

# SENATE BILL No. 456

May 1, 2003, Introduced by Senator GEORGE and referred to the Committee on Health Policy.

A bill to amend 1980 PA 350, entitled  
"The nonprofit health care corporation reform act,"  
by amending section 211 (MCL 550.1211), as amended by 1993 PA  
127.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 211. (1) Pursuant to section 207(1)(g), a health care  
2 corporation may enter into service contracts containing an  
3 administrative services only or cost-plus arrangement. Except as  
4 otherwise provided in this section, a corporation shall not enter  
5 into a service contract containing an administrative services  
6 only or cost-plus arrangement for a noninsured benefit plan  
7 covering a group of less than 500 individuals, except that a  
8 health care corporation may continue an administrative services  
9 only or cost-plus arrangement with a group of less than 500,  
10 which arrangement is in existence in September of 1980. A

1 corporation may enter into contracts containing an administrative  
2 services only or cost-plus arrangement for a noninsured benefit  
3 plan covering a group of less than 500 individuals if either the  
4 corporation makes arrangements for excess loss coverage or the  
5 sponsor of the plan that covers the individuals is liable for the  
6 plan's liabilities and is a sponsor of 1 or more plans covering a  
7 group of 500 or more individuals in the aggregate. The  
8 commissioner, upon obtaining the advice of the corporations  
9 subject to this act, shall establish the standards for the manner  
10 and amount of the excess loss coverage required by this  
11 subsection. It is the intent of the legislature that the excess  
12 loss coverage requirements be uniform as between corporations  
13 subject to this act and other persons authorized to provide  
14 similar services. The corporation shall offer in connection with  
15 a noninsured benefit plan a program of specific or aggregate  
16 excess loss coverage.

17 (2) Relative to actual administrative costs, fees for  
18 administrative services only and cost-plus arrangements shall be  
19 **totally self-sustaining and shall be** set in a manner that  
20 precludes cost transfers between subscribers subject to either of  
21 these arrangements and other subscribers of the health care  
22 corporation. Administrative costs for these arrangements shall  
23 be determined in accordance with the administrative costs  
24 allocation methodology and definitions filed and approved under  
25 part 6, and shall be expressed clearly and accurately in the  
26 contracts establishing the arrangements, as a percentage of costs  
27 rather than charges. This subsection shall not be construed to

1 prohibit the inclusion, in fees charged, of contributions to the  
2 contingency reserve of the corporation, consistent with section  
3 205.

4 (3) Before a health care corporation may enter into contracts  
5 containing administrative services only or cost-plus arrangements  
6 pursuant to section 207(1)(g), the board of directors of the  
7 corporation shall approve a marketing policy with respect to such  
8 arrangements that is consistent with the provisions of this  
9 section. The marketing policy may contain other provisions as  
10 the board considers necessary. The marketing policy shall be  
11 carried out by the corporation consistent with this act.

12 (4) A corporation providing services under a contract  
13 containing an administrative services only or cost-plus  
14 arrangement in connection with a noninsured benefit plan shall  
15 provide in its service contract a provision that the person  
16 contracting for the services in connection with a noninsured  
17 benefit plan shall notify each covered individual what services  
18 are being provided; the fact that individuals are not insured or  
19 are not covered by a certificate from the corporation, or are  
20 only partially insured or are only partially covered by a  
21 certificate from the corporation, as the case may be; which party  
22 is liable for payment of benefits; and of future changes in  
23 benefits.

24 (5) A service contract containing an administrative services  
25 only arrangement between a corporation and a governmental entity  
26 not subject to the employee retirement income security act of  
27 1974, Public Law 93-406, 88 Stat. 829, whose plan provides

1 coverage under a collective bargaining agreement utilizing a  
2 policy or certificate issued by a carrier before the signing of  
3 the service contract, is void unless the governmental entity has  
4 provided the notice described in subsection (4) to the collective  
5 bargaining agent and to the members of the collective bargaining  
6 unit not less than 30 days before signing the service contract.  
7 The voiding of a service contract under this subsection shall not  
8 relieve the governmental entity of any obligations to the  
9 corporation under the service contract.

10 (6) Nothing in this section shall be construed to permit an  
11 actionable interference by a corporation with the rights and  
12 obligations of the parties under a collective bargaining  
13 agreement.

14 (7) An individual covered under a noninsured benefit plan for  
15 which services are provided under a service contract authorized  
16 under subsection (1) shall not be liable for that portion of  
17 claims incurred and subject to payment under the plan if the  
18 service contract is entered into between an employer and a  
19 corporation, unless that portion of the claim has been paid  
20 directly to the covered individual.

21 (8) A corporation shall report with its annual statement the  
22 amount of business it has conducted as services provided under  
23 subsection (1) that are performed in connection with a noninsured  
24 benefit plan, and the commissioner shall transmit annually this  
25 information to the state commissioner of revenue. ~~The~~  
26 ~~commissioner shall submit to the legislature on April 1, 1994, a~~  
27 ~~report detailing the impact of this section on employers and~~

~~1 covered individuals, and similar activities under other  
2 provisions of law, and in consultation with the revenue  
3 commissioner the total financial impact on the state for the  
4 preceding legislative biennium.~~

5 (9) As used in this section, "noninsured benefit plan" or  
6 "plan" means a health benefit plan without coverage by a health  
7 care corporation, health maintenance organization, or insurer or  
8 the portion of a health benefit plan without coverage by a health  
9 care corporation, health maintenance organization, or insurer  
10 that has a specific or aggregate excess loss coverage.