

March 26, 2025

Oregon Senate Committee on Health Care
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Re: Opposition to Senate Bill 1181

Dear Chair Patterson, Vice Chair Hayden, members of the committee,

Providence Health Plan appreciates the opportunity to provide comment on Senate Bill 1181, regarding Medicare Supplement Insurance. With our roots in Oregon, PHP is a committed member of our communities, supporting Oregon's seniors and those with disabilities with Medicare Advantage and Medicare Supplement policies.

Medicare Supplement policies, also known as Medigap, help pay a member's Medicare deductibles, copayments, and other out-of-pocket expenses not included in an Original Medicare policy. Under existing Oregon law, when an individual due to age or disability qualifies for Medicare, the individual may also, within six months, purchase a Medicare Supplement policy at a standardized rate, guarantee issue, meaning that the individual's health status has no bearing on eligibility nor cost.

Under this process, the individual may indefinitely keep their policy or switch to another policy offering equal or lessor coverage without rate impacts due to changes in health status. For many, the true value of a Medicare Supplement policy is experienced as the individual ages and needs more health care in later years.

Individuals who choose later to purchase a Medicare Supplement policy, after out-of-pocket costs have begun to climb, are subjected to medical underwriting, where a health plan is able to adjust premium costs due to the anticipated costs associated with providing a Medicare Supplement policy. The rationale for the distinction is grounded in adverse selection. Adverse selection refers to where applicants with higher actual risk are more likely to purchase or increase their coverage. Where medical underwriting can balance risks associated with adverse selection, we are able to maintain a financially stable risk pool.

Senate Bill 1181 would undo this bedrock system, requiring guarantee issue Medicare Supplement policies on an annual basis, regardless of age, health status, or time as a Medicare beneficiary. As such, the legislation asks insurers to provide the same

offerings to a population with higher risk, without enabling the insurer to account for the risk directly with an applicant. Accordingly, insurers will instead need to raise premiums for all new enrollees, including those newly qualifying for Medicare. With higher premiums, and a subsequent guarantee-issue policy available when out-of-pocket costs become high, prospective enrollees who would otherwise have chosen Medicare Supplement early will likely wait until they find that they need the coverage. Such choices further cause the cost of premiums to rise.

Medicare Supplement is a meaningful option today for beneficiaries on fixed incomes to be able to predict their health care spending, budget accordingly, and have peace of mind regarding future needs. Alterations to the program, such as those proposed in SB 1181, will likely lead to fewer individuals finding value in Medicare Supplement, and more Oregonians going without coverage and exposed to high cost-sharing. For this reason, we are opposed to SB 1181.

Kind regards,



Shannon Drotning
Market President
Providence Health Plan