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BILL ANALYSIS

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Senate Bill 436 (Substitute S-1 as passed by the Senate)

Sponsor: Senator Doug Carl

Committee: Commerce and Technology

Date Completed: 8-30-89

**RATIONALE**

It has been suggested that amendments be made to the Nonprofit Health Care Corporation Act to take into account changes made in the Federal Medicare program, notably those made by the new Medicare Catastrophic Coverage Act of 1988 and the Omnibus Reconciliation Act of 1987. Among the changes made by the Federal legislation was the addition of a requirement that insurers offering Medicare supplemental certificates comply with certain provisions of the Federal Social Security Act concerning certification of Medicare supplemental policies, provider claims, and assignment of benefits.

Further, the Federal legislation grants states the option of allowing Medicare supplemental policies to exclude coverage for prescription drug deductibles. Currently, Michigan insurers offering Type 1 Medicare supplemental policies are required by statute to cover all Medicare deductibles: those deductibles, however, are not specified. With the recent addition of prescription drug coverage, some contend that the requirement that all deductibles be covered, which presumably includes drug deductibles, could increase the cost of policies enough to cause hardship for individuals wishing to purchase them. Therefore, it has been suggested that Michigan insurers be allowed to take advantage of the option to exclude coverage for drug deductibles.

Finally, some suggest that the language in the Medicare supplemental coverage outline specified in the Act should be amended to provide that persons must enroll in the Medicare program before purchasing supplemental coverage. Reportedly, some persons have been misled by the current

language and have believed that enrollment in the Medicare program was not a prerequisite to purchasing supplemental coverage.

**CONTENT**

The bill would amend the Nonprofit Health Care Corporation Reform Act to:

- Specify that the supplemental Medicare benefits certificates that a corporation is required to offer to nongroup applicants would not have to cover outpatient prescription drug deductibles.
- Require a corporation offering Medicare supplemental certificates to comply with the provisions in the Federal Social Security Act concerning voluntary certification of Medicare supplemental insurance policies, receipt of claims from participating physicians and suppliers, and assignment of benefits, and certify the compliance on the Medicare supplemental insurance experience reporting form.
- Delete from the information requirements for Medicare supplemental coverage forms language advising persons not enrolled in Medicare part B coverage to buy the coverage before buying a Medicare supplemental certificate, and require instead that the form state that persons applying for a supplemental certificate "should be eligible for and should have applied for or be enrolled in Medicare parts A and B".

MCL 550.1411 and 550.1413

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

## **ARGUMENTS**

### **Supporting Argument**

The bill would make the necessary changes to the Nonprofit Health Care Corporation Act to take into account recent changes in Federal Medicare law and regulations. Further, by allowing Medicare supplemental policies to exclude coverage for the new drug deductibles, the bill would help keep those policies affordable for people who do not need or choose not to purchase the deductible coverage. Finally, by making it clear that persons who wished to purchase Medicare supplemental policies would first have to be enrolled in regular Medicare coverage, the bill would help eliminate instances in which individuals have purchased policies to supplement Medicare coverage that they never had.

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### **A8990/S436A**

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.