

SUMMARY**PROPOSED RULE 27: MINIMUM STANDARDS FOR MEDICARE SUPPLEMENT POLICIES**

The Insurance Department needs to amend its pre-existing Medicare Supplement Rule 27 to comply with recently enacted State and federal Legislation.

By way of background, Medicare Supplement is more commonly called "MEDIGAP." Medigap is the insurance many seniors who are medicare beneficiaries (65 +) buy to pay for out of pocket costs which basic Medicare does not cover for hospital and provider services. Medigap is somewhat jointly regulated by the federal government and States. Due to uniform federal and state regulation there are ten types of Medigap policies people can buy, designated in letters, A, B, C, D, etc. Each of these plans provide different levels of cost-sharing coverage, and have corresponding premium rates related to that coverage. Medigap Plan F is the plan Medicare beneficiaries select over 60% of the time and it essentially will cover the medicare deductible and co-insurance for the member; this is similar to Plan "C" as well. These plans cover "dollar for dollar" (or, "first dollar coverage," with members typically paying Zero for medical services)

The proposed rule essentially makes two amendments to Rule 27.

Section 9.2 is added to the comply with a Federal Act, called the Medicare Access and Chip Reauthorization Act (aka, "MACRA").

Under MACRA, Medigap issuers will be prohibited from selling Medigap products fully covering out of pocket costs, such as in Plans "F", and "C," for medicare beneficiaries turning 65 after 2020. The reason behind this is that the federal government maintains that such products permit the beneficiary to use or utilize more medicare covered services, driving up the federal medicare costs. The NAIC has worked with the federal government and states for adequate language to implement this prohibition and developed rule language to comply with federal law. In the absence of state law changes, the federal government will pre-empt state laws on this issue who have not adopted these reforms under MACRA. This is amended into Section 9.2 of this rule.

Section 25 implements State Law under Act 684 of 2017.

Section 25 of this proposed Rule is our implementation of Senator Rapert's sponsored Act 684 of 2017. The Act (attached) requires Medigap issuers to make medigap available to persons under 65 who are on disability under federal law. Section 25 is requiring, at least one of the Medigap plans, to be available to persons with a disability. Arkansas is following a few other states with this new requirement.

Act 684 requires AID to have this rule reviewed by Senator Rapert's joint insurance committee or before January 1, 2018.