Legislative Analysis

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REVISE MEDICARE SUPPLEMENT INSURANCE PROVISIONS

House Bill 6359
Sponsor: Rep. Richard Ball
Committee: Health Policy

Complete to 9-11-06

A SUMMARY OF HOUSE BILL 6359 AS INTRODUCED 8-23-06

Recent changes to Medicare supplement policies brought about by the federal Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA), which created a new prescription drug benefit program, necessitates complementary changes in Michigan law.

House Bill 6359 would amend Chapter 38 of the state Insurance Code, entitled "Medicare Supplement Policies," to adopt revisions needed to comply with or incorporate recent changes to the federal Medicare program. Some of the changes are as follows:

- Replace references to the Medicare + Choice program with language pertaining to Medicare Advantage, the new Medicare program for seniors who are enrolled in the nontraditional Medicare program.
- Add language pertaining to the new standardized Medicare Supplement Benefit Plans K and L to the group of Medicare Supplement policies that can be offered to Michigan residents.
- Remove the options for prescription drug benefits on policies that will renew after January 1, 2006 and prohibit the outpatient drug benefit from inclusion in a Medicare supplement policy sold after December 31, 2005. However, a supplement policy with benefits for outpatient prescription drugs in existence prior to January 1, 2006 would have to be renewed for current policyholders who chose to not enroll in Part D.
- Apply Chapter 38 to supplement policies offered by Blue Cross Blue Shield of Michigan.
- In the definition of "Medicare supplement policy," specify that Medicare supplement policy does not include Medicare Advantage plans established under Medicare Part C, outpatient prescription drug plans established under Medicare Part D, or any health care prepayment plan that provided benefits pursuant to an agreement under Section 1833(a)(1)(A) of the federal Social Security Act.
- Supplement policies may include benefits in addition to what is required in the basic core package, i.e., a preventive medical care benefit for services not covered by Medicare. Currently, any one or a combination of listed procedures and tests can be ordered if considered medically appropriate. The bill would delete the list of procedures and tests and instead specify that preventive screening tests or preventive services could be included in a supplement policy, the selection and

frequency of which is determined to be medically appropriate by the attending physician.

- Require insurers to comply with any notice requirements of the MMA.
- Include information on the high deductible plan option for Plans F and J and the cost-sharing aspects of Plans K and L that differ from Plans A-J.
- Specify that to the extent specified in the policy or certificate, expenses incurred when using out-of-network providers do not count toward the out-of-pocket annual limit contained in Plans K and L.
- Require, in certain provisions, that Medicare supplement policies that have been modified to eliminate an outpatient prescription drug benefit, so as to conform with changes brought about by the MMA, be considered to satisfy the guaranteed renewal requirements.
- Prohibit an insurer from issuing a Medicare supplement policy or certificate to an individual enrolled in Medicare Advantage unless the effective date of the coverage was after the termination date of the individual's Medicare Advantage coverage.

FISCAL IMPACT:

There is no fiscal impact to either the State or local units of government by this bill.

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