



OPPOSE SB 242 (Blakespear): Medicare Supplement Coverage

The Problem: Destabilizing a Delicate Market Hurts Seniors

When Californians become eligible for Medicare, they have two main options to supplement Original Medicare (which typically covers 80% of costs):

- **Medicare Advantage (MA):** Network-based, functions like an HMO, and costs an average of **\$162 per year** in premiums.
- **Medicare Supplement Insurance (commonly known as Medigap):** Offers broad access to any provider that accepts Medicare, but with higher premiums – averaging **\$2,800 per year**.

Both options serve important roles, but they are structured differently. Medigap plans are individually underwritten outside of defined Guarantee Issue (GI) windows to help maintain premium stability.

Under current law, individuals can enroll in a Medigap plan on a GI basis – during a **six-month window** that begins when they are 65 or older and enrolled in Medicare Part B.

SB 242 would override this structure by requiring all Medigap insurers to accept any applicant during a **new annual 90-day GI window**, regardless of health status. This would:

- Encourage people to delay Medigap enrollment until they're sick
- Shrink the Medigap risk pool
- Drive up costs for current enrollees

What SB 242 Would Do:

- Establish a new annual 90-day GI window for Medigap enrollment in California
- Require guaranteed access to Medigap annually, regardless of health status

Why We Oppose It:

- **It will raise premiums for everyone.**
 - CHBRP estimates a 14% statewide premium increase.

- Rates could nearly double for individuals just turning 65.
- **It will reduce enrollment and create adverse selection.**
 - Healthy individuals may drop Medigap coverage due to higher premiums.
 - Sicker individuals may wait to enroll until they need care.
 - CHBRP projects:
 - 90,700 Californians would disenroll from Medigap.
 - 84,300 would enter the pool with higher health care costs.
- **It risks market instability**
 - CHBRP warns SB 242 could result in insurers leaving the California Medigap market.
 - This would reduce choice and competition for seniors.

Important Context:

- California already provides strong GI protections for Medicare Advantage enrollees. **Individuals can enroll in Medigap with GI rights if their MA plan raises costs by 15% or more (e.g., premiums, copayments) or decreases any benefit.**
- Medigap premiums already average \$2,800 per year, a cost that is a financial strain for many seniors.
- Annual GI would allow individuals to wait until they are sick to enroll – undermining affordability and stability for those who maintain continuous coverage.

Our Position

CAHIP urges opposition to SB 242 to protect consumers from premium spikes, preserve access to Medigap coverage statewide, and maintain a stable, competitive market for California seniors – before irreparable harm is done to the Medigap market.