



Medigap Pre-Existing Conditions, Benefit / Premium Ratios and Ratings

Talking Points:

I - Establish Guarantee Issue Parity for Medigap Plans:

The 2010 Affordable Care Act precludes insurers from using pre-existing condition exclusions for all persons under 65, starting in 2014. Those over age 65 on Medigap are not fully protected.

NRLN Proposal

Congress should take action to amend the Affordable Care Act and/or the Center for Medicare and Medicaid Services should amend rules for seniors over age 65 so that Medigap policy holders have the same right to Guarantee Issue currently afforded to Medicare Advantage plan policy holders. This action will extend equal treatment to those over age 65 and forestall the need for later corrective action.

II - Establish an 85% benefit/premium ratio for Medigap Policies:

The 2010 Affordable Care Act increased the benefit to premium ratio required to be maintained by Medicare Advantage Plans from 80% to 85%. Medigap plan insurers, however, have been obligated to reach 65% for individual plans and 70% for group plans. We believe Medigap premiums would be lower if insurers were required to meet the 85% level.

NRLN Proposal

Establish an 85% benefit/premium ratio for Medigap Policies:

Congress should take the necessary action to pass changes to the 2010 Affordable Care Act (ACA) to require that insurers who offer Medigap plans must offer proof of benefit costs at the 85% of premium level. This would be at parity with the Medicare Advantage plan obligation of 85% but 20% higher the current 65% Medigap obligation. This action should lower Medigap premiums and promote competition.

III - Establish Community Rated Pricing for Medigap Policies:

Medigap plan premiums are significantly affected by one of three policy choices offered to enrollees: (1) "age-rated" plans - premium increases are adjusted annually for age change and inflation (2) "Issue-Age" plans - premium increases are based on age at enrollment only plus inflation and (3) "Community rated" plans - premiums are set based upon experience within geographic areas, and are also adjusted for inflation. Medicare Advantage plans offer community rated premiums. Medigap enrollees who inadvertently purchase the wrong plan can't switch to more affordable plans once their 12 month guarantee issue expires.

NRLN Proposal

Congress should collaborate with The Center for Medicare and Medicaid Services to change Medicare rules and if necessary, take action to pass legislation to require that insurers who offer Medigap plans must offer "community-rated" Medigap policies as an option and that they must also disclose the previous five-year history of premiums charged by age for all three types of Medigap policies offered for each of those five years. These actions would create more equitable access, more competitive pricing and would provide better disclosure so applicants can make better choices.

For more information on this subject, contact Alyson Parker at 813-545-6792 or executivedirector@nrln.org