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VERMONT DEPARTMENT OF FINANCIAL REGULATION  
DIVISION OF INSURANCE

INSURANCE BULLETIN 194

**Expense Discounts for Medicare Supplemental Insurance Policies**

This bulletin addresses the use of expense discounts for Medicare supplemental insurance policies. Under 8 V.S.A. § 4080e, Medicare supplemental insurance policies are required to use a community rating methodology to determine the premium charged. The statute prohibits insurers from medically underwriting or screening to set the premium amount. Therefore, a health insurance company, hospital or medical service corporation, or health maintenance organization that issues Medicare supplemental insurance policies shall not offer reduced premiums or other discounts related to a person's age, gender, marital status, household, or other demographic criteria, except as permitted under Vermont law.

The Department has determined, however, that expense discounts offered to encourage timely or advance payment of premium, and that are directly correlated to an actual cost savings to the insurer, do not violate the community rating methodology required under 8 V.S.A. §4080e. A health insurance company, hospital or medical service corporation, or health maintenance organization that issues Medicare supplemental insurance policies may offer expense discounts to encourage timely and full payment of premiums. For example, expense discounts may include premium reductions for advance payment of a full year's premiums, for paperless billing, for electronic funds transfer, and for other activities directly related to premium payment.

While the expense discounts will result in premiums varying among policyholders, the discount will be electable by the policyholder and not subject to the discretion of the insurer. The availability of one or more expense discounts shall not be considered a deviation from community rating.

Insurers offering expense discounts are required to submit documentation with the relevant rate filing evidencing a direct correlation between the expense discount and the cost savings related to the offered payment modes.

Dated:

June 7, 2017



Michael S. Pieciak, Commissioner

