House
Legislative
Analysis
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HMO CONSUMER GUIDE

House Bill 5572 as enrolled
Public Act 249 of 2000
Second Analysis (7-5-00)

Sponsor: Rep. Gary Woronchak
House Committee: Health Policy
Senate Committee: Health Policy

THE APPARENT PROBLEM:

Many consumers choose health maintenance organizations (HMOs) for their health care coverage. Before deciding on a particular plan, a consumer should investigate and compare the plans available in his or her area or that are offered by an employer. For instance, a person may be interested in the type and quality of services offered by an HMO. Or, if a particular cancer ran in a person's family, the person may want to choose an HMO that pays for regular screenings for that disease so to avoid paying out-of-pocket expenses for a test that is not covered.

Though HMOs must report on certain services to a national organization that publishes the information, this information is not easily available to consumers. Reportedly, many states collect data and publish so-called "report cards" on HMOs operating within their borders that consumers can use to compare plans. Some feel that Michigan should also prepare and distribute a guide to the state's HMOs that consumers can use when deciding on a health plan.

THE CONTENT OF THE BILL:

The bill would amend the Insurance Code to require the commissioner of the Office of Financial and Insurance Services to prepare an annual consumer guide to health maintenance organizations (HMOs) that would be available to the public upon request and through the Internet. Beginning January 1, 2001, an annual consumer guide, written in plain English, that would facilitate comparisons among individual HMOs would have to be published. The commissioner would have to both promote and publicize the existence of the annual consumer guide to the general public. If the commissioner requested, audited health employer information set data and other information that were needed to prepare the annual guide would have to be provided in a timely manner by an HMO and the Department of Community Health.

The consumer guide to HMOs would have to include the following information for the most recent year and for the immediately preceding year for which the information was available:

• The national accreditation status, and any limitation on accreditation, of each HMO.

• Measurements of the quality of care provided by each HMO. This would have to include, but not be limited to, health employer data information set categories on child and adolescent care, maternity care, cardiac care, staying healthy, member satisfaction, and women's health.

• The toll-free telephone number for the Office of Financial and Insurance Services that consumers could call to request copies of the annual consumer guide and make inquiries or complaints about HMOs.

• A summary for each HMO of the report that is required to be provided to the commissioner under provisions of the Patient's Right to Independent Review Act.

MCL 500.3580

BACKGROUND INFORMATION:

Executive Order No. 2000 - 4, which took effect on April 3, 2000, reorganized the state's regulation of insurance, financial institutions, and securities into one office. The powers, duties, and functions of the Insurance Bureau and the Financial Institutions Bureau have been transferred to the newly created Office of Financial and Insurance Services (OFIS), as well as the securities functions of the Corporations, Securities and Land Development Bureau. The Office of Financial and Insurance Services comprises the Division of Insurance, the Division of Financial Institutions, and the Division of Securities.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would impose new costs on the Office of Financial and Insurance Services and the Department of Consumer and Industry Services. The magnitude of the costs is indeterminate at this time. (6-16-00)

ARGUMENTS:

For:

It is important that consumers be able to easily obtain information about health maintenance organizations (HMOs) in order to decide on a suitable plan. Currently, all HMOs report certain standardized information to a national organization, the Health Plan Employer Data and Information Set (HEDIS), which compiles and publishes the statistics. HMOs in the state that serve Medicaid recipients must report certain information to the Department of Community Health. However, it is reported that this information is not easily accessible to consumers.

According to the commissioner of the Office of Financial and Insurance Services, the consumer guide would provide consumers with information about the financial soundness of a health plan, as well as information about the types of services a particular health plan provides and any other types of information that the commissioner feels would be helpful. Such information would help consumers make informed choices when deciding on a health plan.

For:

Requiring the publication and distribution of a consumer guide on HMOs could have indirect benefits for consumers. For instance, HMOs, like many businesses, are driven by market forces. If there are particular services that consumers are looking for in an HMO, the consumer guide will help them identify which plans may best fit their needs. Therefore, the bill could have an indirect effect on HMOs by encouraging them to offer innovative programs and approaches to health care in order to stay competitive with other plans. The result could be that consumers would be able to get wanted and needed services at a reasonable price.

Against:

The bill does not include any penalties for noncompliance with the reporting requirements, nor does it define what it would mean for an HMO or the Department of Community Health to provide the commissioner with information in a "timely manner." The bill should be amended to address these concerns.

Against:

Some feel that referral rates for chiropractic services should be added to the list of information included in the consumer guide to HMOs. It has been argued that since chiropractic care can help people to recover more quickly from certain injuries to the back and spine, and therefore enable them to get back to work more quickly, that it would be valuable to list such rates of referral.

Response:

Though not without merit, the inclusion of chiropractic referrals could open up the proverbial can of worms, with every medical speciality wishing to be included, too. Certainly, referral rates to specialists and allied health fields have been hotly debated across the nation for years, and many consumers may want to know how accessible certain specialists would be under a particular plan. Unfortunately, it would be difficult to single out one or a few medical specialties and not list all of them. In addition, it could still be misleading for consumers, for referrals to some medical specialities or allied health fields, such as chiropractic care or acupuncture, may be decided by an employer rather than by a health plan. For instance, many employer health plans offer only the services that a particular employer wishes to include (or feels that the company can afford) rather than reflecting what could be offered by the plan. Other referrals, such as to physical therapists, are need based and so it would be difficult to compare one plan with another for a given time period. Since the strength of HMOs is their emphasis on well care and preventative services, the consumer guide's focus on staying healthy, cardiac care, and care provided to women and children is right on target.

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■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.