

A BILL TO AMEND SECTION 4358 OF THE OMNIBUS
BUDGET RECONCILIATION ACT OF 1990 TO PERMIT
MEDICARE SELECT POLICIES TO BE OFFERED IN ALL
STATES ON A PERMANENT BASIS

MARCH 15, 1995.—Ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means,
submitted the following

REPORT

[To accompany H.R. 483]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 483) to amend title XVIII of the Social Security Act to permit Medicare select policies to be offered in all States, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

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The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. PERMITTING MEDICARE SELECT POLICIES TO BE OFFERED IN ALL STATES ON A PERMANENT BASIS.

Section 4358(c) of the Omnibus Budget Reconciliation Act of 1990, as amended by section 172(a) of the Social Security Act Amendments of 1994, is amended—

- (1) by inserting “and such other States as elect such amendments to apply to them” after “Services”, and
- (2) by striking “and only during the 3½-year period beginning with 1992”.

Amend the title so as to read:

A bill to amend section 4358 of the Omnibus Budget Reconciliation Act of 1990 to permit Medicare select policies to be offered in all States on a permanent basis.

I. INTRODUCTION

A. PURPOSES AND SUMMARY

H.R. 483 would extend the Medicare SELECT program to all States on a voluntary and permanent basis.

B. BACKGROUND AND NEED FOR LEGISLATION

Under current law, Medicare beneficiaries can purchase private health insurance to supplement their Medicare coverage. These individually purchased policies are known as Medigap policies. Medigap insurance is regulated by federal and state law. The Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) established a demonstration project under which insurers could market a Medigap product known as Medicare SELECT. SELECT policies are the same as other Medigap policies except that they may only pay in full for supplemental benefits if covered services are provided through designated health professionals and facilities known as preferred providers. OBRA 1990 limited the SELECT demonstration project to 3 years (1992–1994) and to 15 States. The Social Security Amendments of 1994 (P.L. 103–432) extended the project for 6 months, through June 30, 1995.

The demonstration project is currently set to expire on June 30, 1995. If the program is not extended before this date, HCFA would be required to notify the participating States to prepare for closing the program. Medicare SELECT carriers would then have to close the program to new Medicare enrollees on June 30, 1995. While current enrollees could remain in the program, health plans would be required to notify the participants that the program has ended.

If the program is allowed to expire, no additional individuals would be allowed to enroll in SELECT plans. This will likely result in significant increases in premiums for current enrollees as no new lives would be allowed into the pool, many enrollees will likely leave the plan if the program is ended, and those remaining in the pool age and increase costs.

Current enrollees in Medicare SELECT are receiving significantly reduced premiums as related to traditional fee-for-service Medigap policies. The bill would expand the program to all fifty states and make the program permanent so all seniors could enjoy the savings associated with Medicare SELECT products and the peace of mind that the program is permanent.

C. LEGISLATIVE HISTORY

Committee bill

H.R. 483 was introduced on January 11, 1995, by Mrs. Johnson of Connecticut, et al., and referred to the Committee on Ways and Means and Committee on Commerce, and on January 17, 1995, was referred to the Subcommittee on Health. The bill as introduced contained four provisions: (1) expanding the Medicare SELECT program to all fifty states and make it permanent; (2) allowing for the development of an eleventh plan option under Medigap; (3) clarifying renewability requirements for SELECT plans; (4) impos-

ing civil money penalties for misrepresentation or the provision of false information.

The Subcommittee on Health of the Committee on Ways and Means marked up the bill on February 23, 1995, and approved by voice vote one amendment by Chairman Thomas that limited the bill to an extension of the program to all fifth states and made the program permanent. The Subcommittee ordered favorably reported H.R. 483, as amended, by a recorded vote of 10–3.

The Committee on Ways and Means marked up the bill on March 8, 1995, and ordered the bill to be favorably reported without amendment by a roll call vote of 31 yeas and 2 nays.

Legislative hearing

The Subcommittee on Health of the Committee on Ways and Means held a public hearing on February 10, 1995, on Medicare Reform and Innovation, which focused on Medicare SELECT, as well as other programs.

II. EXPLANATION OF THE BILL

A. EXPANSION OF MEDICARE SELECT (SEC. 1 OF THE BILL AND SEC. 4358(C) OF OBRA 1990)

Present law

Under present law, 15 states are eligible for participation in the Medicare SELECT program: Alabama; Arizona; California; Florida; Illinois; Indiana; Kentucky; Massachusetts; Minnesota; Missouri; North Dakota; Ohio; Texas; Washington; and Wisconsin. The program is set to expire on June 30, 1995.

Explanation of provision

The provision would extend the SELECT program to all States on a permanent basis. States would be given the opportunity to participate in the Medicare SELECT program.

Reasons for change

The program is rapidly approaching the current expiration date of June 30, 1995. If the program is not extended before this date, the Health Care Financing Administration (HCFA) would be required to notify the participating States to prepare for closing the program. Medicare SELECT carriers would then have to close the program to new Medicare enrollees on June 30, 1995. While current enrollees could remain in the program, health plans would be required to notify the participants that the program has ended. This would result in significant increases in premiums for current enrollees as no new lives would be allowed into the pool, many enrollees will likely leave the plan if the program is ended, and those remaining in the pool age and increase costs.

The State and time limited nature of the program has limited insurer participation because of significant development and start-up costs of new policies and the uncertain nature of the program. This uncertainty has also led to difficulties in network development as providers are also concerned with the limited duration of the program.

Medicare SELECT premiums appear to be ten to 37 percent lower than traditional Medigap premiums, when rated on the same basis. Consumers Union, in the August 1994, Consumers Reports, ranked Medigap plans nationally and ranked eight Medicare SELECT plans in the to fifteen Medigap products country wide. In addition, the National Association of Insurance Commissioners has reported that very few complaints have been associated with Medicare SELECT products.

When the demonstration was first announced, 29 States indicated their desire to participate in the program and there continues to be a strong interest in SELECT among those states not currently allowed to participate in the program. The National Governors Association, the National Conference of State Legislators, and the National Association of Insurance Commissioners have all supported expanding this program to all fifth states and making it permanent.

Effective date

The provision is effective upon enactment.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee in its consideration of the bill, H.R. 483.

MOTION TO REPORT THE BILL

The bill H.R. 483, was ordered favorably reported by a roll call vote of 31 yeas and 2 nays on March 8, 1995, with a quorum present. The roll call vote was as follows:

YEAS	NAYS
Mr. Archer	Mr. Stark
Mr. Crane	Mr. McDermott
Mr. Thomas	
Mr. Shaw	
Mrs. Johnson	
Mr. Bunning	
Mr. Houghton	
Mr. Herger	
Mr. McCrery	
Mr. Hancock	
Mr. Camp	
Mr. Ramstad	
Mr. Zimmer	
Mr. Nussle	
Mr. Johnson	
Ms. Dunn	
Mr. Collins	
Mr. Portman	
Mr. English	
Mr. Ensign	
Mr. Christensen	
Mr. Ford	

Mr. Matsui
 Mrs. Kennelly
 Mr. Coyne
 Mr. Levin
 Mr. Cardin
 Mr. Kleczka
 Mr. Lewis
 Mr. Payne
 Mr. Neal

VOTES ON AMENDMENT

The Committee defeated an amendment (8 yeas and 25 nays) offered by Mr. Stark for a temporary extension (18 months) of Medicare SELECT for States currently participating in the program. The roll call vote was as follows:

YEAS	NAYS
Mr. Stark	Mr. Archer
Mr. Ford	Mr. Crane
Mr. Matsui	Mr. Thomas
Mr. Coyne	Mr. Shaw
Mr. Levin	Mrs. Johnson
Mr. Cardin	Mr. Bunning
Mr. McDermott	Mr. Houghton
Mr. Lewis	Mr. Herger
	Mr. McCrery
	Mr. Hancock
	Mr. Camp
	Mr. Ramstad
	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mrs. Kennelly
	Mr. Kleczka
	Mr. Payne
	Mr. Neal

IV. BUDGET EFFECTS

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this bill, H.R. 482, as reported:

The Committee agrees with the estimate prepared by CBO, which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX
EXPENDITURES

In compliance with subdivision (B) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.R. 483 do not involve any new budget authority, or any increase or decrease in revenues or tax expenditures.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (C) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 10, 1995.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 483, a bill to permit Medicare Select policies to be offered in all states, as ordered reported by the House Committee on Ways and Means on March 8, 1995. CBO estimates that enactment of H.R. 483 would not significantly affect the federal budget or the budgets of state and local governments. Pay-as-you-go procedures would apply because the bill could affect direct spending. The estimated change in direct spending, however, is not significant.

Medicare Select policies are Medicare supplemental health insurance policies allowed under a demonstration program that Congress initiated in section 4358 of the Omnibus Budget Reconciliation Act of 1990. The program was limited to 15 states and was to run for three years beginning on January 1, 1992. The demonstration was extended for six months in section 172 of the Social Security Act Amendments of 1994. This bill would extend the program to the entire country and make it permanent.

Except for Medicare Select policies, issuers of Medicare supplemental policies are not allowed to offer benefits that differ depending on the provider selected by the beneficiary. Under Medicare Select policies, insurers can, in effect, set up Medicare Preferred Provider Organizations (PPOs). If PPOs are successful in managing care, they can reduce Medicare costs, because Medicare pays for most of the cost of the services covered under the supplemental policies. The preliminary evaluation of the demonstration conducted under contract to the Health Care Financing Administration (HCFA), however, has found very little management of care by the insurers and no cost savings to Medicare. On the other hand, Medicare costs could rise if enactment of this bill caused additional Medicare beneficiaries to purchase coverage that reduced their copayments and thus diminished their economic incentives to seek cost-efficient care. The preliminary evaluation of the demonstration found that few additional beneficiaries purchase Medicare supplemental policies. Because this bill could result in either costs or sav-

ings, and there is little evidence of either, CBO estimates that this bill would have no significant effect on the federal budget.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Scott Harrison.

Sincerely,

JUNE E. O'NEILL, *Director.*

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to subdivision (A) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's oversight activities concerning the extension of the Medicare SELECT program to all fifty states and making the program permanent that the Committee concluded that it is appropriate to enact the provisions contained in the bill.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

With respect to subdivision (D) of clause 21(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that no oversight findings or recommendations have been submitted to this Committee by the Committee on Government Reform and Oversight with respect to the provisions contained in this bill.

C. INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the bill are not expected to have an overall inflationary impact on prices and costs in the operation of the national economy. As is indicated above (in Part IV of this report), the bill is projected to be deficit neutral over fiscal years 1995–2000.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 4358 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990

SEC. 4358. MEDICARE SELECT POLICIES

(a) * * *

* * * * *

(c) EFFECTIVE DATE.—The amendments made by this section shall only apply in 15 States (as determined by the Secretary of Health and Human Services) *and such other States as elect such*

amendments to apply to them [and only during the 3½-year period beginning with 1992].

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