



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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CHARLES R. COHEN
Director of Insurance

CIRCULAR LETTER 1999-4

To: Medicare+Choice Providers, Health Care Services Organizations, Insurers Transacting Medicare Supplement Insurance, and other Interested Parties.

FROM: Charles R. Cohen
Director of Insurance

DATE: June 28, 1999

RE: Medicare+Choice; Medicare Supplement

Renewal of Medicare+Choice Contracts

On or before July 1, 1999, each health care services organization (HCSO) participating in the Medicare+Choice program is required to notify the Health Care Financing Administration (HCFA) at the U.S. Department of Health and Human Services whether the HCSO will participate as a Medicare+Choice provider for the year 2000. An HCSO that does not intend to renew its contract with HCFA for some or all service areas is not required to notify current enrollees of the termination until 90 days prior to termination.¹

Last year, many Medicare+Choice providers across the country chose not to renew their contracts with HCFA and withdrew from various markets. Although this problem was not as severe in Arizona as in other parts of the country, the withdrawals that did occur were disruptive to enrollees. In other states, many enrollees were left with no available Medicare+Choice provider. In Arizona, the withdrawals resulted in some counties having only one available Medicare+Choice provider.

Because enrollees learned of the withdrawals late in the year, enrollees had little time to absorb the impact of the change and select a new provider. Many of the notices and much of the telephonic advice provided to enrollees were confusing. Enrollees who were involuntarily terminated from their Medicare+Choice plan had guaranteed issue rights to coverage through remaining Medicare+Choice providers and also to Medicare Supplement insurance. Because of the confusing notices and the lateness of the notice, many enrollees panicked, and prematurely terminated their Medicare+Choice coverage before the end of the year. As a result, these enrollees lost their rights to guaranteed issue.

¹ The Department recognizes that these obligations may vary for Medicare+Choice providers operating in Maricopa County, which is subject to the Medicare Competitive Pricing Demonstration Project.

In some areas of the country, Medicare+Choice providers who were withdrawing from a service area, continued to market their Medicare+Choice policies to prospective enrollees in that area. Some persons signed up with these providers only to learn, a few weeks later, that their provider was withdrawing from the market.

In an effort to minimize disruption to enrollees, the Department is taking the following steps:

-Each HCSO that currently offers a Medicare+Choice plan shall send the Department written notice, on or before July 15, 1999, as to whether the HCSO will offer a Medicare+Choice plan for the year 2000.² In the notice, the HCSO shall specify the service area where the HCSO intends to offer coverage if that service area is less than the entire state.

-Each HCSO that intends to withdraw from any service area within the state shall advise the Department of the HCSO's plan to notify current enrollees of the withdrawal, and the timeframe for giving notice. A withdrawing HCSO shall provide the Department with a copy of the withdrawal notice the HCSO plans to send enrollees, at least 30 days prior to mailing the notice to enrollees. The Department strongly encourages withdrawing HCSOs to notify affected enrollees at the earliest possible opportunity, rather than waiting until the last legally authorized date.

-Each HCSO that intends to withdraw from a service area within the state shall disclose that intent to prospective enrollees in that service area. Insurers are strongly cautioned that failure to make this disclosure may be deemed an unfair practice or misrepresentation under the insurance laws, including, without limitation: A.R.S. §§ 20-442, 20-443, 20-443.01, 20-444(A), 20-1057(F), and 20-1065(A)(5).

Please direct any required notices to: Arizona Department of Insurance, Life & Health Division, Re Medicare+Choice, 2910 N. 44th St., Suite 210, Phoenix, Arizona 85018.

Amendments to the Medicare Supplement Insurance Rules

The Federal Balanced Budget Act of 1997 made several changes to the laws governing Medicare Supplement insurance. Those changes are reflected in the July 1998 model Medicare Supplement Regulation adopted by the National Association of Insurance Commissioners (NAIC). The Department amended its rules governing Medicare Supplement insurance to conform to the changes in the NAIC model regulation. The Department did not adopt any of the non-mandatory suggestions contained in the drafting notes to the NAIC model. Among other things, these rules require carriers issuing Medicare Supplement insurance to offer, on a guaranteed issue basis, coverage to individuals who have lost their coverage from a Medicare+Choice provider.

(See R20-6-1121.)

These rule changes were effective on March 3, 1999. Insurers participating in Medicare+Choice, and insurers transacting Medicare Supplement insurance are urged to carefully review these amended rules and to ensure that notices and advice to enrollees and the public conform to the requirements in these rules.

Please direct any questions about this circular letter to Ms. Mary Butterfield, Assistant Director, Life & Health Division, 912-8443.

² Medicare+Choice providers may give notice regarding participation in the area subject to the Competitive Pricing Demonstration Project, on or before any later date specified by HCFA.