



SENATE BILL No. 1023

May 14, 1996, Introduced by Senator BOUCHARD and referred to the Committee on Financial Services.

A bill to amend section 3 of Act No. 64 of the Public Acts of 1984, entitled "The coordination of benefits act," being section 550.253 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 3 of Act No. 64 of the Public Acts of
2 1984, being section 550.253 of the Michigan Compiled Laws, is
3 amended to read as follows:

4 Sec. 3. (1) Any policy or certificate delivered or issued
5 for delivery in this state in connection with a group disability
6 benefit plan may contain provisions coordinating the benefits or
7 services ~~which~~ THAT would otherwise be provided to a covered
8 person. Any such policy or certificate ~~which~~ THAT contains a
9 coordination of benefits provision shall provide that benefits
10 will be payable as follows when coordinating with another policy

1 or certificate ~~which~~ THAT also has a coordination of benefits
2 ~~provisions~~ PROVISION:

3 (a) The benefits of a policy or certificate ~~which~~ THAT
4 covers the person on whose expenses the claim is based other than
5 as a dependent shall be determined before the benefits of a
6 policy or certificate ~~which~~ THAT covers the person as a
7 dependent. HOWEVER, IF THE PERSON IS A MEDICARE BENEFICIARY AND
8 AS A RESULT OF THE PROVISIONS OF TITLE XVIII OF THE SOCIAL SECUR-
9 ITY ACT, CHAPTER 531, 49 STAT. 620, 42 U.S.C. 1395 TO 1395b,
10 1395b-2, 1395c TO 1395i, 1395i-2 TO 1395i-4, 1395j TO 1395t,
11 1395u TO 1395w-2, 1395w-4 to 1395yy, AND 1395bbb TO 1395ccc,
12 MEDICARE IS SECONDARY TO THE POLICY OR CERTIFICATE COVERING THE
13 PERSON AS A DEPENDENT AND PRIMARY TO THE POLICY OR CERTIFICATE
14 COVERING THE PERSON AS OTHER THAN A DEPENDENT, THEN THE ORDER OF
15 BENEFITS IS REVERSED AND THE POLICY OR CERTIFICATE COVERING THE
16 PERSON AS OTHER THAN A DEPENDENT IS SECONDARY AND THE POLICY OR
17 CERTIFICATE COVERING THE PERSON AS A DEPENDENT IS PRIMARY.

18 ~~(b) Except as otherwise provided in subdivision (d), the~~
19 ~~benefits of a policy or certificate which covers the person on~~
20 ~~whose expenses the claim is based as a dependent of a male person~~
21 ~~shall be determined before the benefits of a policy or certifi-~~
22 ~~cate which covers the person as a dependent of a female person.~~
23 ~~This subdivision does not apply on and after April 1, 1985.~~

24 (B) ~~(c)~~ Except as otherwise provided in subdivision ~~(d)~~
25 (C), if 2 policies or certificates cover a person on whose
26 expenses the claim is based as a dependent, the benefits of the
27 policy or certificate of the person whose birthday anniversary

1 occurs earlier in the calendar year shall be determined before
2 the benefits of the policy or certificate of the person whose
3 birthday anniversary occurs later in the calendar year. If the
4 birthday anniversaries are identical, the benefits of a policy or
5 certificate ~~which~~ THAT has covered the person on whose expenses
6 the claim is based for the longer period of time shall be deter-
7 mined before the benefits of a policy or certificate ~~which~~ THAT
8 has covered the person for the shorter period of time. However,
9 if either policy or certificate is lawfully issued in another
10 state and does not have the coordination of benefits procedure
11 regarding dependents based on birthday anniversaries as provided
12 in this subdivision, and as a result each policy or certificate
13 determines its benefits after the other, the coordination of ben-
14 efits procedure set forth in the policy or certificate ~~which~~
15 THAT does not have the coordination of benefits procedure based
16 on birthday anniversaries shall determine the order of benefits.
17 ~~This subdivision shall not apply until April 1, 1985.~~

18 (C) ~~(d) In the case of~~ FOR a person for whom claim is made
19 as a dependent minor child, benefits shall be determined accord-
20 ing to the following:

21 (i) Except as provided in subparagraph (iii), if the parents
22 of the minor child are legally separated or divorced, and the
23 parent with custody of the minor child has not remarried, the
24 benefits of a policy or certificate ~~which~~ THAT covers the minor
25 child as a dependent of the custodial parent shall be determined
26 before the benefits of a policy or certificate ~~which~~ THAT

1 covers the minor child as a dependent of the noncustodial
2 parent.

3 (ii) Except as provided in subparagraph (iii), if the par-
4 ents of the minor child are divorced, and the parent with custody
5 of the child has remarried, the benefits of a policy or certifi-
6 cate ~~which~~ THAT covers the minor child as a dependent of the
7 custodial parent shall be determined before the benefits of a
8 policy or certificate ~~which~~ THAT covers the minor child as a
9 dependent of the spouse of the custodial parent, and the benefits
10 of a policy or certificate ~~which~~ THAT covers the minor child as
11 a dependent of the spouse of the custodial parent shall be deter-
12 mined before the benefits of a policy or certificate ~~which~~ THAT
13 covers the minor child as a dependent of the noncustodial
14 parent.

15 (iii) If the parents of the minor child are divorced, and
16 the decree of divorce places financial responsibility for the
17 medical, dental, or other health care expenses of the minor child
18 upon either the custodial or the noncustodial parent, the bene-
19 fits of a policy or certificate ~~which~~ THAT covers the minor
20 child as a dependent of the parent with such financial responsi-
21 bility shall be determined before the benefits of any other
22 policy or certificate ~~which~~ THAT covers the minor child as a
23 dependent.

24 (D) ~~(e)~~ If subdivisions (a), (b), AND (c) ~~, and (d)~~ do
25 not establish an order of benefit determination, the benefits of
26 a policy or certificate in connection with a group disability
27 benefit plan ~~which group disability benefit plan~~ THAT has

1 covered the person on whose expenses the claim is based for the
2 longer period of time shall be determined before the benefits of
3 a policy or certificate ~~which~~ THAT has covered the person for
4 the shorter period of time, subject to the following:

5 (i) The benefits of a policy or certificate covering the
6 person on whose expenses the claim is based as a laid-off or
7 retired employee or as a dependent of a laid-off or retired
8 employee shall be determined after the benefits of any other
9 policy or certificate covering the person other than as a
10 laid-off or retired employee or a dependent of a laid-off or
11 retired employee.

12 (ii) Subparagraph (i) ~~shall~~ DOES not apply if either
13 policy or certificate is lawfully issued in another state and
14 does not have a provision regarding laid-off or retired employees
15 and, as a result, each policy or certificate determines its bene-
16 fits after the other.

17 (E) IF A PERSON WHOSE COVERAGE IS PROVIDED UNDER A RIGHT OF
18 CONTINUATION PURSUANT TO FEDERAL OR STATE LAW IS ALSO COVERED
19 UNDER ANOTHER POLICY OR CERTIFICATE, THE POLICY OR CERTIFICATE
20 COVERING THE PERSON AS AN EMPLOYEE, MEMBER, SUBSCRIBER, ENROLLEE,
21 OR RETIREE, OR AS THAT PERSON'S DEPENDENT, IS PRIMARY AND THE
22 CONTINUATION COVERAGE IS SECONDARY.

23 (2) ~~Any such~~ A policy or certificate ~~which~~ THAT contains
24 a coordination of benefits provision shall provide that benefits
25 under the policy or certificate shall not be reduced or otherwise
26 limited because of the existence of another nongroup contract
27 ~~which~~ THAT is issued as a hospital indemnity, surgical

1 indemnity, specified disease, or other policy of disability
2 insurance as defined in section 3400 of the insurance code of
3 1956, Act No. 218 of the Public Acts of 1956, being section
4 500.3400 of the Michigan Compiled Laws.

5 ~~(3) A policy or certificate which is in force on the effec-~~
6 ~~tive date of this subsection and which contains a coordination of~~
7 ~~benefits provision which does not meet the requirements of this~~
8 ~~section shall be brought into compliance by the later of the next~~
9 ~~anniversary or renewal date of the policy or certificate or the~~
10 ~~expiration of the applicable collectively bargained contract, if~~
11 ~~any.~~

12 (3) ~~(4)~~ A health maintenance organization is not required
13 to pay claims or coordinate benefits for services ~~which~~ THAT
14 are not provided or authorized by the health maintenance organi-
15 zation and ~~which~~ THAT are not benefits under the health mainte-
16 nance contract.