

New Article: Relating to Medicare Supplement Insurance Policies

This new article, proposed in a Governor's Budget Amendment on November 2, 2020, would require insurance carriers to offer a Medicare supplement plan to all individuals eligible for Medicare, regardless of disability status.

FISCAL IMPACT

The Budget does not assume any fiscal impact of the new article.

ANALYSIS AND BACKGROUND

Medicare is a federal health insurance program primarily for individuals over the age of 65. Individuals under the age of 65 may also qualify with certain disabilities or end-stage renal failure. Since Medicare has out-of-pocket costs that can be substantial and without an out of pocket maximum, many enrollees use Medigap plans to supplement Medicare. Medigap plans cover some or all of the out-of-pocket costs that individuals would otherwise be responsible for paying. Federal law does not require insurance companies to sell Medigap policies to those under 65. In Rhode Island, there are more than 51,000 individuals who purchase this coverage.

There are 56 insurers that offer Medigap coverage in the State, however, only one offers coverage to individuals under the age of 65. Since the risk is not spread out among numerous insurers, the premium cost for these individuals is very high and has continued to see drastic increases over the last few years, up 25.0 percent from 2020 to 2021. The new budget article would require that any insurer offering Medigap coverage must also offer coverage to those under the age of 65, regardless of disability status. With the risk spread among multiple insurers instead of just one as it is currently, premium rates are expected to stabilize.

Rhode Island is one of 17 states without any requirement for insurers to cover Medigap policies to individuals under the age of 65. The Budget article would require Medigap insurers in Rhode Island to offer coverage to Medicare enrollees regardless of health and/or disability status, age, claims history, or any pre-existing conditions. Insurers must offer an open enrollment period of at least one month for all Medicare enrollees. The article does not address premium costs but the expectation is that with more insurers, premiums will stabilize.

The article has an effective date of January 1, 2022.