

Medicare Supplement Birthday Rule

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MS Current State | Value Proposition

- **No Networks** – MS plans have no network requirements and allow members to access any provider accepting Medicare patients (unlike MA, where plans have a provider network)
- **Comprehensive Coverage** – MS plans (especially Plan G) provide comprehensive Medicare Coverage, with no out-of-pocket expenses besides the annual premium (other than covering the Part B Deductible, which is \$288 in 2026)
- **Predictable Costs** – MS plans have predictable costs, i.e., the annual premium, which fits well for seniors on a fixed-income (unlike MA, which has unpredictable out-of-pocket expenses)
- **Guaranteed Renewable Coverage** – MS coverage is guaranteed renewable, so as long as the member pays their premium, their coverage can't be terminated (unlike MA, which can non-renew each year)

MS Current State | Challenges

The MS population grew steadily before 2020 (14.5M members in 2019), but growth has slowed considerably since, with current membership at 14.1M members (an increase of 1.7% compared to 2024). This compares to ~35M members in MA.

- **High Loss Ratios (LRs):** MS LRs have steadily increased from 72% in 2020 to an all-time high of just over 85% in 2025 (pre-Covid LRs ranged from 77%-80%)
- **Compressed Margins:** Carriers are in a negative margin position when LRs > 82%
- **High Average Rate Increases:** Avg rate actions prior to 2024 were 4-6%, but increased to 10%-15% in 2024-25 (some rate actions have been as high as 30%+)
- **Carriers Exiting Market:** A number of small to mid-size MS carriers have exited the market in the past few years and multiple large carriers have shut down unprofitable blocks of business
- **Birthday/GI Rules Expansion:** Nearly 20 states have current rules around Guarantee Issue (Birthday Rule or other GI time periods), resulting in higher rates, reduced compensation and fewer carriers competing in those states

Birthday Rule | GI States Overview

- **Allows for Guarantee Issue of MS plans** during various open enrollment periods (worsening the average risk covered by MS carriers)
- **Little consistency between states** in terms of:
 - Which plans the member can switch to (equal or lesser plans is standard)
 - Time period during which the MS member can switch plans on a GI basis (30 days either side of the member's birthday is standard)
 - Which carrier the member can switch their coverage to (any carrier is standard)
- **Birthday/GI rules are currently in 22 states, with at least 4 states** having proposed rules (and more states considering similar changes)
- The result of these rules have been **larger rate increases** and higher rates than other states and **less carriers competing**

Data Comps for Birthday Rule / GI States

Birthday Rule states have fewer carrier options and rates increased at outsized pace post GI adoption

Kentucky

Year	AVG Rate Delta	Num of Carriers	Change %
2021	7.0%	49	6.5%
2022	7.3%	48	-2.0%
2023	7.8%	40	-16.7%
2024	10.8%	32	-20.0%
2025	13.8%	27	-15.6%

Maryland

Year	AVG Rate Delta	Num of Carriers	Change %
2021	7.2%	44	2.3%
2022	7.7%	43	-2.3%
2023	7.8%	37	-14.0%
2024	9.9%	32	-13.5%
2025	14.4%	24	-25.0%

Nevada

Year	AVG Rate Delta	Num of Carriers	Change %
2021	7.5%	39	-4.9%
2022	7.4%	35	-10.3%
2023	8.7%	31	-11.4%
2024	10.5%	27	-12.9%
2025	17.8%	23	-14.8%

National View | Top 5 States w/o BDay Rule

Year	AVG Rate Delta	Num of Carriers	Change %
2021	7.0%	48	-4.0%
2022	6.7%	48	0.0%
2023	6.9%	42	-12.5%
2024	9.7%	37	-11.9%
2025	13.3%	33	-10.8%

Loss Ratio Impact – Birthday Rule / GI States

Birthday lives displace lower loss ratio (Underwritten & Open Enrollment) business resulting in an estimated 10-20% increase in overall loss ratio. Birthday rule states have fewer carrier options and rates increased at outsized pace post GI adoption.

2018-2025 Incurred Years: Plans F, G.N

(5 States with New Birthday Rules in 2022-23)

	Loss Ratio for Policy Effective <u>Years 2024-25</u>	Policies Effective <u>2018-21</u>	Policies Effective <u>2024-25</u>
Open Enrollment	103%	59%	47%
Underwritten	58%	36%	24%
Guaranteed Issue	169%	5%	4%
Birthday	120%	n/a	25%
Weighted Average Loss Ratio		90.0%	99.3%

Birthday Rule / GI States Considerations

Worst Case

Additional **states add Birthday Rule / GI requirements** and **current states make their current rules more onerous**. Rates would increase, carriers would exit the market, commissions would decrease and consumers would leave MS for MA or go naked with FFS/Original Medicare in large numbers

Base Case

The **MS market remains where it is today** – around half of the states with some Bday Rule/GI requirements. MS would remain a viable product, but would likely continue shrinking over time and only have certain states where the product would be strong

Best Case

States better understand the negative impact these rules have on the market and **begin to pull back on these requirements**. Innovative Benefit Plans are considered mostly immune from these requirements and states take a more standardized approach to approving these plans. The **NAIC considers new plan options in the near-term that allow for more innovation** in plan design and a better approach to offering plans that can successfully compete with MA

What We'd Like to See

Seeking support for the following options:

- States understand the impact of Birthday Rule /GI requirements in terms of carriers exiting the market and providing fewer and more expensive MS options for beneficiaries. **States no longer consider adding Birthday Rules and those states with existing Birthday Rules begin removing them with the goal of improving carrier competition for the benefit of beneficiaries.**
- **If removing Birthday Rules are not a consideration**, encourage states to consider legislation / regulations similar to Minnesota, where carriers are allowed to **apply a reasonable surcharge for those GI enrollments.**
- **Examine the concept of pairing a Hospital Indemnity Product (HIP) with a High-Deductible Medicare Supplement Plan G (HDG).** These Hospital Indemnity Products would be sold only in combination with the HDG plan and offer a path for an affordable Medicare Supplement product to be sold alongside valuable HIP coverage.

Questions?

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