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

BILL ANALYSIS

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

Senate Bill 296 (as enrolled)
Sponsor: Senator Jud Gilbert, II
Senate Committee: Health Policy
House Committee: Health Policy

PUBLIC ACT 171 of 2004

Date Completed: 7-19-04

RATIONALE

Bills for ambulance services evidently are difficult to collect at times. The challenge of providing service regardless of a patient's ability to pay can be compounded when a health insurance plan, with which an ambulance services provider does not participate, does not reimburse the provider directly. Sometimes, an insurance company will send the patient a check, with which the patient is expected to pay the provider. Reportedly, however, in 50% of the cases in which the insurer does not directly reimburse the provider, the patient keeps the money and the ambulance company never receives any payment for providing emergency medical transportation. In order to ensure that ambulance providers are compensated for their services, it was suggested that insurance companies should be required either to reimburse providers directly or to issue a joint check to the patient and the provider.

CONTENT

The bill amended the Insurance Code to require a policy or certificate to provide for direct reimbursement to any provider of covered medical transportation services, or provide for joint payments to the insured and the provider, if the provider has not received payment from any other source. The bill applies to an expense-incurred hospital, medical, or surgical policy or certificate providing benefits for emergency health services delivered, issued for delivery, or renewed in this State on or after September 1, 2004. The bill took effect on June 24, 2004.

The requirements do not apply to a transaction between an insurer and a medical transportation services provider, if the parties have entered into a contract providing for direct payment.

An insurer for an individual or group disability or family expense policy will not have to provide for direct reimbursement or joint payment to any nonaffiliated or nonparticipating provider for medical transportation services that are not emergency health services.

The bill does not apply to a health maintenance organization contract.

MCL 500.3406l

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Patients who pocket the money intended for the ambulance company contribute to the hardship providers face in continuing to provide emergency medical services. The temptation to keep a check for several hundred dollars can be very strong, especially for someone facing other medical bills connected to his or her need for emergency transport to a hospital. When this happens, ambulance companies must employ a collection agency to attempt to recover the money they should rightfully have received and could have used to continue keeping rates low. Particularly in rural areas of the State, where an ambulance company might not engage in patient transportation very often, a patient's failure to reimburse can result in significant financial hardship for the provider. Many insurance companies have provided direct reimbursement to ambulance services providers for years without any problems. By requiring direct reimbursement or a joint check, the bill will help ensure that providers are able to continue adequately serving their communities for a reasonable price.

Response: The bill unfairly shifts the burden of loss from ambulance companies to individual patients and their families, who do not have the option of shopping for the best or the least expensive transportation during a medical emergency.

Opposing Argument

Direct reimbursement is a tool insurers can use as an incentive for providers to participate with them, thereby ensuring that providers meet certain standards and do not jeopardize the health of patients. The bill, however, will require insurers to make direct reimbursement to providers with which they have no contractual relationship. This could raise significant quality of care questions about the providers' qualifications and credentialing, as well as lead to a serious drop in participation rates. As a result, individuals and employers might experience higher health care costs over time as premiums increase. This problem then will be compounded if other types of health service providers demand and receive similar treatment.

Response: The bill will help keep costs down by ensuring that health care dollars remain within Michigan's health care system. Ambulance providers then will feel less pressure to increase their rates in order to offset the losses they experience under the current system. Furthermore, similar legislation in other states reportedly has had no significant impact on participation rates.

Opposing Argument

Although many insurers prohibit participating providers from engaging in "balance billing", the bill does not prohibit ambulance companies from billing patients for any unreimbursed portion of the companies' fees not reimbursed by an insurer. On the contrary, the bill removes an incentive for ambulance companies to be participating providers with insurers, which may lead to an increase in balance billing. For example, if an ambulance company thinks it costs $500 to make a run, but the insurer will pay only $400, the company might bill the patient for the difference. If ambulance companies believe that they are being inadequately reimbursed, they should negotiate an acceptable schedule of fees with insurers. This would enable the insurers to make sure that the transportation providers met safety criteria and billed only for true emergencies.

Response: When an insurance company does not cover completely the cost of ambulance service, the provider must bill the patient for the remainder. If providers were not able to do so, they could not recover the cost of providing service and would go out of business. A joint check will not be a disincentive to participate because providers will not want to risk losing the 60% of their business that comes from nonemergency runs.

Opposing Argument

A joint check might delay payment to the ambulance provider and will not protect against balance billing.

Response: A provider is more likely to get payment through a joint check than if the patient is reimbursed and trusted to pass that payment on to the provider. Once a check is issued, the insurance company is no longer involved and the provider and patient are left to determine payment arrangements. With a joint check, a patient cannot legally pocket money that is intended for an ambulance service provider.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill will have an indeterminate fiscal impact on State and local government. Providers of ambulance services complain that they often end up writing off unpaid claims as bad debt, even though the individual who used the ambulance had insurance coverage for that service. The problem, they suggest, is that in many cases the insurer pays the insured for the claim and the ambulance provider is left with having to try to collect from the insured individual. The providers suggest that if they are paid directly by the insurer, or if the insurer pays the insured directly with the check made out to both the insured and the ambulance provider, it will be easier to collect the copayment or uncovered portion of the claim from the individual insured, thereby reducing both the amount of bad debt and the subsequent need of the ambulance provider to raise prices to make up for that bad debt. Under the bill, if an insurer provides coverage for ambulance services, then the insurer will be required to pay an ambulance provider directly if one of its insured incurs a claim for that service. The bill does not appear to mandate that an insurer provide coverage for ambulance services, or set the amount of payment for these services. To the extent that the bill reduces the need of ambulance providers to raise prices to make up for bad debt, the bill will likely generate system-wide savings.

Fiscal Analyst: Dana Patterson

A0304\s296ea