

Memo

Date: December 5, 2023

To: Megan Tierney Ward, Deputy Commissioner DAIL
Jeanne Hutchins, Chair DAIL Advisory Board

From: Jane Catton, CEO Age Well, DAIL Advisory Board Subcommittee

RE: DAIL Advisory Board- Response to Proposed Rate Increase for Medicare Supplemental Insurance Plan Submitted by United Healthcare Insurance Company 11/13/2023.

Number of policyholders affected:	11,087
Average overall percent change in rate:	14.9%
Range of rate change:	14.7% -15.0%

Year over year health insurance rate increases pose undue hardships on older Vermonters with limited or restricted incomes. As described below, the rate increase proposed by United Healthcare Insurance Company is unwarranted.

Summary of Issues:

The insurer has not justified the high cost increases it is asking to charge Vermonters in 2024. The high-proposed increase is meant to correct for its 2022 results, which were higher than predicted. The increase also assumes continuing increases through 2024. The insurer has demonstrated that it incurred high claims costs in 2022; however, it has not clearly demonstrated or explained how this increase is a new cost trend that will continue throughout 2023 and 2024.

If 2022 was an anomaly, the insurer should pay for any costs in excess of its revenue out of its risk reserves collected from its “risk and profit margin.” It should not increase rates. (We note that the insurer may not need to dip into reserves to cover 2022 costs from its collected premiums. It has calculated an 84.4% medical loss ratio for 2022 (rate filing page 27), which means that the premiums paid by its customers covered the claims for that year and had 15.5% remaining for other costs like taxes, administrative costs, and reserves.)

The claims data provided in the filing shows significantly variable claims costs from 2019 to early 2023. While this volatility is understandable based on the COVID-19 pandemic, it does not demonstrate a trend. When trends are unclear, high- cost increases should not be passed on to Vermont consumers.

Impact on Members and Affordability:

We are seeing the impact of high insurance plan rate increases on older Vermonters over the age of 65 years in the follow ways:

- Choosing to go without other necessities in order 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 some 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 different 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.”

Finally, in 2021, Age Well (Vermont's largest Area Agency on Aging) surveyed 158 older adults 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”.

Increasing the costs of health care insurance, including Medicare Supplemental Insurance Plans as proposed by United Healthcare 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.

Conclusion:

In conclusion, given the existing challenges for disabled and older Vermonters on fixed incomes who already struggle to pay for health insurance premiums, and the lack of justification for the increases, the proposed rate increase by United Healthcare Insurance Company is excessive. In general, the year over year rate increases for these plans are not sustainable, let alone for older and disabled persons on fixed incomes.

References

Age Well client survey, August 2021.

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

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.

United Healthcare Insurance Company Rate Increase Filing (November 13, 2023).