

HEALTH CARE: INDEPENDENT REVIEW

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Senate Bill 1426 (Substitute H-1)
Sponsor: Sen. Bev Hammerstrom
House Committee: Health Policy
Senate Committee: Health Policy

Complete to 11-29-06

A SUMMARY OF SENATE BILL 1426 AS REPORTED FROM COMMITTEE 11-28-06

Under the Patient's Right to Independent Review Act (PRIRA), a person has the right to seek an independent review when his or her health insurer denies a claim. First, the person must complete the insurer's internal appeals process. If the claim is still denied, or the person is not satisfied with the outcome of the internal appeal, the person can request the Office of Financial and Insurance Services (OFIS) to conduct an external review under the provisions of PRIRA. However, the act's definition of "health carrier" does not include governmental agencies or departments; also, the act has been interpreted to apply only to those individuals insured under an insurance plan subject to the Insurance Code. As a result, government employees insured under self-funded plans, which are governed under federal laws, do not have access to the external review process under PRIRA enjoyed by others with health insurance.

Senate Bill 1426 would create a new act that would make available to individuals covered under governmental self-funded plans the same kind of internal and external review processes provided other insured persons under PRIRA. The bill would not apply to a self-funded plan that provided coverage only for dental, vision care, or any other limited supplemental benefit.

Specifically, the bill would do the following:

- 1) Require an entity contracting with a state or local unit of government to provide, deliver, pay for, or reimburse any of the costs of health care services provided under a self-funded plan established or maintained by it for its employees to do the following:
 - Establish procedures and make available to persons covered by the plan internal reviews as though the entity were an insurer subject to Section 2213 of the Insurance Code. (Section 2213 requires insurers to establish an internal formal grievance procedure for people covered under a disability insurance or HMO policy, certificate, or contract.)
 - Establish procedures and make available to persons covered by the plan external reviews in the same manner and subject to all the obligations, conditions, and consequences as though the entity were a health carrier under PRIRA.

2) Require the commissioner of OFIS to provide external reviews to a person covered by the plan as though that person were a covered person under PRIRA.

"Local unit of government" would mean any political subdivision of the state and would include, but not be limited to, school districts, community and junior colleges, state universities, cities, villages, townships, charter townships, counties, charter counties, and authorities created by the state or local units of government.

FISCAL IMPACT:

The Department of Labor and Economic Growth's Office of Financial and Insurance Services (OFIS) will experience a small, but indeterminate, increase in expenditures to administer additional external reviews of State and local employee health plans operated by a third party administrator. State and local governmental units offering such plans will also see a slight increase in cost to comply with the internal and external review requirements of this bill. No additional fees are provided in this bill or the related House Bill 6032, which amends the Patient's Right to Independent Review Act.

HOUSE COMMITTEE ACTION:

The committee substitute excluded limited supplemental plans such as those providing coverage only for dental or vision care.

POSITIONS:

The Office of Financial and Insurance Services (OFIS) supports the bill. (11-28-06)

Legislative Analyst: Susan Stutzky
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