

Bulletin 89

**MEDICARE SUPPLEMENT INSURANCE -- CHANGES IN THE FEDERAL
BALANCED BUDGET ACT**

July 9, 1998

The purpose of this bulletin is to advise all companies authorized to transact Medicare supplement business in Indiana of revisions to federal law regarding the issuance of Medicare supplement insurance policies. The changes will be effective July 1, 1998. States have one year from the NAIC's adoption of the Model Medicare Supplement Regulation (April 29, 1999) to change their regulations. Carriers must comply with the federal statute until the state regulations are amended.

Under the federal law, eligible persons for guarantee issue are those individuals who are determined eligible pursuant to subsection B of section 12 of the NAIC Model Medicare Supplement Regulation who apply to enroll under the policy not later than sixty-three (63) days after the date of the termination of enrollment. With respect to eligible persons, an issuer shall not (1) deny or condition the issuance of effectiveness of a Medicare supplement policy described in subsection C of section 12 of the Model Medicare Supplement Regulation that is offered and is available for issuance to new enrollees by the issuer; (2) discriminate in the pricing of such a Medicare supplement policy because of health status, claims experience, receipt of health care, or medical condition, or (3) impose an exclusion of benefits based on a preexisting condition under such a Medicare supplement policy.

Plan F and Plan J are now available with a \$1500 deductible. The high deductible plan pays the same or offers the same benefits as the standardized Plan F or Plan J after the insured has paid a calendar year deductible of \$1500. Out-of-pocket expenses that would ordinarily be paid by the policy can be counted towards the \$1500 deductible. The out-of-pocket expenses include the Medicare deductibles for Part A and Part B but do not include each plan's separate foreign travel emergency deductible or Plan J's separate prescription drug coverage deductible.

Creditable coverage in the Model Regulation means with respect to an individual, coverage of the individual provided under any of the following: a group health plan; health insurance coverage; Part A or Part B of Title XVIII of the Social Security Act (Medicare); Title XIX of the Social Security Act (Medicaid), other than coverage consisting solely of benefits under section 1928; Chapter 55 of Title 10 United States Code (CHAMPUS); a medical care program of the Indian Health Service or of a tribal organization; a state health benefits risk pool, including ICHIA; a health plan offered under chapter 90 of Title 5 United States Code (Federal Employees Health Benefits Program); a public health plan as defined in federal regulation; and a health benefit plan under section 5(e) of the Peace Corps Act (22 USC 2504(e)).

Compliance with the Balanced Budget Act of 1997 will be expected on and after July 1, 1998, from all Medicare supplement carriers transacting business in this state. Carriers should submit the necessary filings as soon as possible to bring their forms into compliance with the law. **IT IS THE OBLIGATION OF CARRIERS TO FOLLOW FEDERAL LAW REGARDLESS OF THE STATUS OF FORM FILINGS WITH THE DEPARTMENT.**

Any questions regarding this bulletin may be directed to the Indiana Department of Insurance, Senior Health Insurance Information Program at 317-233-3475 or, if the question involves form or rate filings, Company Services at 317-232-3437; 311 W. Washington Street, Suite 300, Indianapolis, IN 46204.

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Insurance Commissioner