

# Legislative Analysis



## NOTIFICATION OF MEDICAID-RELATED LAWSUITS

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**House Bill 5414 as enrolled**  
**Public Act 409 of 2004**  
**Sponsor: Rep. Marc Shulman**  
**House Committee: Appropriations**  
**Senate Committee: Judiciary**

**Complete to 12-13-04**

## A SUMMARY OF HOUSE BILL 5414 AS ENROLLED

The bill would amend the Social Welfare Act to require an individual receiving medical assistance (Medicaid) under the act, or the individual's legal counsel, to notify the Family Independence Agency when filing an action in which the state could have a right to recover expenses paid under the act. If the individual was enrolled in a Medicaid contracted health plan, the notice would also have to provide notice to the plan.

[A Medicaid contracted health plan is defined as an organization with which the department contracts to provide or arrange for the delivery of comprehensive health care services.]

If such a legal action was filed and settled without notice to the department or the health plan, the department or plan could file a legal action against the individual and/or the legal counsel to recover expenses paid under the act. The attorney general would have to recover any cost or attorney fees associated with such a recovery.

The FIA would have first priority against the proceeds of the net recovery from the settlement or judgment in an action settled in which notice had been provided. A Medicaid contracted health plan would have priority immediately after the department in such a case. The department and the plan would recover the full cost of expenses unless the department or plan agreed to accept a lesser amount.

If an individual would recover less against the proceeds of the net recovery than the expenses paid, the FIA or the Medicaid contracted health plan and the individual would share equally in the proceeds of the net recovery. (The term "net recovery" would mean the total settlement or judgment less the costs and fees incurred by or on behalf of the individual who obtains the settlement or judgment.)

MCL 400.106

**FISCAL IMPACT:**

The bill would reduce Michigan's Medicaid program costs by strengthening the state's ability to recover the cost of state Medicaid payments from future legal settlements to Medicaid beneficiaries. The FY 2004-05 Department of Community Health budget builds in estimated savings of \$7.6 million Gross (\$3.3 million GF/GP) through the enactment of such legislation.

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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.