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**SFA****BILL ANALYSIS**

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Senate Bill 460 (Substitute S-1 as reported)  
Sponsor: Senator Bruce Patterson  
Committee: Health Policy

### **CONTENT**

The bill would create Chapter 37, "Small Employer Group Health Coverage", in the Insurance Code to govern the rates charged to small employers (employers of between two and 50 employees) and to sole proprietors for health benefit plans. The bill would do the following:

- Allow small employer carriers to establish up to 10 geographic areas in the State for use in adjusting rates.
- Provide that the premiums charged for a health benefit plan to small employers in a geographic area could not vary by more than 40% from the "index rate" for that plan in a rating period.
- For policies issued before the bill's effective date and renewed in 2004, 2005, or 2006, phase in the maximum rate variance until December 31, 2006.
- Permit any carrier covering a sole proprietor or small employer who had previously been self-insured to charge an additional premium of up to 33% for two years.
- Require Blue Cross and Blue Shield of Michigan (BCBSM) to cover sole proprietors.
- Provide that BCBSM could use only industry and age to determine premium rates, and restrict all other carriers to industry, age, and health status.
- Limit the rate increase in a geographic area for a new rating period to the sum of an annual percentage adjustment in the rating index (which could not exceed 15%) plus an adjustment for an employer's industry, age, and/or health status.
- Permit the Commissioner of the Office of Financial and Insurance Services to suspend the rate requirements for a carrier due to its financial condition, or to enhance marketplace efficiency and fairness.
- Allow a small employer carrier to deny coverage to a small employer of 10 or fewer eligible employees if the small employer failed to enroll 100% of its employees with the carrier.
- Require the Commissioner to determine annually whether there existed a reasonable degree of competition in the small employer carrier health market.

Additionally, under the bill, a health maintenance organization (HMO) contract currently required to provide coverage for an off-label use of an FDA-approved drug, would be required to do so only if the HMO provided pharmaceutical coverage.

The bill would take effect on January 1, 2004, and is tie-barred to Senate Bill 234.

MCL 500.3406q et al.

Legislative Analyst: Claire Layman

### **FISCAL IMPACT**

Any additional responsibilities from this bill would be covered with revenue generated through regulatory assessments.

Date Completed: 5-12-03

Fiscal Analyst: Maria Tyszkiewicz

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Analysis available @ <http://www.michiganlegislature.org>

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.