



**House
Legislative
Analysis
Section**

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HEALTH CARE: "CREDIT CARDS"

Senate Bill 384 (Substitute H-2)
First Analysis (9-21-88)

RECEIVED

OCT 07 1988

Sponsor: Senator Dick Posthumus

Senate Committee: Commerce & Technology

House Committee: Judiciary

Michigan State Law Library

THE APPARENT PROBLEM:

Reportedly, there is a growing underground market for stolen or lost health care cards, especially those that offer free or discounted prescription drugs. Fraudulent misuse of such membership cards by nonsubscribers and providers has increased steadily since 1980, resulting in increased costs of health care for all citizens of Michigan.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Penal Code to include in the definition of "credit card" an instrument or device issued by an organization "for obtaining health care services or goods or reimbursement or payment for health care services or goods." Instruments or devices issued by the following organizations would be covered under the bill's expanded definition:

- a dental care corporation incorporated under Public Act 125 of 1963 (MCL 550.351-550.373).
- a health care corporation incorporated under the Nonprofit Health Care Corporation Reform Act (MCL 550.1101-550.1704).
- a health maintenance organization licensed under the Public Health Code (MCL 333.20101-333.22181).
- an insurer as defined in the Insurance Code (MCL 500.106).
- a third party administrator operating under a certificate of authority issued by the insurance commissioner pursuant to the Third Party Administrator Act (MCL 550.901-550.962).

In addition, the bill would define a "proprietary account" as one which is maintained by a business organization in the name of an individual person or organization and through which the business allows the person or organization to obtain goods, property, services, or any other thing of value on credit. ("Proprietary account" is a term that figures in the act's definition of financial transaction device; such devices include cards and numbers used to gain access to proprietary accounts.)

MCL 750.157m

HOUSE COMMITTEE ACTION:

The House Judiciary committee adopted a substitute that differed from the Senate version of the bill in providing a definition of "proprietary account."

FISCAL IMPLICATIONS:

In its analysis of the Senate version of the bill (which did not include the definition of "proprietary account"), the Senate Fiscal Agency said that the bill would have no fiscal impact on state or local government. (9-30-87)

ARGUMENTS:

For:

By including health care membership cards in the definition of "credit card," the bill would provide for criminal prosecution of an individual who fraudulently used a membership card from a dental care corporation, health

care corporation, health maintenance organization, insurance company, or third party administrator. Effective curtailment of such crimes would contribute to holding down health care costs in Michigan.

For:

By providing a definition of "proprietary account," the bill would clarify the reach of Public Act 276 of 1987 (enrolled Senate Bill 34), which extended the credit card fraud law to financial transaction devices such as automatic teller cards. Cards, including state identification cards, used to gain access to proprietary accounts are included within the definition of financial transaction device, but "proprietary account" has gone undefined. The bill would make it clear that the term refers to the kind of account a cardholder has with a department store, rather than, for instance, some kind of fund that a business maintains for accounting or financial management purposes.

POSITIONS:

Blue Cross/Blue Shield of Michigan supports the bill. (9-20-88)

S.B. 384 (9-21-88)