
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 694 (Substitute S-4 as reported by the Committee of the Whole)
Sponsor: Senator Bill Schuette
Committee: Health Policy

CONTENT

The bill would amend the Insurance Code to require a "health plan", a health professional, and a health facility to follow specified timely claims processing and payment procedures, which the Insurance Commissioner would have to establish; and prescribe the content of the procedures, including a provision that a clean claim would have to be paid within 45 days after it was received by a health plan, or bear interest at a 12% annual rate. A "health plan" would be any of the following: an insurer providing benefits under an expense-incurred hospital, medical, surgical, vision, or dental policy or certificate, including any policy or certificate that provided coverage for specific diseases or accidents only, or any hospital indemnity, Medicare supplement, long-term care, disability income, or one-time limited duration policy or certificate; hospital, medical, surgical, vision, dental, and sick care benefits provided under a multiple employer welfare arrangement (MEWA) regulated under the Code; a health maintenance organization; or a health care corporation operating under the Nonprofit Health Care Corporation Reform Act, which regulates Blue Cross and Blue Shield of Michigan. The bill would not apply to an entity regulated under the Worker's Disability Compensation Act; or to claims arising out of the Worker's Disability Compensation Act, or those provisions of the Insurance Code that regulate motor vehicle personal and property protection.

Currently, Section 2006 of the Insurance Code requires insurers to pay benefits under a contract of insurance, on a timely basis. An insurer must specify in writing the materials that constitute a satisfactory proof of loss within 30 days after receiving a claim. A claim is considered to be paid on a timely basis if paid within 60 days after the insurer receives proof of loss, unless there is no recipient who can legally give a valid release for the payment, or the insurer is unable to determine who is entitled to receive payment. The insured is entitled to interest at 12% per year for claims not paid on a timely basis. Failure to pay claims on a timely basis, or to pay interest as required, is an unfair trade practice unless a claim is reasonably in dispute. The bill states that these provisions would not apply to health plans.

The bill would take effect January 1, 2001, and apply to all health care claims submitted for payment after December 31, 2000.

MCL 500.2006 et al.

Legislative Analyst: G. Towne

FISCAL IMPACT

According to the Insurance Bureau, the fiscal impact of Senate Bills 694 (S-4), 696 (S-1), and 698 (S-1) is indeterminate. The additional responsibilities that would be required of the Bureau could require an increase of staff and other administrative costs.

Date Completed: 3-14-00

Fiscal Analyst: M. Tyszkiewicz