

Impacts of Open Enrollment on Medicare Supplement Plans and the Medicare Market

Individuals enrolled in original Medicare purchase Medicare Supplement plans to provide coverage for cost sharing (copayments, deductibles, and coinsurance) not covered by original Medicare. This program design makes Medicare Supplement plans appealing to members who prefer to pay a predictable monthly premium rather than a per-service cost sharing amount. This also makes Medicare Supplement plans extremely attractive to those individuals with higher health care needs and higher rates of utilization.

Currently, members can enroll in a Medicare Supplement plan without providing a medical history when they first become eligible for Medicare. However, Medicare-eligible beneficiaries who do not enroll during this eligibility period may not be able to enroll in a Medicare Supplement plan based on their health history. See [Get Medigap Basics | Medicare](#).

In 2023, the Minnesota Legislature created an annual open enrollment period that would allow individuals to make an annual plan selection to enroll in a Medicare Supplement without a health history. The legislation also added continuous open enrollment periods in certain situations. The original statutory change required an effective date of August 1, 2025. However, concerns about the impacts of this change on beneficiaries and the Medicare market prompted a delay in the effective date by one year to August 1, 2026. This provided an opportunity for the state to conduct an analysis of the impacts of the legislative change on the Medicare Supplement enrollees and the Medicare market.

In 2024, the Minnesota Department of Commerce released a report in partnership with Risk and Regulatory Consulting, LLC (RRC). Following release of this report, Blue Cross and Blue Shield of Minnesota (Blue Cross) compared the assumptions used in the analysis against the extensive data we have and found that the report materially underestimates the projected premium impacts which could lead to significant market instability. The potential for increased premiums and market instability poses a substantial risk to all 207,000 Medicare Supplement members in Minnesota and to the broader Minnesota Medicare market. We urge lawmakers to consider our analysis and the potential adverse effects on Medicare members in Minnesota and strongly advocate for a repeal of the legislation in its entirety during the next session.

Blue Cross Actuarial Analysis

As the market leader, holding 70% of enrollees in the Minnesota Medicare Supplement market with over 145,000 members, our data analysis projects a much more substantial impact to the market and significantly revises the projected premium increases that were in the report. In addition, Blue Cross considered historical data from the Medicare Cost plan closure history that we found valuable for consideration in our analysis. During the Medicare Cost plan closure, Blue Cross observed that members electing Medicare Supplement products were twice as unhealthy as those selecting Medicare Advantage products. This data point suggests that the study significantly understates the difference in health status between those entering and leaving Medicare Supplement plans.

Both the RRC report and our analysis estimates premiums will increase as a result of this legislation. The RRC report estimates an increase in premiums of 6% in year one increasing to 16% over current rates by year five. By contrast, Blue Cross estimates a 35% premium increase in the first year increasing to 90% over current rates by year five. The differences in estimates from RRC and Blue Cross can be attributed to the illness burden or morbidity assumptions for individuals entering and exiting Medicare Supplement plans when the legislation becomes effective.

We believe that the individuals enrolling in the plan will have higher health care needs which will drive up premiums. Higher premiums will result in members leaving Medicare Supplement for lower cost coverage, such as Medicare Advantage. We also believe that the individuals leaving the plan will be healthier with lower health care needs. This means that the cost and utilization of the remaining Medicare Supplement members will continue to rise and will not be balanced with individuals with lower utilization because the lower utilizing members have disenrolled from the plan. This will result in significant premium increases year over year. The impact will depend on the member movement that occurs in and out of Medicare Supplement plans and the changes that result - which could even exceed our estimated impact.

We have provided additional details about these key differences between the Department's estimate and the estimates from our data:

1. **Morbidity Assumptions:** The report understates the projected overall health of the Medicare Supplement block by 45% in the first year and 20% in each of the following years. Notable concerns:
 - a) The overall health of individuals enrolling in Medicare Supplement through open enrollment is materially understated by 200% in RRC's report. This is due to an understatement of the overall health or morbidity of the highest cost members enrolling in the plan during open enrollment and RRC's assumption that a significant portion of members with average health will move into Medicare Supplement (100K+).
 - b) We estimate that the health status of enrollees leaving Medicare Supplement plans is overstated by 140%. In our analysis, Medicare Supplement market enrollees leaving the plan will be healthier with lower health care needs which means that the enrollees remaining in the plan will be less healthy requiring higher levels of care which will drive up premiums for the remaining population.
2. **Medicare Supplement Enrollment Impact:** The report overestimates the net number of people switching from Medicare Advantage to Medicare Supplement plans by 65,000 members. In our analysis, we believe that if premiums increase as projected, the opposite will occur. We anticipate Medicare Supplement members will disenroll and move into plans with lower premiums, such as Medicare Advantage.

Recommendations

The report from RRC included recommendations to mitigate some of the anticipated premium increases, such as attained age rating and disability rating that have proved effective in stabilizing premiums and maintaining market health in other states. However, our analysis indicates that the report materially underestimates the potential benefits of these mitigation techniques and that even with these strategies, the Minnesota Medicare Supplement market would still face severe challenges. Therefore, adopting these measures alone is insufficient to counteract the projected impacts.

Given the significant concerns and the compelling data provided by Blue Cross, it is crucial to repeal the legislation in the next session. [Sec. 62A.31](#), Subd. 1h. The risk of increased premiums and subsequent market instability poses a serious threat to all Medicare Supplement members in Minnesota and may make Medicare Supplement plans unaffordable. We urge lawmakers to consider our actuarial analysis and the potential adverse effects on Medicare members in Minnesota and recommend a repeal of the legislation in its entirety. We strongly recommend repealing the legislation in its entirety to protect the welfare of our seniors and ensure the stability of the Medicare market.