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SMALL BUSINESS HEALTH INSURANCE POOL

House Bill 4955
Sponsor: Rep. Gary L. Randall
Committee: Insurance

Complete to 5-1-90

A SUMMARY OF HOUSE BILL 4955 AS INTRODUCED 6-28-89

The bill would establish an insurance pool governing board whose responsibility it would be to provide low-cost health benefit plans for employers with 25 or fewer employees. The bill would add a new chapter to the Insurance Code, Chapter 38, and the insurance pool governing board would be housed in the Insurance Bureau. A companion bill, House Bill 4954, would provide participating employers with a credit against the single business tax for health benefit premiums paid, up to certain limits, for the first five years of participation.

Under House Bill 4955, the six-member insurance pool governing board would approve and contract for one or more health benefit plans best designed to meet the needs and provide for the welfare of eligible employers and employees. (An "eligible employer" would be one that had 25 or fewer employees and that made a minimum contribution as set by the board toward an employee's coverage. A "health benefit plan" would mean a contract for group medical, surgical, hospital, or other remedial care recognized by state law, and related services and supplies.) A plan could not be approved if the premiums were based, in whole or in part, on the claims experience of individual employers rather than all employers participating in a plan. The board would approve one or more carriers for each type of health benefit plan offered, but the number of carriers would have to be held to a number consistent with providing adequate service to employees and family members. (If appropriate for a plan, the board would provide options in the plan to enable eligible employees to arrange coverage for family members.) The term "carrier" would refer to an insurance company, Blue Cross and Blue Shield of Michigan, a health maintenance organization, or joint ventures by such entities.

An approved health benefit plan would include two kinds of coverage, designated Part I and Part II coverage. Plans would have to provide Part I coverage to employees and would have to offer Part II coverage, which employees could choose whether to purchase. Employers who participated in a health benefit plan under the new chapter would have to pay the premium of Part I coverage up to a maximum of $40 per month per covered employee. An employer could require a minimum employee contribution not to exceed 25 percent of the premium for Part I coverage. Part I coverage would apply only to eligible covered employees. Employers could, but would not be required to, contribute toward the cost of Part II coverage. If they did so, the contributions would be included in the calculation of the proposed single business tax credit. Part II coverage would consist of a variety of additional health benefit plan packages that an employee could purchase and would have to contain incentives and disincentives to encourage the use of cost-effective services. One component of Part II coverage would have to reduce the deductible of Part I coverage and provide for access to primary and preventive care. Additional benefit packages could include coverage for optical and dental care. Packages would also have to be available to extend coverage to employees' families. In general, Part II coverage could not provide benefits already provided by Part I coverage. The board could by rule stipulate that certain packages would not be available to an employee who was not already covered by certain other packages. Beginning one year after the effective date of the new chapter, the insurance pool board could alter the premiums required of employers and employees to provide economic stability to a health plan. The bill says that if the board did not request a benefit in a benefit plan, the carrier would not be required to offer it.

A participating employer could elect to cover fewer than all its eligible employees if its covered class of employees includes all employees in that class. A health benefit plan could not limit or exclude any eligible employee in a covered class of employees. The bill defines "class of employee" as referring to either management or nonmanagement employees. The term "eligible employee" would refer to someone employed an average of at least 17.5 hours per week and would include sole proprietors, business partners, and limited partners. The term would not include independent contractors, individuals employed on an intermittent or irregular basis, or an individual employed for fewer than 90 days.

The bill would grant the board the authority to employ whatever means were necessary to carry out the purposes of the chapter, including seeking clarification, amendment, modification, suspension, or termination of an agreement or contract when required. If an employer failed to perform a required action, the board could by order terminate the employer's participation in the pool. The board would be able to collect premiums and pay carriers (although employers could enter directly into contracts with carriers if the contracts had been approved by the board); enter into contracts with carriers and providers for insurance or services; reinsure or contract to reinsure all or part of the deductible for a health plan; retain consultants and employ staff; and perform other duties to provide low cost health benefit insurance plans. The board would be able to promulgate rules to administer the insurance pool program. The board could not, however, offer health benefit plans to more than 10,000 eligible employees and family members initially (for the period ending June 30, 1991).

The board would have five voting members appointed by the governor with the advice and consent of the Senate, two of whom would be employers and at least two of whom would have to be knowledgeable about insurance without being a carrier officer, employee, or consultant. The insurance commissioner or a designated representative would serve on the board without a vote. A voting member would serve as chairperson; any member could serve as vice chairperson.

The bill is tie-barred to House Bill 4954, which would amend the Single Business Tax Act to provide a credit for a portion of premiums paid. Eligible employers would receive a nonrefundable credit for expenditures for health benefit plan premiums equal to the lesser of $25 per month per covered employee or 50 percent of total premiums paid to a carrier in the first and second year, 37.5 percent in the third year, 25 percent in the fourth year, and 12.5 percent in the fifth year. There would be no credit after the fifth year of participation in a health plan.

MCL 500.3801 et al.