MINNESOTA COUNCIL of HEALTH PLANS

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Senate Commerce and Consumer Protection Committee
95 University Avenue W.
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Chair Klein and Members of the Committee:

We urge your support for SF 2498, a bill that would advance the affordability of Medicare Supplement plans for Minnesota's seniors. Medicare Supplement plans, also known as Medigap, provide comprehensive coverage, flexibility, and peace of mind to seniors, many of whom live on fixed incomes. This coverage allows seniors to budget for medical costs and protects them from out-of-pocket costs not covered by traditional Medicare. However, recent legislative changes will threaten the stability of the market and raise premiums for Minnesota's 207,000 Medicare Supplement members, by no fault of their own, would experience a significant rate increase due to a 2023 law that is set to go into effect next year.

Minnesota's Medicare Supplement market is currently stable and predictable for seniors. One is generally eligible to purchase any Medicare Supplement policy offered in the state during the initial six-month open enrollment period when they are first enrolled in Medicare Part B. During the Medicare open enrollment period, the enrollee has guaranteed issue rights and cannot be charged higher premiums based on health nor require medical underwriting. Furthermore, all Medicare Supplement policies are sold on a guaranteed renewable basis, this means that the insurer must renew the policy as long as premiums are paid and cannot cancel it.

This limited open enrollment period ensures that the risk pool includes a mix of healthy individuals and those with higher healthcare needs. This matters because a fundamental principle of insurance involves the pooling of risk to ensure affordability for everyone in the risk pool. Adverse selection occurs when the risk pool becomes unbalanced and results in higher costs, which leads to higher premiums for the enrollees.

Starting next year, legislation from the 2023 session will replace the current process with an annual open enrollment period without a health history and adding continuous open enrollment periods in certain situations. This will lead to significant market instability and higher premiums for Medicare Supplement members. HF 2335 will repeal this law before it goes into effect and preserve the integrity of the market.

We urge the committee to support SF 2498 and advance policies that support the affordability of Medicare Supplement plans.

Sincerely,

Lucas Nesse
President and CEO