



601 E Street, NW
Washington, DC 20049

T 202-434-2277
1-888-OUR-AARP
1-888-687-2277
TTY 1-877-434-7598
www.aarp.org

July 25, 2011

The Honorable Pete Stark
239 Cannon House Office Building
United States House of Representatives
Washington, DC 20515

Dear Representative Stark:

AARP is pleased to endorse the “Medigap Medical Loss Ratio Improvement Act.” Medicare supplemental plans or Medigap policies give people on fixed incomes financial security and health security – the peace of mind that, even if they have a health crisis or frequent ongoing health care needs, they will be able to financially manage. About one in six older Americans depend upon individually purchased Medigap policies today. AARP strongly believes that all health insurance plans – including Medigap – should be held to the same standards.

This bill would amend the Social Security Act by increasing the Medical Loss Ratio (MLR) requirements for Medigap policies within the individual and small group markets to 80-percent and in the large group markets to 85-percent. By raising the MLR for Medigap policies, Congress would create a balance between maximizing the value of health insurance for consumers with providing issuers with fair compensation for their legitimate administrative costs. AARP believes that Medigap MLR standards should be similar to the standards for other private insurance plans, including Medicare Advantage plans. This bill would create consistency between Medigap and those plans which are under the jurisdiction of Section 1001 and Section 10101 of the Patient Protection and Affordable Care Act (ACA). AARP supports this change because it will provide greater transparency and accountability for expenditures made by health insurance issuers, and encourage them to become more efficient in their operations to help ensure that consumers receive fair value for their premium dollars.

While the Medicare program provides critical health care security for millions of Americans, the high costs of premiums, cost-sharing requirements, and gaps in the benefit package can result in beneficiaries spending a significant share of their household budgets on health care. In 2009, health expenses were estimated to account for nearly 15 percent of Medicare household budgets – three times the percent of health spending among non-Medicare households. A recent study found that some options under consideration in deficit reduction discussions (such as eliminating first dollar coverage) could increase out-of-pocket expenses for Medigap policyholders by more than \$800. AARP believes that Congress should not deny older Americans the option to purchase the health insurance coverage they feel they need, nor amend Medigap plans to simply shift higher costs onto beneficiaries. Rather, we should make changes in the law – such as the improved MLR standard in your legislation, as well as other legislation to enhance guaranteed issue of Medigap plans -- that would improve both value and choices for seniors.

The Honorable Pete Stark

July 25, 2011

Page 2

Again, we thank you for your leadership in sponsoring this legislation, and we look forward to working with you and Members of Congress on both sides of the aisle to level the playing field across insurance markets. If you have any questions, please feel free to contact me or have your staff contact Leah Cohen Hirsch on our Government Affairs staff at (202) 434-3770.

Sincerely,

A handwritten signature in cursive script that reads "Joyce A. Rogers". The signature is written in dark ink and is positioned above the printed name.

Joyce A. Rogers