

House Bill 400
House Insurance Committee
AHIP OPPOSITION TESTIMONY

Chair Lampton, Vice Chair Barhost, Ranking Member Jarrells, and members of the House Insurance Committee, my name is Keith Lake, and I am a Regional Director for State Affairs for AHIP. AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans, including to nearly nine million patients, families, and employers in Ohio. I thank you for this opportunity to speak with you today, on behalf of our members, in opposition to House Bill 400.

Medigap – also known as Medicare Supplement – insurance helps protect people eligible for Medicare from high out-of-pocket costs not covered by traditional Medicare. Medigap coverage allows seniors – many of whom are on fixed incomes – to budget for medical costs and avoid the confusion and inconvenience of handling complex medical bills.

All Medicare Supplement policies are sold on a guaranteed renewable basis. This means that the issuer cannot cancel the policy or change the benefits, as long as the policyholder pays their premiums. When a new Medicare enrollee signs up for a Medicare Supplement policy, the premium they are quoted is structured on the assumption that the policyholder will keep the policy for the rest of their life. This structure is in direct contrast to the perhaps more familiar approach that takes place with commercial health insurance coverage or Medicare Advantage plans, whereby premiums, cost sharing, and benefits are set on an annual basis.

AHIP opposes HB 400 because it would do two things that upend this structure. First, it would create an annual open enrollment period for Medicare Supplement plans. Second, it would require Medicare Supplement plans to offer coverage to individuals under age 65 who are eligible for and enrolled in Medicare by reason of end stage renal disease (ESRD).

Current Open Enrollment and Guaranteed Issue Rights

Today in Ohio, one is generally eligible to purchase any Medicare Supplement policy offered in the state during an initial six-month open enrollment period when they are first enrolled in Medicare Part B. During the Medicare open enrollment period, the enrollee has guaranteed-issue rights, meaning the enrollee cannot be turned down for coverage because of pre-existing conditions or health problems, cannot be charged higher premiums based on health status, and cannot be subject to medical underwriting. This limited open enrollment period ensures that the risk pool includes a mix of healthy individuals and those with higher health care needs.

If an enrollee later decides to change to a Medicare Supplement policy outside of that initial open enrollment period, insurers can require medical underwriting or take health status into consideration when reviewing the application; premiums with the new plan can be higher or the application can be rejected altogether.

Why does this matter?

It matters because Medicare Supplement's limited open enrollment and guaranteed issue rights ensure that seniors sign up for Medicare Supplement coverage when they are first enrolled in Medicare Part B, thus helping guard against adverse selection and enhancing risk pool stability. The end result is effective plan offerings at reasonable premium rates.

AHIP opposes creation of the “birthday rule” – proposed Section 3923.3310 (F)

Unfortunately, by establishing what is commonly called a “birthday rule” for current Medigap policyholders, HB 400 will increase adverse selection. It would allow an annual 60-day period, commencing on the individual's birthday, during which the policyholder can switch to a different Medicare Supplement policy offered by a different issuer.

If the benefits could change annually or the plan might not be offered the following year, then it is reasonable to have an annual open enrollment period. However, because Medigap benefits cannot change, the policies cannot be cancelled by the issuer, and the premium structures are established based on the full lifetime of the enrollee, an annual open enrollment period is not only unreasonable, but it will also increase premiums for seniors and undermine the health and stability of the Medigap market in Ohio.

The “birthday rule” creates an incentive for eligible policyholders to delay purchasing coverage, because they know they will be able to get insurance when their health care needs demand it. Allowing healthy individuals to delay obtaining coverage essentially penalizes the less healthy, who enroll when first eligible, through higher premiums.

AHIP opposes mandating coverage for under-65 ESRD patients – proposed Section 3923.3310 (A)

HB 400 also requires an issuer that offers coverage under a Medicare Supplement plan to individuals aged 65 or older to also offer the same coverage to individuals under age 65 who are eligible for and enrolled in Medicare by reason of end stage renal disease (ESRD).

The under-65 population that is eligible for Medicare has extremely high health care costs. In particular, ESRD patients represent a very expensive portion of this population. On average, ESRD beneficiaries incur spending that is about six times greater than spending for beneficiaries ages 65 years and older without ESRD. Requiring carriers to include under-65 ESRD patients in the Medigap risk pool and restricting premium rates for these individuals will increase premiums for the seniors for whom these policies were created.

In 2021, average Medicare spending per beneficiary was \$15,094. Since Medigap coverage covers the 20 percent of Part B claims that Medicare doesn't pay, including costs of these under-65 ESRD population and limiting carriers' ability to set premiums commensurate with their risk will drive up premiums significantly for seniors with Medigap coverage.

Many Medigap enrollees are lower income and live in rural areas. Shifting the expense of the under-65 ESRD population onto seniors with Medigap policies would add a significant burden to this vulnerable group, many of whom have been paying for Medigap coverage for many years and are often on very tight budgets.



In order to preserve senior Ohioans' financial peace of mind and to ensure the Medicare Supplement market in Ohio is stable and affordable for Ohio's seniors, AHIP urges this committee to oppose HB 400. Thank you.