
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

SB 242 (Blakespear) - Medicare supplement coverage: open enrollment periods

Version: May 5, 2025

Urgency: No

Hearing Date: May 19, 2025

Policy Vote: HEALTH 9 - 2

Mandate: Yes

Consultant: Agnes Lee

Bill Summary: SB 242 would establish new open enrollment opportunities for Medicare enrollees purchasing Medicare supplement coverage.

Fiscal Impact:

- The Department of Managed Health Care (DMHC) indicates minor and absorbable costs for state administration.
- Unknown potential costs for the California Department of Insurance (CDI) for state administration (Insurance Fund).

Background: Medicare is a federally funded and administered program for people who are 65 or older and either a U.S. citizen or a legal permanent resident with at least five years of continuous residency in the U.S.; and, people who are under 65 with a permanent disability who have received Social Security Disability Insurance benefits for 24 consecutive months, have Lou Gehrig's disease, or have end stage renal disease. There are multiple types of Medicare coverage, which are referred to as "parts." Part A is hospital coverage and includes home health, skilled nursing care in a facility, and hospice care. Part B is medical coverage (doctors, ambulance, labs and X-rays, diagnostic tests, durable medical equipment, preventive care, outpatient therapy and mental health services) which is voluntary, and requires payment of a monthly premium. Part C is also known as Medicare Advantage, which is administered by health insurance plans and has limited networks of contracted providers who provide benefits covered under Parts A, B, and D. Part D is prescription drug coverage.

Medicare supplement coverage, also referred to as "Medigap," is an option for people on Medicare without employer sponsored retiree coverage or Medicaid. It helps to fill the gaps in Medicare coverage, and makes cost-sharing more predictable and stable. As long as the premium is paid, a Medigap policy is guaranteed renewable, meaning it is automatically renewed each year. Existing state law requires an issuer to make available specified Medicare supplement coverage to a qualifying applicant who is 64 years of age or younger who does not have end stage renal disease. Under federal requirements, a person applying for a policy in the first six months after turning 65 who has part B, or within 63 days of a special enrollment event, cannot be denied a Medigap policy, charged a premium based on medical status, or have to endure a pre-existing condition waiting period. The DMHC and the CDI regulate Medicare supplement plans/policies in California.

Proposed Law: Specific provisions of the bill would:

- Require that an issuer of Medicare supplement coverage in this state cannot deny or condition the issuance or effectiveness of any Medicare supplement coverage contract available for sale in the state, or discriminate in the pricing of the contract/policy because of the health status, claims experience, receipt of health care, medical condition, or age of an applicant (except as specified), if an application for that coverage is submitted at either of the following times:
 - Before or during the six-month period beginning with the first day of the month in which an individual first enrolled for benefits under Medicare Part B, as described in existing law.
 - During an annual open enrollment period, including, but not limited to, the open enrollment period established under this bill.
- Require that an individual enrolled in Medicare Part B is entitled to a 90-day annual open enrollment period beginning on January 1 of each year, and provide that:
 - During the open enrollment period established under this bill, applications must be accepted for any Medicare supplement coverage available from an issuer.
 - The open enrollment period established under this bill is a guaranteed issue period.
 - Premium rates offered may vary by age, as specified.
- Delete the existing exclusion of individuals who have end stage renal disease from qualifying for Medicare supplement coverage.

Related Legislation: SB 1236 (Blakespear, 2024) was similar to this bill. The bill was held on the suspense file in this committee.

Staff Comments: According to the California Health Benefits Review Program (CHBRP) analysis of SB 242 (introduced version), the average monthly premiums for Medicare Supplement coverage will increase from \$40 per member per month, a 14 percent increase, because the average new enrollee in Medicare Supplements will use more services than the average enrollee at baseline.

Based on the May 5, 2025 version of the bill:

“CHBRP anticipates the amended language would result in a smaller but still significant premium increase because there would be a barrier to enrollment in Medicare Supplement plans for older beneficiaries - it would not be as worthwhile for beneficiaries to wait until they are older. However, the guaranteed issue provision remaining in SB 242 would still cause some people to choose to wait to purchase Medicare Supplement plans. The amended language would likely reduce adverse selection, which in turn should reduce the magnitude of premium increases and thus increase enrollment of lower risk, less costly individuals.”

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