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April 10, 2025

The Honorable Susan R. Donovan
Of the House Health and Human Services Committee, Chair
Rhode Island State House
82 Smith St., Providence, RI 02903

RE: AHIP Comments on:

- **H.5494, an Act Relating to Insurance – Medicare Supplement Insurance Policies – OPPOSE**
- **H.5499, an Act Relating to Insurance – Medicare Supplement Insurance Policies – OPPOSE**
- **H.5431, an Act Relating to Insurance – Medicare Supplement Insurance Policies – OPPOSE**

To Chair Donovan and Members of the House Health and Human Services Committee,

On behalf of AHIP and our members, I appreciate the opportunity to provide specific information on our opposition to H.167, H.5499, and H.5431.

H.5494 would:

- Create an annual 30-day guaranteed issue/ open enrollment period for Medicare Advantage enrollees to switch into Medigap coverage,
- Create an annual 30-day plan switching period (beginning on the enrollee's birthday) for existing Medigap enrollees to move to any other Medigap plan, Under-65 Medigap enrollees and MA enrollees can select any Medigap Plan A during this period.
- Require community rating for all Medigap plans and prohibit rating based on gender,
- In the event of a hearing on a rate change for Medigap plans, require carriers to pay for the cost of any expenses related to the hearing.

H.5499 would:

- Establish continuous guaranteed issue/ open enrollment for any Medicare eligible individual to purchase or switch into any Medigap plan,
- Require community rating for all Medigap plans

H.5431 would:

- Create an annual 30-day guaranteed issue/open enrollment period for any Medicare eligible over age 65 into any Medigap plan,
- Create an annual 30-day guaranteed issue/open enrollment period into Medigap Plan A for all Medicare eligibles under age 65.

These bills would have the unintended consequences of:

- > Leading to higher premiums for seniors, and
- > Undermining the health and stability of the Medigap market in Rhode Island.

Medigap Background: Designed for Lifetime (Not Annual) Coverage

Medigap insurance helps protect people eligible for Medicare from high out-of-pocket costs not covered by Fee-for-Service (FFS) Medicare. Medigap coverage allows seniors – many of whom are on fixed incomes – to budget for medical costs and avoid the inconvenience and potential confusion of handling sometimes complex medical bills. Among enrollees, 91% say that losing their Medigap coverage would cause them to worry about losing financial security.¹

All Medigap policies are sold on a guaranteed renewable basis. This means an issuer cannot cancel the policy or change the benefits, as long as the policyholder pays their premiums. When a new Medicare enrollee signs up for a Medigap policy, **the premium is structured on the assumption that the policyholder will keep the policy for the rest of their life.**

This structure is in direct contrast with commercial health insurance coverage or Medicare Advantage, which set premiums, cost sharing, and benefits on an annual basis. In markets in which benefits or offerings may change annually, it may be reasonable to have open enrollment periods in addition to the initial enrollment period. However, in a market such as Medigap, in which benefits cannot change, policies cannot be cancelled by the issuer, and premium structures are established based on the full lifetime of the enrollee - adding an annual guaranteed issue/open enrollment period is unreasonable and will undermine the health and stability of the Medigap market in Rhode Island.

When Open Enrollment Occurs: Today in Rhode Island, an individual who becomes Medicare eligible at age 65 is generally eligible to purchase any Medigap policy offered in the state during an initial six-month open enrollment period when they are first enrolled in Medicare Part B. Under Rhode Island General Laws § 27-18.2-3,² Medigap carriers are also required to offer guaranteed issue for Medigap Plan Letter A to Medicare eligibles under age 65.

During the Medicare open enrollment period, the enrollee has guaranteed-issue rights in Medigap (cannot be turned down for coverage because of pre-existing conditions or health problems) and cannot be charged higher premiums based on health or subjected to medical underwriting. This limited open enrollment period benefits Medigap consumers by allowing for a risk pool that includes a mix of healthy individuals and those with higher health care needs. However, under Rhode Island General Laws § 27-18.2-3, individuals who have been enrolled in Medicare Advantage plans may, during an annual 30-day period, receive guaranteed issue into Medigap Plan A. This allows MA enrollees flexibility and choice to purchase a Medigap plan while shielding the seniors who enrolled in Medigap when they first became eligible for Medicare from premium increases as a result of adverse selection.

Why Medical Underwriting is Sometimes Allowed: If an enrollee decides to purchase a Medigap plan outside of the initial Medicare open enrollment period (and is not covered by limited exceptions³), Medigap insurers are allowed to use medical underwriting or take health status into consideration when reviewing the application. As a result, premiums for a Medigap plan purchased outside of the initial enrollment period can be higher or the application for Medigap coverage can be rejected altogether.

Why Stable Risk Pools are Important: A fundamental principle of insurance involves the pooling of risk to provide affordability for everyone in the risk pool. Premiums are more stable when the risk pool includes a balanced mix of healthy people and those who need more health care services. Adverse selection

¹ See [Seniors' Satisfaction with their Medicare Supplemental Insurance Coverage](#). Survey carried out by Global Strategy Group on AHIP's behalf. February 10, 2023.

² [R.I. Gen. Laws § 27-18.2-3](#)

³ [2024 Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare](#). CMS. Pages 22-23. Detailing the situations that allow a Medicare beneficiary to have additional guaranteed issue periods to purchase a Medigap policy.

undermines the goal of keeping premiums stable and occurs when the risk pool becomes unbalanced. This lack of balance can occur when people increase their level of coverage or purchase additional coverage when they know they will need more health care services and those who are currently healthy decide not to purchase coverage or to delay the purchase of coverage until they need more health care services. This adverse selection results in an increase of the risk pool's average costs and means that everyone in the risk pool – many of whom are on fixed incomes – face higher premiums.

Why Open Enrollment is a Concern: Medigap's limited open enrollment and guaranteed issue protects against adverse selection by ensuring seniors sign up for Medigap coverage when they are first enrolled in Medicare Part B. This enhances risk pool stability, resulting in effective plan offerings and the maintenance of more reasonable premium rates.

The importance of limited enrollment periods to avoiding the harm that adverse selection can cause risk pools, and therefore consumers, is recognized in markets beyond Medicare Supplement. For example, Fee-for-Service (FFS) Medicare recognizes the importance of a limited open enrollment period and requires a Medicare beneficiary to enroll in the program during the designated open (or special) enrollment period. If the requirement is not met, the enrollee faces a penalty. For Medicare Part A, the late enrollment penalty increases premiums by 10% for twice the number of years the beneficiary did not enroll after their initial eligibility. For Medicare Part B, monthly premiums increase up to 10% for each 12-month period the beneficiary did not enroll after eligibility.

The federal government views the limited guaranteed issue period as a necessary requirement to address adverse selection, encouraging people not to wait until they need coverage to obtain it and ensuring that premiums remain as stable as possible for the senior population utilizing FFS Medicare.

Data on Open Enrollments: Increase to Seniors Premiums

Recent actuarial studies demonstrate the significant negative impact of both permanent and annual guaranteed issue/open enrollment periods on the Medigap markets in states that implement them. In states that have added additional open enrollment or guaranteed issue periods, seniors face higher premiums and there is less competition in the Medigap market.⁴

Unlike current Rhode Island law which limits annual guaranteed issue/open enrollment eligibility to Medicare Advantage enrollees moving to Medigap Plan Letter A, these bills would allow any Medicare Advantage enrollee (H.5494) or any Medicare eligible (H.5431, H.5499) to switch to **any** Medigap plan.

- An independent analysis of similar legislation found that such proposals could increase premiums for Medigap plans by **\$80 or 33% per member per month**, while total Medigap enrollment would decrease by 9%. The analysis specifies that the substantial increase in premiums is due to adverse selection.⁵
- Other states have analyzed similar open enrollment proposals and found they would **lead to significant premium hikes, in some cases up to 53% with enrollment decreases of up to 34%**,⁶

⁴ [Special Annual Open Enrollment/Guarantee Issue windows = Less Competition & Higher Premiums](#). Telos Actuarial. Finding that states which implemented guaranteed issue/open enrollment periods beyond those required by model laws/regulations have higher premiums and less market competition than before implementation.

⁵ [Abbreviated Analysis of CA Senate Bill 1236 Medicare Supplements](#). California Health Benefits Review Program. 2024

⁶ [Washington State Medicare Supplement Insurance Study](#). Milliman on behalf of the Washington Office of the Insurance Commissioner. 2022

and currently the states with annual open enrollment periods have some of the highest average Medigap premiums in the country.⁷

Because many Medigap enrollees live on fixed incomes, they are highly price sensitive to changes in their premiums and may drop coverage as a result of the projected increases. Medigap coverage has been shown to protect enrollees from financial hardship, with enrollees being nearly three times less likely to have problems paying medical bills than those with only FFS Medicare coverage.⁸ Loss of coverage from premium increases could expose seniors who previously had coverage to financial hardship or lead them to forgo care to the detriment of their health.

Rating Prohibitions on Age and Gender: H.5499 and H.5494 also would prohibit Medigap carriers from varying plan premiums based on age, forbidding plans from using two of the three federally approved rating provisions for Medigap (attained age rating and issue age rating) and requiring the use of community rating, where all plan enrollees pay the same premium regardless of age. H.5494 would further prohibit Medigap carriers from varying premiums based on gender. Based on our members' experience in states that have mandated community rating and prohibited gender rating, the premium increases are likely to be substantial and will likely be wholly unaffordable for Rhode Island's seniors.

Recommendation: In order to protect Rhode Island seniors, AHIP urges you to oppose H.5494, H.5499, and H.5431.

Thank you for this opportunity and consideration. Please contact Sarah Lynn Geiger at sigeiger@ahip.org with any questions or concerns.

Sincerely,



Sarah Lynn Geiger, MPA
Regional Director, State Affairs

America's Health Insurance Plans (AHIP) is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how working together, we are Guiding Greater Health.

⁷ [Key Facts About Medigap Enrollment and Premiums for Medicare Beneficiaries](#), KFF, 2024

⁸ [The State of Medicare Supplement Coverage, Trends in Enrollment and Demographics](#), AHIP, May 2024.