

Implications of the Medicare Modernization Act (HR 1) For Medigap Products and Issuers

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A. Overview – Provisions Directly Affecting Medigap

1. No future sale of Medigap w/ Rx benefits after 1/1/06.
2. Two new standardized plans.
3. Special transition provisions for Medigap Rx policyholders enrolling in part D during the initial open enrollment period.
 - Medigap carrier must notify all Medigap Rx policyholders.
 - Medigap Rx policyholders enrolling in Part D must reply to Medigap carrier with their preference – Medigap Rx without Rx, or GI to a substitute A, B, C, or F policy if offered by carrier.
 - Medigap carrier, per policyholder request, issues rider plus premium adjustment, or substitute A, B, C, or F policy.
 - No adjustments necessary for beneficiaries with Medigap Rx who are not enrolling in a Part D Medicare Rx plan.
4. Bill does not address Medicare Select.

B. Timeline and Process

1. NAIC develops changes – with input from “statutory working group” of industry and consumers.
2. NAIC adopts revised model regulations.
3. CMS adopts revised NAIC model regulations.
4. States adopt revised standards.
5. Medigap carriers file policy riders and adjusted rates for Medigap Rx policies without the Rx benefits. Carriers, at their option, file policy forms for new benefit packages.

C. Modification of Medigap Rx Policies - Riders & Premium Adjustments

1. Does the approach to stripping away the Rx benefits vary across the three groups of Medigap Rx policies – 1.) standardized H, I and J; 2.) waived States policies; and 3) prestandard policies?

C. Modification of Medigap Rx Policies - Riders & Premium Adjustments - Cont.

2. Who determines the standards, if any, for calculating the reduction in premiums for Medigap rx policies stripped of the Rx benefits?
3. Are there special considerations for calculating the premium reduction vis-à-vis prestandard policies?
4. Policy riders and premiums for Medigap Rx policies without the Rx benefits will have to be filed in states. What if a carrier's current Medigap Rx policyholders have moved to different states than where their policies were issued?

D. Mandated Notice to Medigap Rx Policyholders

1. Standardized letter vs. model language tailored to each Medigap carrier's Medigap Rx policyholders.
2. Will this notice be subject to pre-approval by state DOIs?
3. Timing of sending notice – statute says *during* the 60-day period prior to November 15, 2005.
4. How will Medigap carriers determine if the value of the Rx benefits in their policies is less than the actuarial value of the Medicare Part D standard benefit? (They must include this information in the notice.)
5. HHS could add new requirements for the mandated notice. E.g. A statement about how much the premium would change if beneficiaries kept their Medigap Rx policy without the Rx benefits.

E. New Benefit Packages

1. Must the new benefit packages conform exactly with the legislative language, or may they include other benefits in addition to those specified?
2. What is the status of the statute's provision that there be 10 standardized Medigap plan types?
3. For beneficiaries wanting a lower-cost Medigap plan, will the new packages be more or less attractive than the current high deductible plans?

F. Brain Teasers

1. After 1/1/06, can Medigap carriers issue to non-Part D enrollees an H, I or J policy (or waived State equivalent) that includes Rx benefits?
2. After 1/1/06, can Medigap carriers issue to Part D enrollees Rx benefits that supplement Part D Rx benefits – as a rider, innovative benefit, stand-alone supplemental Rx policy, or any other arrangement?
3. What rules apply to employer-purchased Medigap policies? Does it make a difference if the Medigap plan is insured or self-insured?
4. Does the NAIC have a mandate to undertake more comprehensive reform of A-J policies? If yes, when and how would this be done?