

TRANSMITTAL SHEET FOR  
NOTICE OF INTENDED ACTION

Control 482 Department or Agency Department of Insurance\*

Rule No. 482-1-071-.07

Rule Title: Minimum Benefit Standards for Pre-Standardized Medicare Supplement Benefit Plan Policies or Certificates Issued for Delivery prior to March 25, 1996.

New  Amend  Repeal  Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? N/A\*

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? N/A\*

Is there another, less restrictive method of regulation available that could adequately protect the public? N/A\*

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? N/A\*

Is the increase in costs, if any, more harmful to the public than the harm that might result from the absence of the proposed rule? N/A\*

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? N/A\*

\*\*\*\*\*

Does the proposed rule have an economic impact? N/A\*

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

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Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Sections 27-2-17 and 27-7-43, Code of Alabama 1975, and that it complies with all applicable filing requirements of the Alabama Insurance Code.\*

Signature of certifying officer Jim L. Kjelling  
Jim L. Kjelling  
Commissioner of Insurance

Date: April 20, 2017

\*Note: *The Alabama Department of Insurance is exempt from the Alabama Administrative Procedures Act pursuant to Section 41-22-2(e), Code of Alabama 1975.*

Alabama Department of Insurance

**NOTICE OF INTENDED ACTION**

**AGENCY NAME:** Alabama Department of Insurance

**RULE NO. & TITLE:** Rule 482-1-071-.07: Minimum Benefit Standards for Pre-Standardized Medicare Supplement Benefit Plan Policies or Certificates Issued for Delivery Prior to March 25, 1996.

**INTENDED ACTION:** Amend rule.

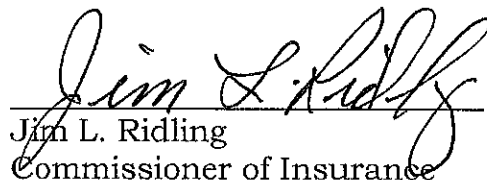
**SUBSTANCE OF PROPOSED ACTION:** The Commissioner of Insurance is proposing to amend the rule which sets forth the minimum benefit standards for pre-Standardized Medicare supplement benefit plans policies or certificates issued for deliver prior to March 25, 1996. The amendment merely deletes the specific dollar amount for the Medicare Part B deductible, which changes from year to year. The amendment will become effective June 24, 2017.

**TIME, PLACE, MANNER OF PRESENTING VIEWS:** Interested persons may submit data, views, or arguments in writing at any time prior to June 7, 2017, to the Alabama Department of Insurance, Attention: Legal Division, Post Office Box 303351, Montgomery, Alabama 36130-3351, or orally by appearing at the public hearing, Suite 502, RSA Tower, 201 Monroe Street, Montgomery, Alabama, beginning at 2:00 PM, on June 14, 2017.

**FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:**

June 7, 2017

**CONTACT PERSON AT AGENCY:** Kathleen Healey  
Associate Counsel

  
Jim L. Ridling  
Commissioner of Insurance

1    **482-1-071-.07 Minimum Benefit Standards For Pre-Standardized**  
2    **Medicare Supplement Benefit Plan Policies Or Certificates**  
3    **Issued For Delivery Prior To March 25, 1996.** No policy or  
4    certificate may be advertised, solicited or issued for  
5    delivery in this State as a Medicare supplement policy or  
6    certificate unless it meets or exceeds the following minimum  
7    standards. These are minimum standards and do not preclude  
8    the inclusion of other provisions or benefits which are not  
9    inconsistent with these standards.

10       A. General Standards. The following standards apply to  
11    Medicare supplement policies and certificates and are in  
12    addition to all other requirements of this chapter.

13       (1) A Medicare supplement policy or certificate shall not  
14    exclude or limit benefits for losses incurred more than six  
15    (6) months from the effective date of coverage because it  
16    involved a preexisting condition. The policy or certificate  
17    shall not define a preexisting condition more restrictively  
18    than a condition for which medical advice was given or  
19    treatment was recommended by or received from a physician  
20    within six (6) months before the effective date of coverage.

1           (2) A Medicare supplement policy or certificate shall not  
2 indemnify against losses resulting from sickness on a  
3 different basis than losses resulting from accidents.

4           (3) A Medicare supplement policy or certificate shall  
5 provide that benefits designed to cover cost sharing amounts  
6 under Medicare will be changed automatically to coincide with  
7 any changes in the applicable Medicare deductible, copayment  
8 or coinsurance\_amounts. Premiums may be modified to  
9 correspond with such changes.

10          (4) A "noncancellable," "guaranteed renewable," or  
11 "noncancellable and guaranteed renewable" Medicare supplement  
12 policy shall not:

13           (a) Provide for termination of coverage of a spouse  
14 solely because of the occurrence of an event specified for  
15 termination of coverage of the insured, other than the  
16 nonpayment of premium; or

17           (b) Be cancelled or nonrenewed by the issuer solely on  
18 the grounds of deterioration of health.

19          (5) (a) Except as authorized by the commissioner of this  
20 state, an issuer shall neither cancel nor nonrenew a Medicare  
21 supplement policy or certificate for any reason other than  
22 nonpayment of premium or material misrepresentation.

1           (b) If a group Medicare supplement insurance policy is  
2 terminated by the group policyholder and not replaced as  
3 provided in Paragraph (5)(d), the issuer shall offer  
4 certificateholders an individual Medicare supplement policy.  
5 The issuer shall offer the certificateholder at least the  
6 following choices:

7           (i) An individual Medicare supplement policy currently  
8 offered by the issuer having comparable benefits to those  
9 contained in the terminated group Medicare supplement policy;  
10 and

11           (ii) An individual Medicare supplement policy which  
12 provides only such benefits as are required to meet the  
13 minimum standards as defined in Rule 482-1-071-.08-1B.

14           (c) If membership in a group is terminated, the issuer  
15 shall:

16           (i) Offer the certificateholder the conversion  
17 opportunities described in Subparagraph (b); or

18           (ii) At the option of the group policyholder, offer the  
19 certificateholder continuation of coverage under the group  
20 policy.

1           (d) If a group Medicare supplement policy is replaced by  
2 another group Medicare supplement policy purchased by the same  
3 policyholder, the issuer of the replacement policy shall offer  
4 coverage to all persons covered under the old group policy on  
5 its date of termination. Coverage under the new group policy  
6 shall not result in any exclusion for preexisting conditions  
7 that would have been covered under the group policy being  
8 replaced.

9           (e) Rate increases otherwise authorized by law are not  
10 prohibited by this Paragraph (5).

11           (6) Termination of a Medicare supplement policy or  
12 certificate shall be without prejudice to any continuous loss  
13 which commenced while the policy was in force, but the  
14 extension of benefits beyond the period during which the  
15 policy was in force may be predicated upon the continuous  
16 total disability of the insured, limited to the duration of  
17 the policy benefit period, if any, or payment of the maximum  
18 benefits. Receipt of Medicare Part D benefits will not be  
19 considered in determining a continuous loss.

20           (7) If a Medicare supplement policy eliminates an  
21 outpatient prescription drug benefit as a result of  
22 requirements imposed by the Medicare Prescription Drug,

1 Improvement, and Modernization Act of 2003, the modified  
2 policy shall be deemed to satisfy the guaranteed renewal  
3 requirements of this subsection.

4 B. Minimum Benefit Standards.

5 (1) Coverage of Part A Medicare eligible expenses for  
6 hospitalization to the extent not covered by Medicare from the  
7 61st day through the 90th day in any Medicare benefit period;

8 (2) Coverage for either all or none of the Medicare Part  
9 A inpatient hospital deductible amount;

10 (3) Coverage of Part A Medicare eligible expenses  
11 incurred as daily hospital charges during use of Medicare's  
12 lifetime hospital inpatient reserve days;

13 (4) Upon exhaustion of all Medicare hospital inpatient  
14 coverage including the lifetime reserve days, coverage of  
15 ninety percent (90%) of all Medicare Part A eligible expenses  
16 for hospitalization not covered by Medicare subject to a  
17 lifetime maximum benefit of an additional 365 days;

18 (5) Coverage under Medicare Part A for the reasonable  
19 cost of the first three (3) pints of blood (or equivalent  
20 quantities of packed red blood cells, as defined under federal

1 regulations) unless replaced in accordance with federal  
2 regulations or already paid for under Part B;

3 (6) Coverage for the coinsurance amount, or in the case  
4 of hospital outpatient department services paid under a  
5 prospective payment system, the copayment amount of Medicare  
6 eligible expenses under Part B regardless of hospital  
7 confinement, subject to a maximum calendar year out-of-pocket  
8 amount equal to the Medicare Part B deductible ~~[\$135]~~;

9 (7) Effective January 1, 1990, coverage under Medicare  
10 Part B for the reasonable cost of the first three (3) pints of  
11 blood (or equivalent quantities of packed red blood cells, as  
12 defined under federal regulations), unless replaced in  
13 accordance with federal regulations or already paid for under  
14 Part A, subject to the Medicare deductible amount.

15 **Author:** Commissioner of Insurance

16 **Statutory Authority:** Code of Alabama 1975, §§ 27-2-17 and 27-  
17 19-50 et seq.

18 **History:** New September 18, 1981, effective January 1, 1982;  
19 Revised November 14, 1986, effective February 14, 1987;  
20 Revised March 5, 1992, effective March 15, 1992; Revised March  
21 12, 1996, effective March 25, 1996; Revised October 22, 1998,  
22 effective January 1, 1999; Revised April 28, 1999, effective  
23 July 1, 1999; Revised June 30, 2003, effective July 21, 2003,  
24 Revised July 14, 2005, effective August 1, 2005; Revised June  
25 11, 2009, effective June 30, 2009; Revised June 14, 2017,  
26 Effective January 1, 2020