

Memorandum

From: Commissioner Koller

Date: November 15, 2006

RE: Medigap Health Insurance



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SUBJECT: Common Questions About the Blue Cross Proposed Rate Increase for Plan 65 Medigap Insurance

### **What is a Medigap Policy?**

The Blue Cross Plan 65 policies provide “Medigap” health insurance coverage. A Medigap policy fills the “gaps” in original Medicare coverage. In general, a Medigap policy helps pay some of the health care costs that original Medicare doesn’t cover. If you have both original Medicare and a Medigap policy, then original Medicare and your Medigap policy will each pay its share of your covered health care costs. For a description of the Medicare program and what it covers, go to

<http://www.medicare.gov/publications/pubs/pdf/10050.pdf>.

### **How are Medigap Benefits Determined?**

Blue Cross can only sell a “standardized” Medigap policy. Medigap policies must follow federal laws. This means that the federal government, not Blue Cross, determines the benefits in the Medigap policies.

The federal government has established 12 different types of Medigap policies that Blue Cross may offer. Blue Cross is not required to offer all 12 types of Medigap policies. For information from the federal government about Medigap, go to <http://www.cms.hhs.gov/Medigap/>. The Rhode Island Guide to Buying Medicare Supplement Insurance and Managed Care Plans can be found here: <http://www.dea.ri.gov/documents/RIGuide-July-2006.pdf>.

## **What Medigap Policies Does Blue Cross Currently Offer?**

Blue Cross currently offers 3 Medigap policies as a part of Plan 65: Plan A, Plan B and Plan C. Each Medigap policy has a different set of basic and extra benefits. In addition, Blue Cross offers a "SELECT" option for its Plans B and C. Also, as part of this filing, Blue Cross has indicated that it plans to offer Plan L.

## **What is Medicare SELECT?**

Medicare SELECT is a variation of a standardized Medigap policy. With a Medicare SELECT policy, however, only specific hospitals and, in some cases, specific doctors may be used to get full insurance benefits (except in an emergency). For this reason, Medicare SELECT policies generally cost less than other Medigap policies.

## **Do Other Insurance Companies Offer Medigap Policies?**

Yes. Many other companies offer Medigap policies in Rhode Island. For example, AARP Health Care Options, Mutual of Omaha, Lincoln Heritage Life and USAA Life Insurance offer Medigap policies in Rhode Island. Generally, the only difference between the Medigap policies sold by Blue Cross and these other companies is the cost. The benefits are the same. Thus, for example, a Medigap Plan A policy sold by Blue Cross and AARP Health Care Options will have exactly the same benefits.

It should be noted, however, that some of these other companies offer all 12 types of Medigap policies.

## **What is the Rate Increase Requested by Blue Cross?**

Blue Cross has requested a rate increase of 9.9% for its Plan A, Plan B, Plan C and Plan C Select Medigap policies and a 5.42% increase for its Plan B Select policies. The proposed rate increases, if approved, will take effect February 1, 2007. Blue Cross last increased its Plan 65 Medigap rates in late 2005/early 2006.

Here are some examples of the proposed Plan 65 rate increase:

**Plan A**

The current monthly Base Rate of \$107.02 will increase to \$117.61.

**Plan B**

The current monthly Base Rate of \$101.47 will increase to \$111.52.

**Plan B SELECT**

The current monthly Discount Rate of \$93.48 will increase to \$99.55.

**Plan C**

The current monthly Discount Rate of \$150.04 will increase to \$164.89.

**Plan C SELECT**

The current monthly Discount Rate of \$104.28 will increase to \$114.60.

**Will the Proposed Plan 65 Medigap Rate Increase Affect Me?**

The proposed Blue Cross Plan 65 Medigap rate increase will only affect you if you are covered by a Blue Cross Plan 65 Medigap individual policy that **you** pay for. The proposed rate increase **will not affect you** if:

- You **do not have** a Blue Cross individual Plan 65 Medigap policy;
- You are covered by Medicaid;
- You are covered by an employer or union sponsored retiree health plan (even if called “Plan 65”);
- You are covered by a Medigap policy **issued by a company other than Blue Cross**;
- You are only covered by original Medicare; or
- You are in a Medicare Advantage Plan.

## **How Does the Rate Increase Process Work?**

Blue Cross has asked the Health Insurance Commissioner to approve a rate increase for the Blue Cross Plan 65 Medigap policies. The Commissioner will review Blue Cross' request and will hold public meetings at 10 a.m. and 5 p.m. on November 29, 2006. If Blue Cross demonstrates that the proposed rate increase is justifiable and in the public interest, the Commissioner may approve the rate increase.

## **Can I Participate in the Public Meeting?**

Yes. The Commissioner wants to hear from you. Public comment will be accepted at the public meetings.

## **Where Will the Public Meetings Take Place?**

The public meetings will take place in the main hearing room of the Department of Business Regulation. The Department is located at 233 Richmond Street, Providence, Rhode Island 02903.

## **What if I Cannot Attend?**

You may submit written comments to the Commissioner at the above address or by email at [jcogan@dbr.state.ri.us](mailto:jcogan@dbr.state.ri.us).