



**STATE OF ARIZONA**  
**DEPARTMENT OF INSURANCE**

**JANE DEE HULL**  
Governor

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**CHARLES R. COHEN**  
Director of Insurance

Former Director Susan Gallinger issued the following Circular Letter on February 11, 1992:

**CIRCULAR LETTER NO. 92-1**

**TO:** Medicare Supplement Insurers  
**FROM:** Susan Gallinger, Director of Insurance  
**DATE:** February 11, 1992  
**RE:** **Medicare Open Enrollment**

The Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. §1395(s)(2)(A)) and Arizona Administrative Code R4-14-1108 provide for a six month open enrollment period for Medicare beneficiaries 65 years of age or older who first enroll for benefits under Medicare Part B. These provisions state that Medicare supplement insurance issuers may not deny or condition the issuance or effectiveness of, nor discriminate in the pricing of a Medicare supplement policy during the open enrollment period.

It has come to my attention that some Medicare supplement issuers have taken actions which are contrary to the intent of the open enrollment requirement. These actions include the following:

1. Creating a disincentive to sell Medicare supplement policies during the open enrollment period by establishing compensation arrangements that result in producers receiving substantially lower or no compensation for policies sold pursuant to the open enrollment provision.
2. Applying pre-existing condition limitation waiting periods only to those policies issued pursuant to the open enrollment provision.
3. Engaging in premium rating practices which result in higher premiums solely for those policies issued pursuant to the open enrollment provision.

These practices outlined above violate the legislative intent and spirit of the federal law and violate A.A.C. R4-14-1108 regarding open enrollment, and shall not be tolerated in Arizona.

Upon learning of such practices occurring in Arizona, this Department shall immediately commence disciplinary proceedings against the issuers, and shall seek suspension or revocation of the issuer's certificate of authority and the imposition of the civil penalties. In addition, the Department shall advise the Health Care Financing Administration of the U.S. Department of Health and Human Services of such practices for prosecution under federal law.