

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

In the Matter of the Proposed
Rules Governing Medicare
Supplement Insurance

STATEMENT OF NEED
AND REASONABLENESS OF
PROPOSED RULES

Statement of Authority

Minnesota statutes 62A.42 allows the Commissioner of Commerce to adopt rules. The purpose of these rules is to comply with the Federal Medicare Catastrophic Act of 1988.

The Commissioner finds the proposed rules to be necessary and appropriate in the public interest and consistent with the purposes fairly intended by the policies and provisions of Minnesota Statutes Chapters 62A and 62E.

History

The Omnibus Budget Reconciliation Act (OBRA) of 1987 and Medicare Catastrophic Coverage Repeal Act (MCCRA) of 1989 both amended Section 1882 (the Medigap provisions of medicare) of Title XVIII of the Social Security Act. This requires the Department of Health and Human Services - Health Care Financing Administration's Supplemental Health Insurance Panel (Panel) to review all states medicare supplemental health insurance regulatory programs to determine whether they meet the minimum standards contained in Section 1882 as amended.

The Act provides that the new minimum standards for certification of medicare supplement policies will be those adopted by the National Association of Insurance Commissioners (NAIC).

Facts Establishing Need and Reasonableness

States must adopt these revised standards, or standards at least as stringent by December 15, 1990. Otherwise, Minnesota will be preempted by the Catastrophic Act which provides that the NAIC revised standards will become operative in any state which does not act in a timely manner.

Rules 2741.0010 to 2741.0080 are the Transitional Rules which address (1) nonduplication of coverage, (2) notice requirements and (3) premium adjustments.

The purpose of these rules is to assure the orderly implementation and conversion of Medicare supplement insurance benefits and premiums due to changes in the federal Medicare program; to provide for the reasonable standardization of the coverage,

terms and benefits of Medicare supplement policies or contracts; to facilitate public understanding of such policies or contracts; to eliminate provisions contained in such policies or contracts which may be misleading or confusing in connection with the purchase of such policies or contracts; to eliminate policy or contract provisions which may duplicate Medicare benefits; to provide full disclosure of policy or contract benefit changes; and to provide for refunds of premiums associated with benefits duplicating Medicare program benefits.

Rules 2741.0100 to 2741.0230 are the NAIC medicare supplement insurance minimum standards model act.

The purpose of this is to provide for the reasonable standardization of coverage and simplification of terms and benefits of Medicare supplement policies; to facilitate public understanding and comparison of such policies; to eliminate provisions contained in such policies which may be misleading or confusing in connection with the purchase of such policies or with the settlement of claims; and to provide for full disclosures in the sale of accident and sickness insurance coverages to persons eligible for Medicare by reason of age.

Small Business Considerations

Minnesota Statutes Section 14.115 requires that the impact on small businesses be considered in the development of proposed rules. Specifically, the statute, at subdivision 2, requires the agency to consider less stringent compliance standards and reporting requirements for small businesses. The statute also requires that the rule incorporate methods designed to reduce the impact on small businesses if those methods are feasible and consistent with the statutory objectives associated with the rules.

In drafting the proposed rule change, the Department considered whether the provisions of the rule might be modified to accommodate the interests of small businesses. Consideration was given to possible ways in which the requirements might be released for small businesses or amended to reduce any burden on small businesses. The Department concludes the proposed rule change would not unduly burden small business, since these medicare supplement policies are marketed predominantly to individual Minnesota residents and the insurers marketing them are generally not small businesses. Even if an insurer were a small business, since the rules are national model rules required to apply to all medicare policies, no matter who sells them, and since the purpose of the rules and medicare supplement statutes is to govern all medicare supplement policies so as to protect the insureds there should not be a lesser degree of protection afforded to purchasers from small businesses.

Each of the methods described at Minnesota Statutes Section 14.115, subdivision 2(a) - 3 was considered in proposing the rule. The provisions contained in the proposed rule are believed to be necessary to achieve the legislative purposes.



OFFICE OF THE COMMISSIONER

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

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7/23/90

July 25, 1990

The Legislative Commission to Review Administrative Rules
Maryanne Hruby, Director
55 State Office Building
St. Paul, Minnesota 55101

Re: Statement of Need and Reasonableness
Proposed Rules Relating to Medicare Supplement

Dear Ms. Hruby:

Enclosed is a copy of the Statement of Need and Reasonableness for the proposed rules relating to Medicare Supplement per your request.

Very truly yours,

THOMAS H. BORMAN
Commissioner of Commerce

By:

Richard G. Gomsrud 19.7

Richard G. Gomsrud
Department Counsel

RGG:jmt