



For Immediate Release

Date: Wednesday, October 6, 2010

CONTACT: Scott Mulhauser/Erin Shields, Baucus, (202) 224-4515
Jim Manley, Reid, (202) 224-2939
Whitney Smith, Kerry, (202) 224-4159

REID, BAUCUS, KERRY PEN LETTER TO SECRETARY SEBELIUS REQUESTING MORE COST-CONTROL PROTECTIONS FOR SENIORS WHO OBTAIN MEDIGAP SUPPLEMENTAL COVERAGE

Washington, D.C. – Senate Majority Leader Harry Reid, Senate Finance Committee Chair Max Baucus and Senator John Kerry of the Senate Finance Committee penned a letter to Health and Human Services Secretary Kathleen Sebelius today requesting corrective action to protect seniors with Medigap supplemental coverage from unnecessary rate increases. In the letter, the Senators cited the recent example of a private health insurer, United Life of Omaha Insurance Company, increasing Medigap premiums for seniors by approximately 40 percent. The Senators write that this increase “raises serious concerns about premium-setting practices and rate review procedures in place for Medigap policies.” Further, the Senators urged Secretary Sebelius to work with Governors and State Insurance Commissioners to conduct thorough annual rate reviews to prevent unnecessary premium increases and to “conduct a study of Medigap trends and costs to provide a benchmark against which proposed rates can be measured.” A signed copy of this letter is attached to this release.

Key Excerpts of Letter to Secretary Sebelius:

We share your commitment to delivering high quality health care coverage to our nation’s Medicare beneficiaries at the best possible price.

While Medicare Advantage premiums are declining, we are hearing disturbing stories from beneficiaries across the country about excessive premium increases for Medigap supplemental insurance policies. For example, some beneficiaries enrolled in the United of Omaha Life Insurance Company will see their Medigap premiums increase by approximately 40 percent between 2010 and 2011.

As you know, the Affordable Care Act establishes an annual review process for premium increase for health insurance coverage and provides \$250 million in funding to States so they can engage in meaningful rate review. While this rate review does not apply to Medigap plans, we request that you work with Governors and State Insurance Commissioners to help them gain this authority where it does not exist today.

We request that you conduct a study of Medigap trends and costs to provide a benchmark against which proposed rates can be measured.

Full Text of Letter to Secretary Sebelius:

October 6, 2010

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health Human Services
200 Independence Ave. SW
Washington, D.C. 20201

Dear Secretary Sebelius:

We share your commitment to delivering high quality health care coverage to our nation's Medicare beneficiaries at the best possible price. This commitment is exemplified by the announcement that beneficiaries enrolled in Medicare Advantage plans will see their premiums decrease by 45 cents a month, on average, next year.

While Medicare Advantage premiums are declining, we are hearing disturbing stories from beneficiaries across the country about excessive premium increases for Medigap supplemental insurance policies. For example, some beneficiaries enrolled in the United of Omaha Life Insurance Company will see their Medigap premiums increase by approximately 40 percent between 2010 and 2011. An increase of this magnitude raises serious concerns about premium-setting practices and rate review procedures in place for Medigap policies.

As you know, the Affordable Care Act establishes an annual review process for premium increase for health insurance coverage and provides \$250 million in funding to States so they can engage in meaningful rate review. While this rate review does not apply to Medigap plans, we request that you work with Governors and State Insurance Commissioners to help them gain this authority where it does not exist today.

In addition, you can help State officials assess the accuracy of Medigap rate increases. We request that you conduct a study of Medigap trends and costs to provide a benchmark against which proposed rates can be measured.

We look forward to working with you to ensure that Medigap enrollees are protected from unnecessary rate hikes by insurance companies and that State regulators have the necessary tools to make this happen. Seniors, like all Americans, deserve to get the most health care for their premium dollars.

Thank you for your consideration of this request.

Sincerely,

Harry Reid
Senate Majority Leader

Max Baucus
U.S. Senator

John F. Kerry
U.S. Senator

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