

Medicare Part D and its implications for Plans H, I, and J

The purpose of the call was to discuss changes needed in the Compliance Manual as the result of the implementation of Medicare Part D on 1/1/2006. The goal is to have the Referral Subgroup recommendations ready 4 weeks prior to the March NAIC meeting. This is a follow up call to one held on October 29, 2004. Written comments should be sent to Dennis Hare at the NAIC. Julia Phillips from Minnesota led the call.

States participating included AL, AK, CT, FL, HI, IL, ME, MN, NE, NC, NM, NY, OK, PA, and UT. Interested parties included Bill Weller representing America's Health Insurance Plans and others.

This call focused on 3 issues identified in the first call:

- Should rates in plans H, I, and J excluding the drug benefits be comparable to other plans with similar benefits that never had the drug benefit.
- The treatment of medical cost trend.
- Whether to require original issue age in guaranteed issue exchanges.

On the first issue, Frank Dino of FL continued to state their position that the rates should be based on the underlying benefits. Mr. Dino said that he did understand from the October phone call that states were concerned with anti-selection on the H, I, and J plans. Mr. Dino thought that the availability of guaranteed issue to other plans for those currently in H, I, and J, would decrease the anti-selection in the current drug plans.

NM responded that they wanted a reasonable size pool of experience in each plan. Under his understanding of FL's proposal, the new H, I, and J without a drug benefit would be pooled with plans with similar benefits. This would leave a small pool of H, I, and J with drug benefits and this pool would be too small to be credible. A question was raised if states would not allow companies to sell H, I, and J without drug benefits. There was no response.

ME stated that they encouraged the FL approach when approving rates, but did balance their desire for rates based on benefits with a company's reasonable desire to avoid rate refunds caused by this approach.

FL stated that there had only been one refund in the FL, but they also would allow exceptions so that companies were not forced into unreasonable refunds.

Ultimately there was not a consensus on this topic.

On the topic of the treatment of trend, the states generally felt that the questions raised were not unique to Med Supp. AHIP had some language that may have been in response to the AAA report. No one could recall if trends had been part of the original



request to AAA. The states did reach consensus that the proposed language by AHIP was too “cook book”. They thought the AHIP language in a November 12 letter from Bill Weller was OK if the last four lines of the first paragraph on page 4 and the following paragraph were deleted.

The third and final topic of the conference call was whether companies should be required to keep the insured at his original issue age if the insured who had an issue age policy was exercising his guaranteed issue option with a different plan at his current company. Bill Weller was invited to say a few words as to why AHIP believes it should be at the company’s option as to whether the new policy would be at the insured’s current age or at the original issue age. Mr. Weller said that while some companies may voluntarily allow insureds to move to lower benefit plans at the original issue age, this guaranteed issue could allow insureds to move to plans with higher reserves. Also, current model laws and model regulations do not support any language in the compliance manual to require the use of original issue age.

FL strongly believes that a person with an issue age policy should be allowed to keep the original issue age if staying with the same company. Julia Phillips agreed with Mr. Dino. Mr. Dino stated that if a company required the insured to use current age, then the insurance company would unfairly be enriched. Mr. Weller disagreed, stating that the benefit would accrue to the insurance pool of the plan which the insured had originally purchased.

Other states raised questions about what would happen if an insured had moved to a different state. Illinois pointed out that they had companies that may have at one time issued issue age policies but which now only offered attained age policies.

No consensus was reached on this topic. The next meeting will be in New Orleans.

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