

Chair Cummings
Senator MacDonald
Senator Bray
Senator McCormack
Senator Brock
Senator Ram Hinsdale
Senator Chittenden

February 13, 2024

Dear Chair Cummings and Members of the Senate Finance Committee,

Blue Cross and Blue Shield of Vermont (Blue Cross VT) has serious concerns about the proposals being considered in [S.230](#), which includes a number of changes focused on Medicare Advantage plans. Of particular concern is Section 4 that changes the enrollment rules for Medicare Supplement insurance policies.

Blue Cross VT offers guaranteed issue MedSup/Medigap plans to enable all Vermonters access to a Medicare Supplement plan regardless of their health care situation. This is part of our longstanding, unique role as the state's only local, non-profit, safety-net insurer. These plans offer all Vermonters the option to switch to a Medicare Supplement plan, without limitation, and is therefore an existing and targeted solution to the problem this legislation seeks to solve.

Medicare Enrollment Rules

Federal regulations require that the decision to purchase plans that supplement original Medicare must be made within 6 months of turning 65 or when a person has a qualifying event, such as retirement, losing employer health coverage, or if an insurer leaves the market. Purchasers who miss the enrollment window or want to switch later on have more limited options with higher premiums because as people age their care needs usually become more intensive, and thus expensive. As in any insurance risk pool, allowing some to forego earlier payments and jump into the pool when they are the sickest is unfair and makes the premiums significantly more expensive.

Medicare Advantage Birthday Rule

Section 4 would create a "Birthday Rule" for people enrolled in Medicare Advantage plans – allowing them to switch annually to a Medicare Supplement plan with guaranteed issue without financial penalties, and no premium adjustment for risk factors. While this is a slightly narrower open enrollment proposal than a full annual

open enrollment period, the risk of increasing premiums for everyone across the Medicare Supplement market in favor of the few remains extremely likely.

The handful of states, mostly in New England, that allow either annual or continuous open enrollment pair these policies with additional restrictive regulations such as limiting transfers to plans of equal or lesser value and prohibiting transfers from Medicare Advantage plans.¹ The states that allow this provision all have higher monthly premiums than Vermont as a result. ([Memo to Senate Finance on March 14, 2022.](#))

Allowing an annual open enrollment period in Medicare Supplement plans undermines the federal policy of encouraging Medicare-eligible people to select their policy early and remain in the plan of their choice for life. The disincentives for switching are designed specifically to prevent adverse selection – especially from a low-cost plan with leaner benefits aimed at healthy seniors to higher cost plans with richer benefits for those with more health care needs.

The enrollment changes proposed in S.230 could have the effect of allowing the vast majority of healthy older Vermonters the option to choose a Medicare Advantage plan for the early years of retirement, and then switch to a Medicare Supplement plan as their health care needs increase. It is clear that this would increase Vermonters' retirement health care costs who chose a Medicare Supplement plan initially, to the benefit of retirees who begin enrollment in no-or low-premium Medicare Advantage plans and face no increased costs for switching to a plan with richer benefits at any later date. This will make Medicare Supplement plans more expensive for everyone.

Blue Cross VT Medicare Supplement Plans

Blue Cross VT currently offers [Medicare Supplement plans](#) under two sets of enrollment rules: Vermont Medigap Blue plans follow the strict federal enrollment window; while Vermont Blue 65 plans allow continuous enrollment at any time regardless of age or risk factors. The chart below compares the premiums for individuals aged 65 and over. These products have identical plan designs, are in the same marketplace with the same networks, administration and operations. The higher premium is in majority due to the different covered population due to enrollment rules.

Blue Cross and Blue Shield of Vermont Medicare Supplement Plan Comparison

2024 Plans	A	C	D	F	G
Vermont Medigap Blue	175.64	222.15	190.21	222.62	190.65
Vermont Blue 65	208.29	305.95	285.01	306.54	285.59
Difference	18.6%	37.7%	49.8%	37.7%	49.8%

¹ [Consumer's Guide to Medicare Supplement Insurance](#), Maine Department of Professional and Financial Regulation

Section 4 Summary

Changing the ability for people to exit their Medicare Advantage plan penalty free does not directly address the reasons why Vermonters may be choosing these plans even if the plan is not appropriate for their health care needs. While the federal enrollment rules may seem harsh to those who decide to switch out of a Medicare Advantage plan, these requirements are a major factor in controlling the premium costs from escalating for Medicare Supplement plans for the entire population at a time when many are on a fixed income.

Medicare Advantage Advertising

Section 3 – Blue Cross VT is equally concerned with protecting older Vermonters from bad actors, and support DFR taking steps to regulate advertising in this space as long as it is inclusive of all media platforms and does not put the local non-profit health plan at a disadvantage against national for profit insurers who use questionable tactics.

Effective Date

Section 8 – July 1, 2024 is a short time frame for implementing the proposals in this bill.

Thank you for considering these serious concerns,

Sara Teachout
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Blue Cross and Blue Shield of Vermont