

SENATE BILL REPORT

HB 1910

AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,
APRIL 5, 1991

Brief Description: Making medicare supplemental insurance conform to federal law.

SPONSORS: Representatives Dellwo, R. Johnson, Paris, Inslee, Brough, Winsley, Wood, Van Luven and Moyer; by request of Insurance Commissioner.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators von Reichbauer, Chairman; Johnson, Vice Chairman; McCaslin, Moore, Owen, Pelz, Rasmussen, Sellar, and Vognild.

Staff: Mark Hutson (786-7488)

Hearing Dates: April 4, 1991; April 5, 1991

BACKGROUND:

In 1981, the Legislature enacted the Medicare Supplemental Health Insurance Act. The law was a response to the "Baucus amendment", an amendment Congress made the previous year to the Social Security Act. The amendment established federal standards based upon a National Association of Insurance Commissioners (NAIC) model act for Medicare supplemental health insurance policies, often referred to as medigap policies. Policies issued in states which had adopted a regulatory program no less stringent than the federal standards were deemed to be "certified" medigap policies.

The state medigap law required the Insurance Commissioner to adopt rules establishing minimum standards for medigap policies. The law limited cancellation and nonrenewal of medigap policies, prohibited certain policy limitations and conditions, and required certain disclosures. In addition, the law set loss ratio standards for both individual and group policies to ensure that policies returned a certain level of benefits to consumers.

In 1990, as part of the Omnibus Budget Reconciliation Act, Congress amended the federal law governing medigap policies. The changes require the NAIC to amend their model medigap law by August 5, 1991 to conform to new federal standards for medigap policies or else the Secretary of the U.S. Department of Health and Human Services will develop the new model regulations. After the model law is changed, states have one

year to amend their regulations to conform. If the state regulations do not conform, all medigap policies sold in the nonconforming states must be certified by the secretary. The federal law increases the loss ratio requirements for individual policies, requires an insurance rate approval process, and generally modifies previous standards to increase consumer benefits and protection.

SUMMARY:

The Insurance Commissioner is authorized to adopt the rules necessary to conform state law to federal law governing Medicare supplemental health insurance.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

Allows the commissioner to adopt rules with respect to Medicare supplemental insurance to conform to the requirements of the federal law.

TESTIMONY AGAINST: None

TESTIFIED: PRO: David Rodgers, Insurance Commissioner's Office;
Mel Sorensen, WA Physicians Service, Blue Cross of WA/AK