

LEGISLATURE OF NEBRASKA
NINETY-SIXTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1248

Introduced by Dierks, 40; Kremer, 34

Read first time January 13, 2000

Committee: Banking, Commerce and Insurance

A BILL

1 FOR AN ACT relating to medicare supplement insurance; to amend
2 sections 44-3602 to 44-3604 and 44-3607, Reissue Revised
3 Statutes of Nebraska; to change eligibility requirements
4 as prescribed; to harmonize provisions; and to repeal the
5 original sections.
6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 44-3602, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 44-3602. For purposes of the Medicare Supplement
4 Insurance Minimum Standards Act:

5 (1) Applicant shall mean:

6 (a) In the case of an individual medicare supplement
7 policy, the person who seeks to contract for insurance benefits;
8 and

9 (b) In the case of a group medicare supplement policy,
10 the proposed certificate holder;

11 (2) Certificate shall mean any certificate delivered or
12 issued for delivery in this state under a group medicare supplement
13 policy;

14 (3) Certificate form shall mean the form on which the
15 certificate is delivered or issued for delivery by the issuer;

16 (4) Director shall mean the Director of Insurance;

17 (5) Issuer shall include insurance companies, fraternal
18 benefit societies, health care service plans, health maintenance
19 organizations, and any other entities delivering or issuing for
20 delivery in this state medicare supplement policies or
21 certificates;

22 (6) Medicare shall mean the Health Insurance for the Aged
23 Act, Title XVIII of the Social Security Amendments of 1965, as then
24 constituted or later amended;

25 (7) Medicare supplement policy shall mean a group or
26 individual policy of sickness and accident insurance or a
27 subscriber contract of health maintenance organizations, other than
28 a policy issued pursuant to a contract under section 1876 of the

1 federal Social Security Act, 42 U.S.C. 1395 et seq., or an issued
2 policy under a demonstration project specified in 42 U.S.C.
3 1395ss(g)(1), which is advertised, marketed, or designed primarily
4 as a supplement to reimbursements under medicare for the hospital,
5 medical, or surgical expenses of persons eligible for medicare,
6 including by reason of disability; and

7 (8) Policy form shall mean the form on which the policy
8 is delivered or issued for delivery by the issuer.

9 Sec. 2. Section 44-3603, Reissue Revised Statutes of
10 Nebraska, is amended to read:

11 44-3603. (1) The Medicare Supplement Insurance Minimum
12 Standards Act shall apply to:

13 (a) All medicare supplement policies delivered or issued
14 for delivery in this state on or after April 16, 1992; and

15 (b) All certificates issued under group medicare
16 supplement policies, which certificates have been delivered or
17 issued for delivery in this state.

18 (2) The act shall not apply to a policy of one or more
19 employers or labor organizations or of the trustees of a fund
20 established by one or more employers or labor organizations, or a
21 combination thereof, for employees or former employees, or a
22 combination thereof, or for members or former members, or a
23 combination thereof, of the labor organizations.

24 (3) Except as otherwise specifically provided in
25 subsection (4) of section 44-3607, the act shall not be intended to
26 prohibit or apply to insurance policies or health care benefit
27 plans, including group conversion policies, provided to ~~medicare~~
28 eligible persons eligible for medicare, including by reason of

1 disability, which policies or plans are not marketed or held to be
2 medicare supplement policies or benefit plans.

3 Sec. 3. Section 44-3604, Reissue Revised Statutes of
4 Nebraska, is amended to read:

5 44-3604. (1) No medicare supplement policy or
6 certificate in force in the state shall contain benefits that
7 duplicate benefits provided by medicare.

8 (2) Notwithstanding any other provision of law, a
9 medicare supplement policy or certificate shall not exclude or
10 limit benefits for losses incurred more than six months from the
11 effective date of coverage because it involved a preexisting
12 condition. The policy or certificate shall not define a
13 preexisting condition more restrictively than a condition for which
14 medical advice was given or treatment was recommended by or
15 received from a physician within six months before the effective
16 date of coverage.

17 (3) The director shall adopt and promulgate reasonable
18 rules and regulations to establish specific standards for policy
19 provisions of medicare supplement policies and certificates. Such
20 standards shall be in addition to and in accordance with applicable
21 laws of this state. The standards shall not impose any age
22 restriction or requirement for eligible applicants. No requirement
23 of Chapter 44 relating to minimum required policy benefits, other
24 than the minimum standards contained in the Medicare Supplement
25 Insurance Minimum Standards Act, shall apply to medicare supplement
26 policies and certificates. The standards may include, but shall
27 not be limited to:

28 (a) Terms of renewability;

- 1 (b) Initial and subsequent conditions of eligibility;
- 2 (c) Nonduplication of coverage;
- 3 (d) Probationary periods;
- 4 (e) Benefit limitations, exceptions, and reductions;
- 5 (f) Elimination periods;
- 6 (g) Requirements for replacement;
- 7 (h) Recurrent conditions; and
- 8 (i) Definitions of terms.

9 (4) The director shall adopt and promulgate reasonable
10 rules and regulations to establish minimum standards for benefits,
11 claims payment, marketing practices and compensation arrangements,
12 and reporting practices for medicare supplement policies and
13 certificates.

14 (5) The director may adopt and promulgate rules and
15 regulations necessary to conform medicare supplement policies and
16 certificates to the requirements of federal law and regulations
17 promulgated under federal law, including:

18 (a) Requiring refunds or credits if the policies or
19 certificates do not meet loss-ratio requirements;

20 (b) Establishing a uniform methodology for calculating
21 and reporting loss ratios;

22 (c) Assuring public access to policies, premiums, and
23 loss-ratio information of issuers of medicare supplement insurance;

24 (d) Establishing a process for approving or disapproving
25 policy forms and certificate forms and proposed premium increases;

26 (e) Establishing a policy for holding public hearings
27 prior to approval of premium increases; and

28 (f) Establishing standards for medicare select policies

1 and certificates.

2 (6) The director may adopt and promulgate reasonable
3 rules and regulations which specify prohibited policy provisions
4 not otherwise specifically authorized by statute which, in the
5 opinion of the director, are unjust, unfair, or unfairly
6 discriminatory to any person insured or proposed to be insured
7 under a medicare supplement policy or certificate.

8 Sec. 4. Section 44-3607, Reissue Revised Statutes of
9 Nebraska, is amended to read:

10 44-3607. (1) In order to provide for full and fair
11 disclosure in the sale of medicare supplement policies, no medicare
12 supplement policy or certificate shall be delivered in this state
13 unless an outline of coverage is delivered to the applicant at the
14 time the application is made.

15 (2) The director shall prescribe the format and content
16 of the outline of coverage required by subsection (1) of this
17 section. As used in this section, format shall mean style,
18 arrangement, and overall appearance, including, but not limited to,
19 the size, color, and prominence of type and arrangement of text and
20 captions. Such outline of coverage shall include:

21 (a) A description of the principal benefits and coverage
22 provided in the policy;

23 (b) A statement of the renewal provisions, including any
24 reservation by the issuer of a right to change premiums and
25 disclosure of the existence of any automatic renewal premium
26 increases based on the policyholder's age; and

27 (c) A statement that the outline of coverage is a summary
28 of the policy issued or applied for and that the policy should be

1 consulted to determine governing contractual provisions.

2 (3) The director may prescribe by rule and regulation a
3 standard form and the contents of an informational brochure for
4 persons eligible for medicare, including by reason of disability,
5 which is intended to improve the buyer's ability to select the most
6 appropriate coverage and improve the buyer's understanding of
7 medicare. Except in the case of direct-response insurance
8 policies, the director may require by rule and regulation that the
9 informational brochure be provided to any prospective insureds
10 ~~eligible for medicare~~ concurrently with delivery of the outline of
11 coverage. With respect to direct-response insurance policies, the
12 director may require by rule and regulation that the prescribed
13 brochure be provided upon request to any prospective insureds
14 ~~eligible for medicare~~ but in no event later than the time of policy
15 delivery.

16 (4) The director may adopt and promulgate rules and
17 regulations for captions or notice requirements determined to be in
18 the public interest and designed to inform prospective insureds
19 that particular insurance coverages are not medicare supplement
20 coverages for all sickness and accident insurance policies sold to
21 persons eligible for medicare, including by reason of disability,
22 other than:

23 (a) Medicare supplement policies; or

24 (b) Disability income policies.

25 (5) The director may further adopt and promulgate rules
26 and regulations to govern the full and fair disclosure of the
27 information in connection with the replacement of sickness and
28 accident policies, subscriber contracts, or certificates by persons

1 eligible for medicare, including by reason of disability.

2 Sec. 5. Original sections 44-3602 to 44-3604 and

3 44-3607, Reissue Revised Statutes of Nebraska, are repealed.