

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

RECEIVED

JUN 06 1989

Mich. State Law Library

Senate Bill 250

Sponsor: Senator George Hart

Committee: Commerce and Technology

Date Completed: 5-9-89

SUMMARY OF SENATE BILL 250 as introduced 3-15-89:

The bill would amend the Nonprofit Health Care Corporation Reform Act to specify the conditions under which a health care corporation could induce a person to cancel or replace a long-term care coverage policy or replace one policy with another offering fewer benefits; require corporations to provide summaries of long-term care coverage to applicants and subscribers; and prescribe penalties for violations of the bill.

Specifically, the bill would prohibit a health care corporation or an employee or agent of a health care corporation from inducing a person to cancel or otherwise terminate a long-term care certificate or coverage and replace it with another long-term certificate unless there was a substantial difference in cost favorable to the subscriber or the subscriber previously had demonstrated a dissatisfaction with the service being received from the current health care corporation, insurer, solicitor, agent or counselor. A long-term care certificate or coverage could be replaced with a certificate with fewer benefits only if the prospective subscriber signed an acknowledgment that it was understood that he or she would receive less benefits under the new certificate than under the current one.

A health care corporation, employee, or agent who violated the bill would be subject to the penalty provisions of the Act and would be required to provide to the subscriber either the benefits he or she would have been entitled to under the replaced certificate or coverage or those he or she was entitled to under the current certificate, whichever were greater. (Currently, the Act permits an "aggrieved member" to sue a health care corporation for actual monetary damages sustained as a violation of the Act up to \$200 and reasonable attorney fees. Further, a corporation may be fined up to \$10,000 for each violation of a cease and desist order served upon the corporation.)

A health care corporation that offered long-term care coverage would have to provide a summary of benefits to a prospective applicant before application and to a nongroup subscriber upon request before renewal, and would have to obtain an acknowledgment of receipt of the summary on the application or renewal form by obtaining the signatures of the agent or representative and the applicant. The summary of benefits would have to be in substantially the form prescribed in the bill.

S.B. 250 (5-9-89)

An application for a long-term care policy or certificate would have to contain in capital letters on the first page a statement advising the applicant to write to the Michigan Insurance Bureau or call the Area Agency on Aging in the applicant's community for additional information about long-term care coverage.

In addition, the Act requires the Insurance Commissioner to issue a cease and desist order after a hearing if the Commissioner has probable cause to believe a corporation is violating the Act. The bill would delete the probable cause provision.

The bill is tie-barred to House Bill 4391, which would amend the Nonprofit Health Care Corporation Reform Act to provide for the regulation of long-term care coverage.

MCL 550.1402 et al.

Legislative Analyst: L. Burghardt

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government and no fiscal impact on local government. The number of health care corporations that would be required to pay a penalty charge to the State for violations of the Act cannot be determined.

Fiscal Analyst: J. Schultz

S8990\S250SA

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.