



**House
Legislative
Analysis
Section**

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ADOPTED HEALTH INSURANCE

House Bills 4309-4311
First Analysis (3-17-93)

Sponsor: Rep. Maxine Berman
Committee: Insurance

THE APPARENT PROBLEM:

In testimony before the House Insurance Committee in previous years, parents of adopted children have identified (at least) two problems they face with obtaining health insurance coverage. (1) Sometimes when a child is adopted by a family, he or she does not come under the family's coverage until the adoption is finalized. Yet adoptions are routinely not final until one year after the child is first placed in the home. While many children being adopted are covered by Medicaid, the health care program for low-income people, some are not, and some families think it is important that a new child in their home become part of the family in all senses, including being treated by the same health care providers or under the same kind of health insurance coverage. (Also, there are areas of the state where Medicaid-participating providers are hard, or impossible, to find.) Health insurers are required by law to provide coverage immediately to newborns (if there is family coverage), and some people believe that adopted children, many of whom are infants, should also be covered immediately when they join the family. (2) Some insurance companies "medically underwrite" adopted children, which means they can choose whether or not to provide coverage to them based on the child's health history or health status or they won't cover preexisting conditions. This means some families cannot get their adopted children covered under the family policy. The Insurance Code is understood to prohibit the underwriting of newborns, and advocates of adopted children argue that adoptees should be extended this protection as well on the grounds that adopted children entering a home for the first time are analogous to newborns.

THE CONTENT OF THE BILLS:

The bills would amend three insurance-related laws to add the following provisions governing commercial insurance companies, Blue Cross and Blue Shield of Michigan, and health maintenance organizations (HMOs).

**** Group and nongroup health insurance providing coverage or offering to provide coverage for a family member of the insured would also have to provide coverage for adopted children either (1) beginning from the date of placement for the purpose of adoption and continuing until the policy was canceled or discontinued, dependent coverage ended, or the placement was disrupted prior to legal adoption and the child was removed from placement; or (2) beginning from the date of adoption and continuing until the policy was canceled or discontinued or dependent coverage ended. It would be up to the insured when coverage began.**

**** Coverage for an adopted child or a child placed to be adopted would be the same as if the child were a newly born biological child of the insured.**

**** In cases where there was family coverage under an insurance policy, benefits applicable for children would be payable with respect to a newly born child of the insured from the moment of birth. Coverage for newly born children would have to consist of coverage of injury or sickness including the necessary care and treatment of medically diagnosed congenital defects and birth abnormalities. The policy or contract could require that the notification of the birth and the payment of the required premium be made within 31 days after the date of birth in order to have coverage continue beyond the 31-day period. (This provision appears in the Insurance Code at present but not in statutes governing HMOs or BCBSM.)**

House Bill 4309 would amend the HMO act within the Public Health Code (MCL 333.21054u) to apply to individual and group contracts of health maintenance organizations. House Bill 4310 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1418) to apply to group and nongroup certificates of Blue Cross and Blue Shield of Michigan. House Bill 4311 would amend the Insurance Code (MCL 500.3406f and 500.3617) to

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apply to individual hospital, medical, and surgical expense incurred policies of commercial health insurance companies. In each bill, the provisions dealing with adopted children refer to individuals adopted or placed to be adopted under 18 years of age.

BACKGROUND INFORMATION:

Similar bills have passed the House in the previous two legislative sessions.

FISCAL IMPLICATIONS:

A representative of the Department of Social Services has indicated that there could be some very minimal savings if some children who otherwise would have claimed public insurance benefits were covered under family insurance policies.

ARGUMENTS:

For:

The bills would, essentially, allow children being adopted into a family to be treated like newborn family members for insurance purposes. A family with family coverage could choose to have coverage be provided to a child being adopted as soon as he or she was placed in the home. Coverage sometimes now does not begin until the adoption is finalized, perhaps a year after placement. For some families this is a hardship. They want the new child to be treated as a full family member in every way possible and yet cannot obtain the same insurance coverage for the child. While Medicaid is available to many children being adopted, Medicaid providers are not available everywhere, and some families would prefer that the new child be able to visit the same health care providers and under the same terms as the rest of the family. Current insurance practices discriminate against adopted children and send them the message that they are less deserving and different from other children in a family. Adoption advocates say, there is no evidence that these bills will increase costs to the insurance system. The bills also allow parents adopting children to choose Medicaid coverage until final adoption if they prefer. It should be noted that the bills do not require that individual (non-group) policies cover family members; they require that if family members are covered, that children being adopted or already adopted be treated as children born into the family are treated.

Against:

Representatives of commercial health insurance companies complain that the bill would not allow them to "medically underwrite" adopted children. That is, they would not permit an insurer to refuse to cover a child being adopted, or to refuse to cover pre-existing conditions, or to charge more, based on the health of the child. This, they say, will lead to higher premiums for their customers because some "medically fragile", high-cost children who are refused coverage now would have to be insured, with the cost spread over a company's customers. Higher premiums will mean some people will not be able to afford health insurance at all. This is particularly a problem for companies selling individual policies to people who pay their own premiums, some of whom have moderate or low incomes. The bills do not provide equal treatment for adopted children, company spokespersons say, but preferential treatment. Some companies now medically underwrite everyone else on non-group policies, except for newborns, who the law says cannot be medically underwritten. (It should also be noted that Blue Cross-Blue Shield cannot medically underwrite.) If a child other than a newborn comes into a home through some mechanism other than adoption (such as guardianship or a change in custodial parent), he or she would not get this favorable treatment but would be subject to underwriting. Insurance company representatives have said while they would agree to treat adopted newborns as other newborns are treated, they object to being required to automatically cover older children, some of whom could have severe medical conditions.

POSITIONS:

Blue Cross and Blue Shield of Michigan does not oppose the bills but would prefer the adoption of some clarifying technical amendments. (3-11-93)

A representative from the Golden Rule Insurance Company has testified that the company would support House Bill 4311 if amended to allow them to underwrite adopted non-newborns. (3-11-93)

A representative of American Community Mutual Insurance testified that the company wants to be able to treat adopted as it treats other children added to a policy. (3-11-93)

The Association of HMOs is opposed to House Bill 4309 as drafted. (3-16-93)