

House Bill 4990
Sponsor: Rep. Ilona Varga
Committee: Insurance

Complete to 9-23-91

A SUMMARY OF HOUSE BILL 4990 AS INTRODUCED 6-24-91

The bill would require that group health maintenance organization (HMO) contracts issued or renewed after December 31, 1991, allow an enrolled person (and that person's enrolled spouse and dependents) whose group coverage has been terminated to choose to switch to coverage under an individual conversion contract if he or she had been continuously covered for the three months immediately prior to termination. The new coverage would take effect immediately upon termination of the group coverage.

The following events would qualify as termination of group coverage: the discontinuance of a group contract in its entirety or with respect to an entire class; voluntary or involuntary termination of employment, except termination because of gross misconduct; for a surviving spouse or dependent, death of the covered member; or an event that caused a spouse or dependent to cease being a qualified family member under a policy.

An HMO would not be required to issue a conversion contract if an individual was covered for similar benefits and to a similar extent by another policy, contract, plan or program; if the individual was eligible for Medicare; or if group coverage terminated because it had been replaced by new group coverage.

An individual conversion contract, under the bill, would be issued without evidence of insurability, could not use health conditions as a basis for classification, and could not exclude a preexisting condition not excluded by the group coverage solely because it was a preexisting condition. The policy could provide for the reduction of benefits by the amount of benefits paid for a specific covered service under the terminated group coverage. The premium for the conversion contract would be determined using the aggregate experience for all such contracts. An individual's rate would not be based on his or her experience under the conversion contract.

Group contracts would have to contain a notification of the conversion privilege. Group sponsors (e.g., employers) would be required to give written notice of the option to elect conversion coverage within 14 days before or after the discontinuance of group coverage or termination of employment. An individual would be required to notify the HMO of an election to convert no later than 30 days after termination of group coverage. The first premium would be paid at the time of the election to convert. A conversion contract could be terminated only as permitted in the contract, as approved by the insurance commissioner.

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