

Testimony – February 24, 2022

Senate Health and Welfare Committee

Emily Brown, Director of Insurance Regulation, Department of Financial Regulation

Re: S.239

Thank you for allowing the Department to testify today on S.239. The Department of Financial Regulation regulates rates and forms as well as advertisements for Medicare Supplement plans sold in Vermont. Currently Medicare Supplement rates are community rated, and insurers are not allowed to underwrite policies based on health status, for individuals enrolling in Medicare Supplement plans during the open enrollment period. The open enrollment period is meant to incentivize individuals to enroll in Medicare Supplement plans early and protect the pool from adverse selection, which may occur if individuals are allowed to enroll annually. An example of adverse selection would be the situation where an individual would wait to purchase a Medicare Supplement policy until they are sick and in need of health care. If several individuals made similar decisions to wait and purchase the policies until their health care needs required the insurance coverage, the overall pool of individuals would be sicker and have higher claims experience, potentially leading to higher premiums for all those in the pool. With less incentive to enroll before coverage is needed, there will likely be less participation in the pool from healthy individuals to balance costs. Currently the limited open enrollment period [age 65 and enrolled in Medicare part B] incentivizes individuals to enroll in coverage early and prevents individuals from being able to adversely impact the overall health of the pool.

The Department's consumer services division has not received complaints regarding individuals missing the open enrollment period for Medicare Supplement plans. The complaints received mainly focus on Medicare Advantage and the misleading advertising and cold calling which is occurring within the market. The impact of this marketing had led individuals to switch to Medicare Advantage plans without fully understanding the benefit designs and implications of changing plans. Unlike Medicare Supplement plans, the Department does not regulate Medicare Advantage plans because those plans are subject to federal oversight.

The Department supports providing more education and outreach to individuals around the Medicare Supplement plans and open enrollment periods, as well as creating more transparency around Medicare Advantage plans and Medicare Supplement plans. The Department does not currently have enough information to support creating an annual open enrollment period in the Medicare Supplement market. More research needs to be done into the issues around access to Medicare Supplement plans and the potential implications of changing the open enrollment period. The Department would support undertaking a study to better understand the existing market and how to improve access while protecting the stability of rates.