

SENATE BILL REPORT

SB 5589

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 18, 1997

Title: An act relating to medicare supplemental insurance policies.

Brief Description: Restricting the conditions of medicare supplemental insurance policies.

Sponsors: Senators Winsley, Prentice, Kline, Fairley and Fraser.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 2/11/97, 2/18/97 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 5589 be substituted therefor, and the substitute bill do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

Staff: Catherine Mele (786-7470)

Background: Medicare coverage is available to persons over the age of 65, persons suffering from end-stage renal disease, or persons who have disabilities. These individuals receive Medicare coverage through the federal government. In many cases, insureds covered by Medicare choose to have additional insurance to pay for health care not covered by Medicare. Such additional coverage, called Medicare supplemental insurance coverage, is designed as a program which supplements reimbursements under the Medicare program. In other cases, individuals join Medicare managed care plans. A Medicare managed care plan provides coverage through a health maintenance organization, or a health care service contractor. Medicare managed care plans receive, from the federal government, Medicare payments for the covered individual's health care. The managed care plan is then responsible for that individual's future health care needs.

There are concerns that once an individual joins a Medicare managed care plan, that individual loses the ability to purchase a quality Medicare supplemental insurance policy.

Summary of Substitute Bill: For the first year that a Medicare beneficiary is enrolled in a Medicare managed care plan, the beneficiary is permitted to transfer to a Medicare supplemental insurance plan without regard to insurability.

Substitute Bill Compared to Original Bill: The bill is redrafted for clarity.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Some seniors decided to try these low cost managed care plans, and then discovered that their options are few. This bill provides a one-year trial period. During that year, seniors can test whether they like the managed care plan. If seniors do not like the managed care plan, the bill gives them portability to switch to a Medicare supplemental insurance plan.

Testimony Against: We need clarification. Once a senior enrolls in a managed care plan, they are able to move to other plans if they desire. Open enrollments tend to cause adverse selection.

Testified: Joan Lewis, Insurance Commissioner; Jean Leonard, State Farm (con).