

Act No. 26
Public Acts of 1992
Approved by the Governor
March 26, 1992
Filed with the Secretary of State
March 27, 1992

**STATE OF MICHIGAN
86TH LEGISLATURE
REGULAR SESSION OF 1992**

Introduced by Rep. Varga

ENROLLED HOUSE BILL No. 4990

AN ACT to amend Act No. 368 of the Public Acts of 1978, entitled as amended "An act to protect and promote the public health; to codify, revise, consolidate, classify, and add to the laws relating to public health; to provide for the prevention and control of diseases and disabilities; to provide for the classification, administration, regulation, financing, and maintenance of personal, environmental, and other health services and activities; to create or continue, and prescribe the powers and duties of, departments, boards, commissions, councils, committees, task forces, and other agencies; to prescribe the powers and duties of governmental entities and officials; to regulate occupations, facilities, and agencies affecting the public health; to regulate health maintenance organizations and certain third party administrators and insurers; to promote the efficient and economical delivery of health care services, to provide for the appropriate utilization of health care facilities and services, and to provide for the closure of hospitals or consolidation of hospitals or services; to provide for the collection and use of data and information; to provide for the transfer of property; to provide certain immunity from liability; to regulate and prohibit the sale and offering for sale of drug paraphernalia under certain circumstances; to provide for penalties and remedies; to repeal certain acts and parts of acts; to repeal certain parts of this act; and to repeal certain parts of this act on specific dates," as amended, being sections 333.1101 to 333.25211 of the Michigan Compiled Laws, by adding section 21087.

The People of the State of Michigan enact:

Section 1. Act No. 368 of the Public Acts of 1978, as amended, being sections 333.1101 to 333.25211 of the Michigan Compiled Laws, is amended by adding section 21087 to read as follows:

Sec. 21087. (1) A group health maintenance contract issued or renewed in this state after July 1, 1992 shall include provisions consistent with this section.

(2) If an individual enrollee has been continuously covered under a group health maintenance contract for at least 3 months immediately prior to termination, the individual subscriber and his or her enrolled spouse and dependents may elect coverage under an individual conversion health maintenance contract upon termination. As used in this section, "termination" means any of the following:

(a) Discontinuance of a group health maintenance contract in its entirety or with respect to a covered class except when the discontinued coverage is replaced by group coverage.

(b) Loss of coverage due to voluntary or involuntary termination of employment except for termination of employment because of gross misconduct.

(c) For a surviving spouse or dependent, death of the subscriber covered under a group health maintenance contract.

(d) An event that causes a person, who is a spouse or dependent of a subscriber at the time of the event, to cease to be an eligible family member under a group health maintenance contract.

(3) Subject to subsection (6), coverage under an individual conversion health maintenance contract shall take effect immediately upon the termination of coverage under the group health maintenance contract.

(4) Notification of the conversion privilege shall be included in each health maintenance contract.

(5) The group sponsor shall give written notice to a group subscriber of the option to elect an individual conversion health maintenance contract within 14 days after the occurrence of subsection (2)(a) or (b).

(6) The subscriber or an enrollee shall notify the health maintenance organization of his or her election to convert to an individual conversion health maintenance contract not later than 30 days after termination of coverage. The first premium shall be paid to the health maintenance organization at the time the individual elects to convert to an individual conversion health maintenance contract.

(7) An individual conversion health maintenance contract under this section:

(a) Shall be issued without evidence of insurability.

(b) Shall not use conditions pertaining to health as a basis for classification.

(c) Shall not exclude a preexisting condition that is not excluded by the group health maintenance contract solely because it is a preexisting condition.

(d) May provide that benefits may be reduced by the amount of benefits paid or provided for a specific covered service pursuant to the group health maintenance contract that has been terminated.

(8) The premium for an individual conversion health maintenance contract under this section shall be determined using the aggregate experience for all such contracts and shall comply with the standards in section 21063. The experience of an individual under an individual conversion health maintenance contract shall not be an acceptable basis for establishing that individual's rate for his or her individual conversion contract.

(9) A health maintenance organization is not required to issue an individual conversion health maintenance contract under this section if any of the following circumstances apply:

(a) The individual is covered for similar medical benefits or is eligible for similar medical benefits and to a similar extent by another expense-incurred hospital, medical, surgical, or sick-care insurance policy or certificate, hospital or medical service subscriber contract, medical practice or other prepayment plan, or other expense-incurred plan or program.

(b) The individual is covered under title XVIII of the social security act, chapter 531, 49 Stat. 620, 42 U.S.C. 1395 to 1395b, 1395b-2, 1395c to 1395i, 1395i-2 to 1395i-4, 1395j to 1395t, 1395u to 1395w-2, 1395w-4 to 1395dd, 1395ff to 1395yy, and 1395bbb to 1395ccc.

(c) If termination of an individual's coverage under a group contract occurred because of any of the following:

(i) The individual failed to pay any required contribution.

(ii) Discontinued group coverage was replaced by group coverage.

(iii) The individual acted to defraud the health maintenance organization.

(10) An individual conversion health maintenance contract may be terminated only as permitted in the contract which has been approved by the commissioner.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved

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Governor.