	\$224.81	\$213.59	\$208.25	\$197.84
67	\$271.73	\$255.46	\$251.46	\$236.42	\$236.29	\$222.14	\$218.66	\$205.58
68	\$285.55	\$265.28	\$264.36	\$245.63	\$248.30	\$230.68	\$229.88	\$213.59
69	\$299.67	\$276.03	\$277.56	\$255.46	\$260.58	\$240.02	\$241.36	\$222.14
70	\$314.41	\$286.16	\$291.07	\$264.97	\$273.40	\$248.83	\$253.11	\$230.41
71	\$328.84	\$295.98	\$304.58	\$274.18	\$285.95	\$257.38	\$264.85	\$238.42
72	\$344.19	\$306.42	\$318.71	\$283.70	\$299.30	\$266.46	\$277.13	\$246.70
73	\$359.85	\$316.56	\$333.14	\$293.22	\$312.91	\$275.27	\$289.68	\$254.97
74	\$375.81	\$327.00	\$347.87	\$302.74	\$326.80	\$284.34	\$302.50	\$263.25
75	\$391.17	\$336.51	\$362.30	\$311.64	\$340.14	\$292.62	\$315.05	\$270.99
76	\$405.29	\$344.50	\$375.20	\$319.01	\$352.43	\$299.56	\$326.26	\$277.40
77	\$412.66	\$350.64	\$381.96	\$324.54	\$358.83	\$304.90	\$332.13	\$282.21
78	\$419.41	\$356.47	\$388.40	\$330.07	\$364.71	\$309.97	\$337.74	\$287.01
79	\$427.09	\$363.23	\$395.46	\$336.21	\$371.38	\$315.85	\$343.88	\$292.35
80	\$434.46	\$369.37	\$402.22	\$342.04	\$377.79	\$321.19	\$349.76	\$297.43
81	\$438.76	\$377.35	\$406.21	\$349.41	\$381.53	\$328.13	\$353.23	\$303.83
82	\$442.75	\$385.33	\$409.90	\$356.78	\$385.00	\$335.07	\$356.43	\$310.24
83	\$446.43	\$393.01	\$413.27	\$363.84	\$388.20	\$341.75	\$359.37	\$316.38
84	\$449.50	\$400.38	\$416.34	\$370.59	\$390.87	\$348.15	\$362.04	\$322.26
85	\$452.27	\$407.13	\$418.80	\$377.04	\$393.28	\$354.03	\$364.17	\$327.86
86	\$455.03	\$413.89	\$421.26	\$383.18	\$395.68	\$359.90	\$366.31	\$333.20
87	\$456.87	\$420.03	\$423.10	\$389.02	\$397.28	\$365.24	\$367.91	\$338.28
88	\$458.41	\$426.48	\$424.33	\$394.85	\$398.62	\$370.85	\$368.98	\$343.35
89	\$459.33	\$431.70	\$425.25	\$399.76	\$399.42	\$375.39	\$369.78	\$347.62
90 and Over	\$459.94	\$436.91	\$425.86	\$404.68	\$399.95	\$379.93	\$370.31	\$351.89

Please note: Depending on information received, an individual may not meet the eligibility requirements for MyBlue Medigap membership.

Please note: These rates do not include the Michigan Claims Tax Assessment and other Federal taxes under consideration that will be added to your bill.

# Appendix B



# Medigap vs. Medicare Advantage

Medigap	
Coverage	Included
Medicare Parts A & B	Yes
Choice of doctors?	Yes – Any doctor, specialist, or service that accepts Medicare. Depends. Under Legacy Plan C, none.
Deductibles and Co-pays?	Yes – Can choose between dozens (33 in Oakland Cty.) of plans to best meet your specific prescription needs.
Prescription Benefits	Same coverage whether you are in Michigan, California, or any other state.
Coverage while out-of state	No
Routine vision and dental	Immediately to Independent Reviewer
Appeal Rights When Coverage Denied	Rarely – plans typically stay the same for years.

Medicare Advantage	
Coverage	Included
Medicare Parts A & B	Yes
Choice of doctors?	HMO Plans - limited to network PPO Plans – you will pay much more if you do not use preferred providers. Also, must deal with insurer to get invoice paid.
Deductibles and Co-pays?	Almost always.
Prescription Benefits	Yes – But in most cases you are limited to that plan's formulary, drug restrictions, co-pays, and deductibles.
Coverage while out-of state	Rules vary, but most plans do not provide the same coverage throughout the country. Will pay more or all costs in another state.
Routine vision and dental	Some Plans
Appeal Rights When Coverage Denied	Typically must first appeal to insurer before independent review.
How often does the plan's terms change?	Every year.

# BCBSM Medigap vs. BCBSM Medicare Advantage



Medigap BCBSM Medigap Legacy Plan C	
Medicare Part B	\$99.90 /month
Legacy Plan C Premium	\$122.86/month
Part D (Prescription) Premium	Avg. \$41.50 Min. \$15 – Max. \$115.70
Prescription Co-Pays / Deductibles	?
Deductible	\$0 <sup>2</sup>
Part A & B Co-pays	\$0 <sup>2</sup>
Preventative Dental Services	\$35/month (Est.)
Routine Vision	\$20/month (Est.)
Monthly total	\$ 319 + Prescription co-pays
Yearly total	<b>\$ 3,831</b> + Prescriptions

Medicare Advantage BCBSM Signagture PPO	
Medicare Part B	\$99.90 /month
BCBSM Signature PPO Premium	\$70.90/month
BCBSM Signature Part D (Prescription) Premium (required)	\$54.19/month
Prescription Co-Pays / Deductibles	? – Likely more because plan is not customized.
Deductible	\$500 for out-of-network services
<b>Part A &amp; B Co-pays</b>	<b>Up to \$6,100 each year</b>
Preventative Dental Services	2 visits covered a year in network
Routine Vision	1 visit /year
Monthly total	\$ 225 + Part A & B Co-pays + Prescription Co-pays
Yearly total	<b>\$ 2,670 - \$8,800</b> + Prescriptions

**Medigap contains healthcare costs for seniors and individuals with disabilities, while offering the most healthcare choice and certainty.**

<sup>1</sup> BCBSM references a \$112.40 plan in their slide from their November 2012 testimony. There is no plan in Michigan at that premium price (see Medicare.gov and in BCBSM's Evidence of Coverage). We assume BCBSM is referencing its PPO Signature product., which has a monthly premium of \$125/month and is being used above.

<sup>2</sup> Assumes all doctors accept Medicare assignment – almost all doctors do.

