

CATASTROPHIC MEDICAL COVERAGE TASK FORCE

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

House Bill 5387 (Substitute H-1)

Sponsor: Rep. Andy Dillon

Committee: Insurance

First Analysis (1-30-06)

BRIEF SUMMARY: The bill would create a 14-member Catastrophic Medical Coverage Task Force to conduct a study on whether a statewide catastrophic health care coverage pool is an appropriate means of providing all state residents with coverage for catastrophic health claims.

FISCAL IMPACT: The fiscal impact will be a slight increase in expenditures due to reimbursing task force members for travel. Task force members are explicitly required to serve without compensation, but may be reimbursed for actual and necessary travel expenses. Additional expenditures will be required for an actuarial determination of the cost of the proposed pool.

THE APPARENT PROBLEM:

One potential method of helping Michigan residents deal with the ever-increasing cost of health care and health care insurance coverage is the creation of a statewide pool to cover catastrophic costs. Such a pool perhaps could operate like the Michigan Catastrophic Claims Association, which is a pool supported by automobile insurance companies to pick up coverage for an individual when medical costs exceed a certain amount. Essentially, the association is a state-authorized, industry-supported reinsurer. Legislation has been introduced that would create a task force to investigate the feasibility of a statewide catastrophic health care coverage pool as a reinsurance mechanism for health care coverage in general.

THE CONTENT OF THE BILL:

The bill would create a 14-member Catastrophic Medical Coverage Task Force to conduct a study on whether a statewide catastrophic health care coverage pool is an appropriate means of providing all state residents with coverage for catastrophic health claims. The task force would be created within the Office of Financial and Insurance Services (OFIS), and OFIS would provide technical assistance, including actuarial services. The task force would be required to report to the legislature within one year after the bill's effective date on the findings and recommendations resulting from its study. The bill would be an amendment to the Insurance Code (MCL 500.255).

Membership. The task force would consist of the commissioner of OFIS; two state senators, one appointed by the Majority Leader and one by the Minority Leader; two state representatives, one appointed by the Speaker of the House and one by the Minority

Leader; and nine members appointed by the governor. The gubernatorial appointments would include one member each representing: the general public, employers with more than 50 employees, employers with 50 or fewer employees, employers representing employers who self-fund for health care coverage; Blue Cross Blue Shield of Michigan, health maintenance organizations, commercial health insurance companies, labor, public employees in the state, and health care providers. The gubernatorial appointments would be subject to the advice and consent of the Senate.

The task force would be subject to the Open Meetings Act and the Freedom of Information Act. A majority would constitute a quorum for the conduct of business; and a majority of members present would be required for official action. The first meeting would have to be held no later than 24 days after the bill's effective date, and the task force would have to meet at least monthly.

The Study. In conducting its study the task force would be required to examine the following:

- ** Different levels of loss (including loss levels of \$50,000; \$75,000; and \$100,000) to be incurred before catastrophic coverage would occur and the premiums needed at each level.

- ** The funding of coverage. The task force would be required to examine a broad mix of funding sources, including premium percentages to be paid by individuals and employers through taxes or payroll deductions, General Fund or other appropriations, carrier assessments, hospital-based assessments, and available federal revenue.

- ** Benefit structures, including annual deductibles and copayments and lifetime benefit maximums.

- ** Eligibility criteria and enrollment estimates.

- ** Supervision of the pool by a board of directors with a balanced representation of consumers, employers, regulators, insurance companies, and medical personnel.

- ** Administration of the pool, including determinations of eligibility, payment of claims, premium billing, case management, and payment of salaries, expenses, and fees.

- ** Methods of controlling costs, including health promotion and chronic care management.

- ** Impact of coverage on health insurance and coverage rates, on Medicaid rates, on the uninsured, and on uncompensated care in the health care system.

The task force would also be required to examine the use of regional purchasing pools and methods for gathering and providing comparative health care provider performance information.

ARGUMENTS:

For:

The aim of the bill is to create a task force to study the feasibility and advisability of creating a statewide catastrophic health care coverage pool that would provide all state residents with coverage for catastrophic health claims. Note that the bill does not create such a pool; it creates a task force to study whether such a pool is a workable and helpful method of expanding health care coverage and restraining costs. Note also that the kind of pool under investigation is not a high-risk pool; that is, it is not a pool that contemplates providing coverage for individuals and families that otherwise might not be insurable. The kind of pool in question is more like the existing Michigan Catastrophic Claims Association that serves the automobile insurance market; that is, it would be a kind of reinsurance mechanism that would pick up coverage when a claim reached a certain extraordinary amount. The task force would contain representatives of employers and employees, health insurers and health care providers, HMOs, and state insurance regulators, as well as the general public.

Response:

While no one has spoken in outright opposition to the bill, questions have been raised about its efficacy and timeliness. For one thing, the bill is too specific: it provides the task force too much guidance rather than letting the investigation and examination take its own course (defining loss levels and suggesting funding sources and benefit structures, etc.) There are also concerns that the time frames in the bill (the date by which appointments are to be made, the date of the first meeting, the deadline for the report, etc.) are too stringent. OFIS officials have expressed concerns about the agency's ability to provide technical assistance without any increase in funding, particularly since the bill refers to actuarial services. OFIS does not employ an actuary but must contract for such services. The bill also requires reimbursement for task force travel.

POSITIONS:

AFT Michigan supports the bill. (1-19-06)

The International Union of Operating Engineers supports the bill. (1-19-06)

The Office of Financial and Insurance Services (OFIS) has no official position. (1-19-06)

The Michigan Chamber of Commerce has no position on the bill. (1-19-06)

Legislative Analyst: Chris Couch
Fiscal Analyst: Richard Child

■ 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.