

SENATE BILL REPORT

SB 5435

As Reported By Senate Committee On:
Financial Institutions & Housing, February 24, 1995

Title: An act relating to preexisting condition limitations in medicare supplement policies or certificates.

Brief Description: Restricting limitations in certain medicare policies.

Sponsors: Senators Prentice, Hale, Fraser, Franklin, C. Anderson and Kohl; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions & Housing: 2/7/95, 2/24/95 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: That Substitute Senate Bill No. 5435 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar and Sutherland.

Staff: Catherine Mele (786-7470)

Background: Medicare coverage is available to persons over the age of 65, persons suffering from end-stage renal disease, or persons who have disabilities. In many cases, insureds covered by Medicare choose to have additional insurance to pay for health care not covered by Medicare. Such additional coverage, called Medicare supplemental insurance coverage, is designed as a program which supplements reimbursements under the Medicare program.

Current law defines a preexisting condition under Medicare supplemental insurance as one where a person sought medical advice or treatment within the last six months. A person with a preexisting condition under Medicare supplemental programs must wait a maximum of six months for such coverage to take effect.

Medicare supplemental insurance companies set different premiums through level entry age rating or community rating. Level entry age rating determines premiums based on the age of the individual when the individual first purchases the Medicare supplemental policy. Community rating sets premiums based on the entire community insured by the Medicare supplemental policies. It is suggested that Medicare supplemental insurance companies should implement a community rating system, where insurers set rates, in two pools, one for those eligible for Medicare because of age, and one for those eligible for Medicare because of a disability or because of end-stage renal disease.

Summary of Substitute Bill: On or after January 1, 1996, the maximum preexisting condition limitation is three months.

On or after January 1, 1996, full transfer and portability among and between the Medicare supplemental policies with standardized benefit plans B,C,D,E,F, or G are provided without regard to insurability. Transfer is assured between policyholders of plans A,H, I, J from company to company, but strictly from plan to plan. For example, a current policyholder with a plan H from company X can transfer to company Y, but can only be eligible for plan H.

Rates for Medicare supplemental insurance policies must be set only on a community rated basis.

Substitute Bill Compared to Original Bill: The substitute bill provides for portability between some types of standardized plans, while the original bill provided for guaranteed issue of many of the plans. All effective dates are changed to January 1, 1996, and the emergency clause is eliminated.

Appropriation: None.

Fiscal Note: Requested on February 5, 1995.

Effective Date: The bill takes effect on January 1, 1996.

Testimony For: This bill helps those people who are trapped in their Medicare policies, and cannot change policies because of increased premiums. All other types of health insurance provide more protection and benefits to the consumer, because consumers are not locked in and can move from plan to plan. Community rating will make Medicare supplemental insurance more affordable for seniors.

Testimony Against: If we provide these policies guaranteed issue, people will wait to apply only when they need it and we face adverse selection. Because of adverse selection, such coverage will become less available and affordable to seniors. Currently, there is access to such coverage; we do not want to change it. This bill goes beyond the federal model.

Testified: Betty Johnson, Cathy Langiewicz, Gene Shaw, Senior Lobby (pro); Greg Scully, Office of the Insurance Commissioner; Mel Sorensen, WA Physicians Service, Blue Cross Blue Shield Ore., TACC Health Plans (con); Rick Wickman, Blue Cross (con).