

SENATE BILL No. 414

July 11, 1991, Introduced by Senators CISKY, WARTNER, EHLERS, MC MANUS, DE GROW, PRIDNIA, N. SMITH, EMMONS, CARL, HONIGMAN, ARTHURHULTZ and DUNASKISS and referred to the Committee on Commerce.

A bill to amend sections 410a, 414a, 415, 416, 416a, and 417 of Act No. 350 of the Public Acts of 1980, entitled "The nonprofit health care corporation reform act," section 410a as added by Act No. 260 of the Public Acts of 1989, section 414a as amended by Act No. 345 of the Public Acts of 1988, sections 416 and 416a as added by Act No. 57 of the Public Acts of 1989, and section 417 as added by Act No. 369 of the Public Acts of 1984, being sections 550.1410a, 550.1414a, 550.1415, 550.1416, 550.1416a, and 550.1417 of the Michigan Compiled Laws; and to add section 502b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 410a, 414a, 415, 416, 416a, and 417 of
2 Act No. 350 of the Public Acts of 1980, section 410a as added by
3 Act No. 260 of the Public Acts of 1989, section 414a as amended
4 by Act No. 345 of the Public Acts of 1988, sections 416 and 416a

1 as added by Act No. 57 of the Public Acts of 1989, and section
2 417 as added by Act No. 369 of the Public Acts of 1984, being
3 sections 550.1410a, 550.1414a, 550.1415, 550.1416, 550.1416a, and
4 550.1417 of the Michigan Compiled Laws, are amended and
5 section 502b is added to read as follows:

6 Sec. 410a. (1) A group certificate that is issued or
7 renewed in this state after December 31, 1990 shall include pro-
8 visions consistent with this section.

9 (2) If an individual subscriber has been continuously cov-
10 ered under a group certificate for at least 3 months immediately
11 prior to termination, the individual subscriber and his or her
12 covered spouse and dependents may elect coverage under a group
13 conversion certificate upon termination. As used in this sec-
14 tion, termination includes, but is not limited to, the
15 following:

16 (a) Discontinuance of a group certificate in its entirety or
17 with respect to a covered class.

18 (b) Loss of coverage due to voluntary or involuntary termi-
19 nation of employment except for termination of employment because
20 of gross misconduct.

21 (c) For a surviving spouse or dependent, death of an indi-
22 vidual subscriber covered under a group certificate.

23 (d) An event that causes a person, who is a spouse or depen-
24 dent of an individual subscriber at the time of the event, to
25 cease to be a qualified family member under a group certificate.

1 (3) Coverage under a group conversion certificate shall take
2 effect immediately upon the termination of coverage under the
3 group certificate.

4 (4) Notification of the conversion privilege shall be
5 included in each certificate of coverage.

6 (5) A master certificate holder shall give written notice to
7 an individual subscriber of the option to elect a group conver-
8 sion certificate within 14 days after the occurrence of subsec-
9 tion (2)(a) or (b).

10 (6) An individual subscriber shall notify the health care
11 corporation of his or her election to convert to a group conver-
12 sion certificate not later than 30 days after termination of
13 coverage. The first premium shall be paid to the health care
14 corporation at the time the individual elects to convert to a
15 group conversion certificate.

16 (7) A group conversion certificate under this section:

17 (a) Shall be issued without evidence of insurability.

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

20 (c) Shall not exclude a preexisting condition that is not
21 excluded by the group certificate solely because it is a preex-
22 isting condition.

23 (d) May provide that benefits may be reduced by the amount
24 of benefits paid for a specific covered service pursuant to the
25 group certificate that has been terminated.

26 (8) The premium for a group conversion certificate under
27 this section shall be determined using the aggregate experience

1 for all such certificates issued in this state by the health care
 2 corporation and in accordance with premium rates applicable to
 3 the age, class of risk, and the type and amount of coverage
 4 provided. The experience of an individual under a group conver-
 5 sion certificate shall not be an acceptable basis for establish-
 6 ing that individual's rate for his or her group conversion
 7 certificate.

8 (9) A health care corporation is not required to issue a
 9 group conversion certificate under this section if any of the
 10 following circumstances apply:

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

16 (b) The individual is covered under title XVIII of the
 17 social security act, chapter 531, 49 Stat. 620, 42 U.S.C. 1395 to
 18 1395b, 1395b-2, 1395c to 1395i, ~~1395i-1a to 1395i-3, 1395j to~~
 19 ~~1395dd, 1395ff to 1395mm, and 1395oo to 1395eee~~ 1395i-2 TO
 20 1395i-4, 1395j TO 1395t, 1395u TO 1395w-2, 1395w-4 TO 1395dd,
 21 1395ff TO 1395yy, AND 1395bbb TO 1395ccc.

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

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

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

1 (iii) The individual acted to defraud the health care
2 corporation.

3 (D) THE INDIVIDUAL WAS COVERED IMMEDIATELY PRIOR TO TERMINA-
4 TION BY A CERTIFICATE ISSUED PURSUANT TO SECTION 502B.

5 (10) A group conversion certificate under this section
6 delivered outside this state for a group certificate that was
7 issued and delivered in this state shall comply with this
8 section.

9 Sec. 414a. (1) A health care corporation shall offer bene-
10 fits for the inpatient treatment of substance abuse by a licensed
11 allopathic physician or a licensed osteopathic physician in a
12 health care facility operated by this state or approved by the
13 department of public health for the hospitalization for, or
14 treatment of, substance abuse. THIS SUBSECTION DOES NOT APPLY TO
15 A CERTIFICATE ISSUED PURSUANT TO SECTION 502B.

16 (2) Subject to subsections (3), (5), and (7), a health care
17 corporation may enter into contracts with providers for the
18 rendering of inpatient substance abuse treatment by those
19 providers.

20 (3) A contracting provider rendering inpatient substance
21 abuse treatment for patients other than adolescent patients shall
22 be a licensed hospital or a substance abuse service program
23 licensed under article 6 of the public health code, Act No. 368
24 of the Public Acts of 1978, being sections 333.6101 to 333.6523
25 of the Michigan Compiled Laws, and shall meet the standards set
26 by the corporation for contracting health care facilities.

1 (4) A health care corporation shall provide coverage for
2 intermediate and outpatient care for substance abuse, upon
3 issuance or renewal, in all group and nongroup certificates other
4 than CERTIFICATES ISSUED PURSUANT TO SECTION 502B OR
5 service-specific certificates, such as certificates providing
6 coverage solely for 1 of the following: dental care; hearing
7 care; vision care; prescription drugs; or another type of health
8 care benefit. Subject to subsections (5) and (7), a health care
9 corporation may enter into contracts with providers for the
10 rendering of intermediate care, outpatient care, or both types of
11 care, for the treatment of substance abuse.

12 (5) A health care corporation shall enter into and maintain
13 5-year contracts with not less than 5 providers in this state, as
14 demonstration projects pursuant to section 207(1)(b), for the
15 rendering of inpatient, intermediate, and outpatient care to ado-
16 lescent substance abuse patients. A provider who contracts with
17 a health care corporation for the rendering of inpatient, inter-
18 mediate, and outpatient care to adolescent substance abuse
19 patients shall meet all of the following requirements:

20 (a) Is accredited by the joint commission on accreditation
21 of hospitals, the council on accreditation for families and chil-
22 dren, the commission on accreditation of rehabilitation facili-
23 ties, or the American osteopathic association.

24 (b) If applicable, has obtained a certificate of need under
25 part ~~221~~ 222 of the public health code, Act No. 368 of the
26 Public Acts of 1978, being sections ~~333.22101 to 333.22181~~
27 333.22201 TO 333.22260 of the Michigan Compiled Laws.

1 (c) Is licensed by the office of substance abuse services
2 under article 6 of the public health code, Act No. 368 of the
3 Public Acts of 1978.

4 (d) Is licensed by the department of social services as a
5 child caring institution under Act No. 116 of the Public Acts of
6 1973, being sections 722.111 to 722.128 of the Michigan Compiled
7 Laws.

8 (e) Agrees to follow generally accepted accounting princi-
9 ples and practices.

10 (f) Agrees to supply all data required to fulfill the objec-
11 tives of the demonstration program.

12 (g) Agrees to work with the substance abuse advisory commit-
13 tee and the health care corporation in conducting the evaluation
14 of the demonstration program.

15 (6) The substance abuse advisory committee is established,
16 with the cooperation of the office of substance abuse services,
17 under the direction of the office of health and medical affairs.
18 The committee shall consist of 7 members to include the director
19 of the office of health and medical affairs or his or her desig-
20 nee, the administrator of the office of substance abuse services
21 or his or her designee, a representative of the department of
22 public health, 2 designees of the chief executive officer of a
23 health care corporation contracting for a demonstration project
24 under subsection (5), a member of the family of an adolescent
25 substance abuser to be appointed by the office of health and med-
26 ical affairs, and a service provider of an adolescent substance
27 abuse treatment program to be appointed by the office of health

1 and medical affairs. The substance abuse advisory committee
2 shall evaluate each demonstration project and shall report at the
3 conclusion of each demonstration project to the senate and house
4 standing committees responsible for public health issues. A
5 final report of all the demonstration projects shall be issued by
6 not later than December 31, 1994, and shall include evaluations
7 of and recommendations concerning all of the following:

8 (a) The cost of specialized adolescent substance abuse
9 treatment compared with the effectiveness of adolescent substance
10 abuse treatment.

11 (b) The cost and effectiveness of the different levels of
12 adolescent substance abuse treatment, including inpatient, inter-
13 mediate, and outpatient care and aftercare programs.

14 (7) Based on the final report submitted pursuant to
15 subsection (6), beginning December 31, 1994, a health care corpo-
16 ration shall continue to enter into and maintain contracts with
17 not less than 5 providers in this state, and may enter into addi-
18 tional contracts for the rendering of inpatient, intermediate,
19 and outpatient care to adolescent substance abuse patients if the
20 provider meets the requirements of subsection (5)(a) to (e).
21 Contracts entered into under this subsection shall be based upon
22 the recommendations of the final report submitted pursuant to
23 subsection (6).

24 (8) A health care corporation shall reimburse providers for
25 the rendering of inpatient, intermediate, and outpatient care to
26 adolescent substance abuse patients at a rate that shall be
27 commensurate with reimbursement rates for other similar providers

1 rendering inpatient, intermediate, and outpatient care to
2 adolescent substance abuse patients.

3 (9) ~~In the case of~~ FOR group certificates, if the amount
4 due for a group certificate would be increased by 3% or more
5 because of the provision of the coverage required under subsec-
6 tion (4), the master policyholder shall have the option to
7 decline the coverage required to be provided under subsection
8 (4). ~~In the case of~~ FOR nongroup certificates, if the total
9 amount due for all nongroup certificates of the health care cor-
10 poration would be increased by 3% or more because of the provi-
11 sion of the coverage required under subsection (4), the sub-
12 scriber for each such certificate shall have the option to
13 decline the coverage required to be provided under subsection
14 (4).

15 (10) Charges, terms, and conditions for the coverage for
16 intermediate and outpatient care for substance abuse required to
17 be provided under subsection (4) shall not be less favorable than
18 the maximum prescribed for any other comparable service.

19 (11) The coverage for intermediate and outpatient care for
20 substance abuse required to be provided under subsection (4)
21 shall not be reduced by terms or conditions which apply to other
22 items of coverage in a certificate, group or nongroup. This sub-
23 section shall not be construed to prohibit certificates that pro-
24 vide for deductibles and copayment provisions for coverage for
25 intermediate and outpatient care for substance abuse, as approved
26 by the commissioner.

1 (12) The coverage for intermediate and outpatient care for
2 substance abuse required to be provided under subsection (4)
3 shall, at a minimum, provide for up to \$1,500.00 in health care
4 benefits for intermediate and outpatient care for substance abuse
5 per member per year. This minimum shall be adjusted by
6 ~~March 31, 1982 and by~~ March 31 OF each year ~~thereafter~~ in
7 accordance with the annual average percentage increase or
8 decrease in the United States consumer price index for the
9 12-month period ending the preceding December 31.

10 (13) As used in this section:

11 (a) "Adolescent" means an individual who is less than 18
12 years of age, but more than 11 years of age.

13 (b) "Intermediate care" means the use, in a full 24-hour
14 residential therapy setting, or in a partial, less than 24-hour,
15 residential therapy setting, of any or all of the following ther-
16 apeutic techniques, as identified in a treatment plan for indi-
17 viduals physiologically or psychologically dependent upon or
18 abusing alcohol or drugs:

19 (i) Chemotherapy.

20 (ii) Counseling.

21 (iii) Detoxification services.

22 (iv) Other ancillary services, such as medical testing,
23 diagnostic evaluation, and referral to other services identified
24 in a treatment plan.

25 (c) "Outpatient care" means the use, on both a scheduled and
26 a nonscheduled basis, of any or all of the following therapeutic
27 techniques, as identified in a treatment plan for individuals

1 physiologically or psychologically dependent upon or abusing
2 alcohol or drugs:

3 (i) Chemotherapy.

4 (ii) Counseling.

5 (iii) Detoxification services.

6 (iv) Other ancillary services, such as medical testing,
7 diagnostic evaluation, and referral to other services identified
8 in a treatment plan.

9 (d) "Substance abuse" means that term as defined in section
10 6107 of the public health code, Act No. 368 of the Public Acts of
11 1978, being section 333.6107 of the Michigan Compiled Laws.

12 Sec. 415. (1) ~~Not later than 12 months after the effec-~~
13 ~~tive date of this act, a~~ A health care corporation shall offer
14 or include coverage, in all group and nongroup certificates, to
15 provide benefits for prosthetic devices to maintain or replace
16 the body part of an individual whose covered illness or injury
17 has required the removal of that body part. ~~However, certifi-~~
18 ~~cates resulting from collective bargaining agreements shall be~~
19 ~~exempted from this subsection.~~ This coverage shall provide that
20 reasonable charges for medical care and attendance for an indi-
21 vidual fitted with a prosthetic device shall be covered benefits
22 after the individual's attending physician has certified the med-
23 ical necessity or desirability for a proposed course of rehabili-
24 tative treatment. THIS SUBSECTION DOES NOT APPLY TO A CERTIFI-
25 CATE RESULTING FROM A COLLECTIVE BARGAINING AGREEMENT OR A CER-
26 TIFICATE ISSUED PURSUANT TO SECTION 502B.

1 (2) ~~Not later than 12 months after the effective date of~~
2 ~~this act, a~~ A health care corporation shall include coverage, in
3 all group and nongroup certificates, to provide benefits for
4 prosthetic devices to maintain or replace the body part of an
5 individual who has undergone a mastectomy. This coverage shall
6 provide that reasonable charges for medical care and attendance
7 for an individual who receives reconstructive surgery following a
8 mastectomy or who is fitted with a prosthetic device shall be
9 covered benefits after the individual's attending physician has
10 certified the medical necessity or desirability of a proposed
11 course of rehabilitative treatment. The cost and fitting of a
12 prosthetic device following a mastectomy is included within the
13 type of coverage intended by this subsection. THIS SUBSECTION
14 DOES NOT APPLY TO A CERTIFICATE ISSUED PURSUANT TO SECTION 502B.

15 Sec. 416. (1) Subject to dollar limits, deductibles, and
16 coinsurance provisions that are not less favorable than those for
17 physical illness generally, a health care corporation shall offer
18 or include, in each group and nongroup certificate, coverage for
19 breast cancer diagnostic services, breast cancer outpatient
20 treatment services, and breast cancer rehabilitative services.

21 (2) Subject to dollar limits, deductibles, and coinsurance
22 provisions that are not less favorable than those for physical
23 illness generally, a health care corporation shall offer or
24 include, in each group and nongroup certificate, the following
25 coverage for breast cancer screening mammography:

1 (a) If performed on a woman 35 years of age or older and
2 under 40 years of age, coverage for 1 screening mammography
3 examination during that 5-year period.

4 (b) If performed on a woman 40 years of age or older, cover-
5 age for 1 screening mammography examination every calendar year.

6 (3) As used in this section:

7 (a) "Breast cancer diagnostic services" means a procedure
8 intended to aid in the diagnosis of breast cancer, delivered on
9 an inpatient or outpatient basis, including but not limited to
10 mammography, surgical breast biopsy, and pathologic examination
11 and interpretation.

12 (b) "Breast cancer rehabilitative services" means a proce-
13 dure intended to improve the result of, or ameliorate the debili-
14 tating consequences of, treatment of breast cancer, delivered on
15 an inpatient or outpatient basis, including but not limited to,
16 reconstructive plastic surgery, physical therapy, and psychologi-
17 cal and social support services.

18 (c) "Breast cancer screening mammography" means a standard
19 2-view per breast, low-dose radiographic examination of the
20 breasts, using equipment designed and dedicated specifically for
21 mammography, in order to detect unsuspected breast cancer.

22 (d) "Breast cancer outpatient treatment services" means a
23 procedure intended to treat cancer of the human breast, delivered
24 on an outpatient basis, including but not limited to surgery,
25 radiation therapy, chemotherapy, hormonal therapy, and related
26 medical follow-up services.

1 (4) ~~This section shall take effect November 1, 1989.~~ THIS
2 SECTION DOES NOT APPLY TO A CERTIFICATE ISSUED PURSUANT TO
3 SECTION 502B.

4 Sec. 416a. (1) A health care corporation shall provide cov-
5 erage in each group and nongroup certificate for a federal food
6 and drug administration approved drug used in antineoplastic
7 therapy and the reasonable cost of its administration. Coverage
8 shall be provided regardless of whether the specific neoplasm for
9 which the drug is being used as treatment is the specific neo-
10 plasm for which the drug has received approval by the federal
11 food and drug administration if all of the following conditions
12 are met:

13 (a) The drug is ordered by a physician for the treatment of
14 a specific type of neoplasm.

15 (b) The drug is approved by the federal food and drug admin-
16 istration for use in antineoplastic therapy.

17 (c) The drug is used as part of an antineoplastic drug
18 regimen.

19 (d) Current medical literature substantiates its efficacy
20 and recognized oncology organizations generally accept the
21 treatment.

22 (e) The physician has obtained informed consent from the
23 patient for the treatment regimen which includes federal food and
24 drug administration approved drugs for off-label indications.

25 (2) THIS SECTION DOES NOT APPLY TO A CERTIFICATE ISSUED PUR-
26 SUANT TO SECTION 502B.

1 Sec. 417. (1) A health care corporation shall offer to
2 include benefits for hospice care in each certificate ~~which~~
3 THAT is issued or renewed by a health care corporation after ~~the~~
4 ~~effective date of this section and which~~ JANUARY 1, 1986 AND
5 THAT provides benefits for inpatient hospital care, pursuant to
6 this section. THIS SUBSECTION DOES NOT APPLY TO A CERTIFICATE
7 ISSUED PURSUANT TO SECTION 502B.

8 (2) A health care corporation may enter into contracts with
9 health care providers for the rendering of hospice care. A con-
10 tracting health care provider shall be a licensed hospice under
11 article 17 of the public health code, Act No. 368 of the Public
12 Acts of 1978, being sections 333.20101 to ~~333.22181~~ 333.22260
13 of the Michigan Compiled laws, and shall meet the standards set
14 by the corporation for contracting health care providers.

15 ~~(3) This section shall take effect January 1, 1986.~~

16 SEC. 502B. A HEALTH CARE CORPORATION MAY OFFER A BASIC
17 HEALTH CERTIFICATE SUBJECT TO ALL OF THE FOLLOWING:

18 (A) COSTS NOT MORE THAN \$75.00 PER MONTH FOR INDIVIDUAL COV-
19 ERAGE OR \$100.00 PER MONTH FOR FAMILY COVERAGE. THIS MONTHLY FEE
20 SHALL BE ADJUSTED EACH YEAR PURSUANT TO THE ANNUAL AVERAGE PER-
21 CENTAGE INCREASE OR DECREASE IN THE MEDICAL CONSUMER PRICE
22 INDEX. THE ADJUSTMENT SHALL BE MADE BY MULTIPLYING THE ANNUAL
23 AVERAGE PERCENTAGE INCREASE OR DECREASE IN THE MEDICAL CONSUMER
24 PRICE INDEX FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR BY THE
25 CURRENT MONTHLY FEE AS PREVIOUSLY ADJUSTED BY THIS SUBDIVISION.
26 THE RESULTANT PRODUCT SHALL BE ADDED TO THE MONTHLY FEE AS
27 PREVIOUSLY ADJUSTED BY THIS SUBDIVISION AND THEN ROUNDED OFF TO

1 THE NEAREST WHOLE NUMBER, WHICH SHALL BE THE NEW MONTHLY FEE FOR
2 THE CURRENT YEAR. AS USED IN THIS SUBDIVISION, "MEDICAL CONSUMER
3 PRICE INDEX" MEANS THE ANNUAL AVERAGE PERCENTAGE INCREASE IN THE
4 MEDICAL CONSUMER PRICE INDEX FOR ALL ITEMS FOR THE PRIOR 12-MONTH
5 PERIOD AS REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR,
6 BUREAU OF LABOR AND STATISTICS AND AS CERTIFIED BY THE
7 COMMISSIONER.

8 (B) HAS BEEN APPROVED BY THE COMMISSIONER AND CONTAINS BENE-
9 FITS FOR INPATIENT CARE, DOCTOR OFFICE VISITS, MATERNITY CARE,
10 WELL-CHILD CARE, EMERGENCY MEDICAL AND ACCIDENT CARE IN A
11 DOCTOR'S OFFICE OR HOSPITAL EMERGENCY ROOM, MEDICALLY NECESSARY
12 DIAGNOSTIC TESTS, AND MEDICALLY NECESSARY SURGERY AND
13 ANESTHESIA.

14 (C) IF OFFERED TO AN EMPLOYER FOR HIS OR HER EMPLOYEES, DOES
15 NOT LIMIT OR EXCLUDE ANY EMPLOYEE IN A COVERED CLASS OF
16 EMPLOYEES.

17 Section 2. This amendatory act shall take effect October 1,
18 1992.