

Legislative Analysis



WELLNESS COVERAGE

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 848 and 849 as passed by the Senate

Sponsor: Sen. Tom George

House Committee: Health Policy

Senate Committee: Health Policy

First Analysis (6-12-06)

BRIEF SUMMARY: The bills would allow health insurers to offer incentives in the form of rebates, lower premiums, or reduced copayments, coinsurance, or deductibles for participation in programs designed to improve the insured's health and wellness.

FISCAL IMPACT: The fiscal impact of the bills is indeterminate. The bills do not mandate the use of wellness coverage.

THE APPARENT PROBLEM:

Premiums for health insurance and out-of-pocket costs for copayments, coinsurance, and deductibles continue to increase dramatically from year to year. Some feel that poor lifestyle choices are part of the problem. Lack of good nutrition and exercise can lead to many different types of diseases, most commonly diabetes and heart disease. According to the state's Surgeon General, in 2002 the unhealthy lifestyles of many of the state's residents cost Michigan almost \$8.9 billion in medical care costs, lost productivity, and worker's compensation. Obesity-related medical costs totaled about \$2.9 billion in 2003 (*Prescription for a Healthier Michigan*).

Many research studies support the contention that if people adopted healthier lifestyles, the prevalence of diseases affected by lifestyle should decrease. A decrease in the number of people seeking treatment for largely preventable diseases would impact overall health care related costs, including the cost of health insurance. In Michigan, however, insurance companies are not allowed to offer lower premiums, deductibles, and similar rebates, in return for participation in wellness programs such as exercise classes. Some feel that insurance policies could be made more affordable for small employers and individual policy holders if insurance companies were allowed to offer incentives for participation in proven wellness programs. Legislation has been offered to address this concern.

THE CONTENT OF THE BILLS:

The bills would add new sections to the Insurance Code and the Nonprofit Health Care Corporation Reform Act to permit an insurer, a health maintenance organization (HMO), and Blue Cross and Blue Shield of Michigan (BCBSM) to offer wellness coverage that could include premium rebates or reductions, or reduced copayments or deductibles. The bills would take effect on January 1, 2007.

Under the bills, wellness coverage could provide for an appropriate rebate or reduction in premiums or for reduced copayments, coinsurance, or deductibles (or any combination of these incentives) for participation in any health behavior wellness, maintenance, or improvement program offered by the employer, in the case of group coverage, or approved by the insurer, HMO, or BCBSM, in the case of individual or family coverage.

The employer, under a group coverage plan, or the insured, enrollee, or member, under a family or individual plan, would have to provide evidence of demonstrative maintenance or improvement of the insureds', enrollees', or members' health status, or the individual's or family's health status, as determined by assessments of health status indicators agreed upon between the employer or the insured, enrollee, or member; and the insurer, HMO, or BCBSM, as applicable.

Any rebate provided by the health insurer, HMO, or BCBSM would be presumed to be appropriate unless credible data demonstrated otherwise, but could not exceed 10 percent of paid premiums.

Each insurer and HMO, and BCBSM, would have to make available to employers, families, and individuals, as applicable, all wellness coverage plans that it marketed to those groups in Michigan.

The bills provide that an insurer or HMO, and BCBSM, would not have to continue any health behavior wellness, maintenance, or improvement program or continue any incentive associated with such a program.

Senate Bill 848 would amend the Insurance Code (MCL 500.8302) to apply the new provisions to an insurer providing an expense-incurred hospital, medical, or surgical certificate delivered, issued for delivery, or renewed in this state, as well as an HMO.

Senate Bill 849 would amend the Nonprofit Health Care Corporation Reform Act, (MCL 550.1414b) to apply the provisions to BCBSM.

ARGUMENTS:

For:

For over a decade, health care costs have been increasing at breakneck speeds. Part of that increase can be explained by the emergence of newer high-tech diagnostic equipment, but a major component is the cost to diagnose and treat diseases that are linked to lifestyle choices. For example, diabetes is very expensive to treat; many diabetics, even with Type II, need medication to control blood sugar levels. In addition, diabetics have a higher risk of developing heart disease, end stage renal disease, blindness, and loss of limbs due to impaired circulation. However, Type II diabetes is largely preventable by eating nutritionally, maintaining a healthy weight, and exercising regularly.

In some states, health insurers market plans with lower premiums or out-of-pocket expenses, rebates, discounts on exercise programs, and so forth if members or enrollees in the health plan engage in wellness programs such as smoking cessation or exercise classes. Currently, Michigan law prohibits health insurance companies from offering such programs.

The bills would remove this prohibition, giving health insurers, employers, and individual or family policyholders more flexibility in designing or choosing affordable health plans. By putting a ten percent cap on the amount a rebate or discount can offer, the bills will enable insurers to offer a measurable economic incentive to insureds to participate in wellness programs and yet remove any incentive on the part of health insurers to use these rebates or discounts as marketing tools.

The bills most likely will be a win-win situation for everyone involved. Insurers should realize lower costs in providing covered benefits if participation in the wellness program results in fewer claims for medical conditions resulting from unhealthy lifestyles. Employers, employees, and individuals purchasing health plans should be able to share in the savings to insurers through discounted premiums or out-of-pocket-expenses, rebates on exercise equipment, and/or discounts on weight loss or smoking cessation programs. Moreover, studies have shown that employer-based incentives actually increase morale and productivity among employees who adopt healthier lifestyle choices, in addition to workers reporting an increase in quality of life as their overall health improves. Therefore, enactment of the bills could decrease the cost to insurers of providing covered health care benefits, lower the cost of health plans so that more small businesses and individuals could obtain affordable coverage, decrease out-of-pocket expenses for covered individuals, and potentially decrease future public spending on health care if people get healthier sooner and stay healthier longer.

Against:

Some would like safeguards to be added to the bills so that employers can't use the financial incentives, such as lower premiums for the employer, to coerce employees to join wellness programs, i.e., threaten to terminate employment, deny pay raises, or refuse to hire anyone unwilling to participate in some or all of the health plan's wellness programs. In addition, the financial incentive should go to the employee who is putting forth the effort to maintain a healthy lifestyle, not to the employer. Concerns have also been raised that the bills may inadvertently encourage employers to mandate behaviors outside of work. Critics point to Weyco, Inc. in Okemos which adopted a policy last year requiring any employee who smokes to be terminated even if the smoking is done when the employee is not at work. The ban also covers spouses; if a spouse refuses to take routine blood tests to screen for nicotine or refuses to quit smoking, the employee must pay a higher monthly premium for health insurance. More recently, Weyco has begun charging employees higher monthly premiums if they do not "voluntarily" take health exams. Though it appears the intent of the legislation is to encourage health insurers to develop plans with built-in incentives to motivate employees and individual policy holders to adopt healthier lifestyles, perhaps it needs to be strengthened to prevent potential abuses by employers.

POSITIONS:

The Small Business Association of Michigan supports the bills. (5-23-06)

The Kalamazoo Regional Chamber of Commerce supports the bills. (5-23-06)

The Michigan Manufacturers Association indicated support for the bills. (5-23-06)

Blue Cross Blue Shield of Michigan indicated support for the bills. (5-23-06)

Pfizer indicated support for the bills. (5-23-06)

Ascension Health-Michigan indicated support for the bills. (5-23-06)

The Michigan Association of Health Plans supports the bills. (5-23-06)

The Office of Financial and Insurance Services is neutral on the bills. (5-23-06)

The Michigan State AFL-CIO is opposed to the bills. (5-23-06)

The Michigan Nurses Association indicated opposition to the bills. (5-23-06)

Legislative Analyst: Susan Stutzky

■ 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.