

Senate Fiscal Agency
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Senate Bill 1209 (Substitute S-2 as reported)
Sponsor: Senator Bev Hammerstrom
Committee: Health Policy

CONTENT

The bill would add Chapter 35 (Health Maintenance Organizations) to the Insurance Code to provide for oversight of health maintenance organizations (HMOs) by the Commissioner of the Office of Financial and Insurance Services; and would repeal Part 210 of the Public Health Code, which currently provides for HMO oversight by the Insurance Bureau and the Department of Community Health. The bill also would do the following:

- Delete provisions regarding HMOs' regulatory fees, and extend to HMOs the filing fee and agent fee that apply to insurers.
- Revise the internal grievance procedure that applies to insurers, and extend it to HMOs.
- Require both insurers and HMOs to comply with external review provisions in the Patient Right to Independent Review Act (proposed by Senate Bill 1208).
- Provide that, with certain exceptions, all of the provisions of the Insurance Code that apply to domestic health insurers would apply to HMOs.
- Require HMOs to receive a certificate of authority from the Commissioner.
- Require HMOs to develop and maintain quality assessment and improvement programs.
- Require that HMO contracts be filed with and approved by the Commissioner.
- Require HMOs to verify the credentials of health care professionals.
- Set forth HMOs' authority to contract with or employ health professionals, and HMOs' responsibility to maintain contracts with affiliated providers.
- Allow HMOs to acquire obligations from other managed care facilities.
- Specify financial requirements for HMOs, including increased solvency requirements.
- Require certain actions to be taken if an HMO became insolvent.

MCL 500.102 et al.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would increase the costs to the Office of Financial and Insurance Services (DCIS), which would be required to administer all of the regulation of HMOs, which are currently regulated by the DCIS and the Department of Community Health. The fee structure that is outlined in the bill could offset the majority of the costs associated with these additional responsibilities, but according to the DCIS, final costs and total impact are indeterminate.

Other than possible increased costs for the Office of Financial and Insurance Services, there appears to be no reason for increased costs to State or local entities.

Date Completed: 5-22-00

Fiscal Analyst: J. Walker