

Memo

Date: June 7, 2024

To: Megan Tierney Ward, Deputy Commissioner DAIL
Jane Catton, Chair DAIL Advisory Board

From: DAIL Advisory Board Member Subcommittee

RE: DAIL Advisory Board- Response to Proposed Rate Increase for 2025 Medicare Supplemental Insurance Plan Submitted by Continental Life Insurance Company (CLIC)- Submitted 4/28/24.

Number of policyholders affected: 8,407
Average overall percent change in rate: 11.9%
Range of rate change: 10.6% - 23.6%

Continental Does Not Adequately Explain its Need for this Substantial Rate Increase.

1. Continental Life Insurance Company has not justified its requested double-digit rate increase especially as there is always subjectivity in predicting future trends based on past experience. They have provided no information on how it predicted the utilization rate other than stating that it relied upon years 2019-2023, a time when utilization was significantly influenced by a pandemic. Continental Life Insurance Company did not explain how it calculated future trends from this unstable period, or the assumptions it relied on in choosing its approach. Did it put more weight on certain time periods than others? Did it run multiple scenarios using different weighting systems and different time periods? How did it decide upon its final approach? None of these questions are answered. The regulator cannot assess whether its approach was reasonable. It therefore did not justify its requested increase.

Continental Does Not Adequately Justify Its Contribution to Surplus

2. Continental Life Insurance Company additionally did not justify its 5% contribution to surplus. Given that they project that almost twenty percent of the premium dollars they will collect will go to costs other than claims (Lifetime Loss Ratio Demonstration, Page 6), they do not need a 5% contribution to surplus.

Impact on Members and Affordability:

Year over year health insurance rate increases pose undue hardships on older Vermonters with limited or restricted incomes. As noted above the rate increase proposed by Continental Life Insurance Company is unwarranted and we are seeing the impact on older Vermonters over the age of 65 years in the follow ways:

- Choosing to go without other necessities to cover health plan costs.
- Reducing benefit coverage to be able to manage increasing costs- potentially creating financial hardships downstream.

- Shifting to less desirable or unsuitable Medicare Advantage plans due to increasing pressure from health insurance costs.
- For those wishing or needing to switch to a different plan, or re-enroll in original Medicare, it will depend on whether they are in the one-year window as to Medicare Advantage. Those wishing to change to a different Med Supplemental Insurance plan may be subject to underwriting resulting in higher rates or denial unless they enrolled in Medicare within 6 months of their Medicare eligibility event.

A recent DFR study by Oliver Wyman consultants “Medigap Coverage, Cost, and Access-Developing Recommendations for the Vermont General Assembly as Required under S.239 November 4, 2022” highlights major themes from the respondents. These include:

- Desire for expanded benefit coverage (primarily dental, vision, hearing, acupuncture, and the Shingles vaccine).
- Concerns about affordability now and in the future.
- Concerns about value (i.e., premiums not appropriate given the benefit coverage).
- Desire for additional open enrollment periods.
- Confusion about distinct types of coverage, feeling misled by advertising, and struggling with a complicated system.
- Concerns about limited provider access.

Specific quotes/feedback from beneficiaries within the study include:

“While I am satisfied with my coverage, to get this good coverage the cost of this [carrier] Plan F Medicare Supplement Plan is outrageous for people on fixed incomes: \$2697.48 for one and over \$5000 for my husband and myself per year. This already high premium has been rising for the past several years. It can and does increase sometimes during the current plan period completely at the insurance company's discretion with no option to change plans during this current period.”

“I wish there were more affordable health insurance options for individuals on disability; SSDI income is simply not enough to survive on as it is. It honestly doesn't make sense to me that disabled people can't continue Medicaid coverage (and maintain care relationships with trusted medical providers who often aren't covered by Medicare).”

“I would have preferred a Medigap plan, but it was far too expensive, especially with adding prescription coverage. My 0 premium Advantage plan does very well for me now. I worry a lot about not being able to switch to a Medigap plan if my needs increase.”

In 2021, Age Well (Vermont’s largest Area Agency on Aging) surveyed 350 older adults (51% response rate), in its service areas, regarding major concerns facing them. Twenty two percent of the respondents highlighted “financial security” as a top concern and this ranked #4 behind “affordable housing”, “maintaining independence”, and “social isolation/ transportation”. These rankings have not changed in three years, based on recent feedback, and we know that year over year approved insurance rate increases have put more pressure on all Vermonters, especially older populations with limited income.

Quotes from Farm to Plate’s “Food Security in Vermont: Road Map to 2035”

These quotes highlight the many challenges older Vermonters face, including the extra burdens that high health care insurance rates will exacerbate. Increasing the costs of health care insurance, including

Medicare Supplemental Insurance Plans as proposed by Continental Life Insurance Company, will negatively affect older Vermonters and their ability to maintain financial security overall, especially in the current environment of high inflation and increased cost of living in Vermont:

“We are your neighbors, we worked hard, we had illness or accidents, we are poor or poorer than we used to be, and we can’t afford the food we need.”

“Anger and frustration come up. I worked full time in the community, in community service programs. I’ve helped a lot of people, and last year I got sick and went on disability. But since I didn’t qualify for food stamps, I didn’t qualify for other benefits, and it was very hard.”

“I applied for fuel assistance and got enough for one minimum delivery. Trying to pay down credit cards, my house is falling apart, had to buy new appliances. The cost of food is high.”

Summary:

In summary, disabled and older Vermonters on fixed incomes already struggle to pay for health insurance premiums and all other basic needs. We strongly believe the proposed rate increase by Continental Life Insurance Company is excessive and lacks sufficient justification to support their proposal.

References

Age Well client survey, August 2021.

Giesa, K., Tomczyk, T., Volz, E., Anstett, M. Medigap coverage. Cost, and Access. Developing Recommendations for the Vermont General Assembly as Required under S.239. November 4, 2022.

The Continental Life Insurance Company Rate Filing (April 28, 2024).

Farm to Plate “Food Security in Vermont: Road Map to 2035.”

Flint Springs Associates: Older Vermonter and Family Caregiver Needs Assessment December 1, 2020
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extension://efaidnbmnnnibpcajpcglclefindmkaj/https://asd.vermont.gov/sites/asd/files/documents/2020%20Needs%20Assessment%20of%20Vermonters%20Age%2060%2B%20And%20Their%20Family%20Caregivers.pdf