



**House
Legislative
Analysis
Section**

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THE APPARENT PROBLEM:

As public attention increasingly focuses on the need for protection against the high costs of long-term care, and as more insurance companies begin to market long-term care policies, the kind of consumer problems traditionally associated with the marketing of Medicare supplemental policies to senior citizens are expected to multiply. Buying insurance is a complicated and confusing task, made even more difficult for senior citizens who must buy health-related policies that fit with their existing coverages under Medicare. Insurance specialists say that older consumers often purchase duplicative or overlapping insurance policies while at the same time believing they are covered for certain kinds of care when they are not. Customers for Medicare supplemental policies must be provided with a summary of benefits in a form specified by law. Many people believe that this same kind of consumer information should be provided for customers for long-term care policies.

THE CONTENT OF THE BILL:

The bills would require that insurers offering non-group long-term care coverage provide a summary of benefits to prospective applicants before application and, upon request, before renewal. The company would have to obtain an acknowledgment of receipt of the summary on the application form or renewal form by obtaining the customer's signature. Insurers using direct sales methods would have to provide the summary in connection with the application and upon request before renewal. The bills would specify the form to be used in summarizing benefits. The bills, which would take effect January 1, 1990, are tie-barred to House Bills 4146 and 4369, which require level commissions for agents selling health insurance, including long-term care coverage, to customers eligible for Medicare. The bills would also require that each application form notify customers that additional information was available by writing to the Insurance Bureau (with the address given) or by calling the local area agency on aging.

Senate Bill 250 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1402 et al.), which regulates Blue Cross and Blue Shield of Michigan. Senate Bill 311 would amend the Insurance Code (MCL 500.2069 et al.) to apply to commercial insurance companies. Senate Bill 311 would also raise the fine for misrepresentation by an agent from a maximum of \$100 per violation to a maximum of \$1,000 per violation. (At the court's discretion, an agent could instead be sentenced to imprisonment in

LONG-TERM CARE: SUMMARY OF COVERAGE

Senate Bill 250 (Substitute S-3 with House committee amendments)

Sponsor: Sen. George Hart

Senate Bill 311 (Substitute S-3 with House committee amendments)

Sponsor: Sen. Doug Carl

Senate Committee: Commerce and Technology

House Committee: Insurance

First Analysis (5-25-89)

the county jail of the county in which the offense was committed.)

HOUSE COMMITTEE ACTION:

The House Insurance Committee amended each bill to add a provision requiring applications to carry a notice about the availability of further information from the Insurance Bureau or the local area agency on aging.

FISCAL IMPLICATIONS:

The Department of Licensing and Regulation says the bill has no revenue or budgetary implications for the state. (5-22-89)

ARGUMENTS:

For:

The bills would require that customers for long-term care policies be provided with the same kind of information that people shopping for Medicare supplemental policies are given. This is a method of helping senior citizens (and others) purchase the insurance coverages they need and only those they need. Consumers need clear explanations of what is covered and not covered by the policies they are contemplating purchasing if they are to make sensible decisions. Further, applications would have to notify consumers of how to obtain additional information from the Insurance Bureau or the local area agency on aging. These bills are part of the long-term care package, which includes other consumer protection measures, including some aimed at reducing the incentive for insurance agents to replace policies with similar coverage to generate higher sales commissions.

POSITIONS:

The Department of Licensing and Regulation, which houses the Insurance Bureau, supports the bills. (5-22-89)

Blue Cross and Blue Shield of Michigan support the bills. (5-23-89)