

Legislative Analysis



CONTINUE HEALTH COVERAGE FOR STUDENTS ON LEAVE DUE TO ILLNESS OR INJURY

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

House Bills 5815 and 5816 as introduced

Sponsor: Rep. Phil Pavlov

Committee: Insurance

First Analysis (6-19-06)

BRIEF SUMMARY: The bills would require that health care coverage for dependent children who are full-time or part-time students be continued for at least 12 months in the event the covered student takes a leave of absence from school due to illness or injury.

FISCAL IMPACT: There is no significant fiscal impact on the State of Michigan or its local units of government.

THE APPARENT PROBLEM:

Often health insurance coverage allows dependent children to stay on a family policy past the usual age if they are enrolled as students. If a dependent no longer qualifies as a student, he or she is no longer eligible for coverage. This means that if a student leaves school due to injury or illness, he or she loses health insurance coverage at the very time it is most needed. Some people recommend that in such a situation, the student be allowed to remain on the family coverage for at least one year, which provides a reasonable time to recover and return to school.

THE CONTENT OF THE BILLS:

The bills would require that health care coverage for dependent children who are full-time or part-time students be continued in the event the covered student takes a leave of absence from school due to illness or injury. Coverage would continue for 12 months from the last day of attendance in school or until the dependent reaches the age at which coverage would otherwise terminate, whichever is shorter.

The dependent student's physician would need to certify in writing to the insurer, health maintenance organization, or to Blue Cross Blue Shield of Michigan that the leave of absence is medically necessary. Coverage would have to be provided at the same rate as charged when the student was enrolled. The dependent child would have to meet all other eligibility requirements.

House Bill 5815 would amend the Insurance Code (MCL 500.2264a) to apply to commercial health insurers. House Bill 5816 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1409a) to apply to Blue Cross Blue Shield of Michigan.

ARGUMENTS:

For:

The bills provide a reasonable approach to an unusual problem. A young person can remain on a family health insurance policy if he or she is a student. But if the young person ceases to be a student due to injury or illness, the coverage is discontinued. Since this is the time when such a policy (for which parents have been paying premiums) actually becomes useful, this practice presents a hardship to the student and the family. The bills would require a one-year extension of student coverage for a period a student cannot enroll due to illness and injury.

Against:

Strictly speaking, the bills represent a mandatory benefit. Typically, insurance entities oppose mandatory benefits as a matter of principle and because, if they become widespread, they will drive up the cost of coverage to consumers.

POSITIONS:

The Office of Insurance and Financial Services supports the bills. (6-15-06)

The Life Insurance Association of Michigan indicated opposition to the bills. (6-15-06)

American Community Mutual Insurance indicated opposition to the bills as introduced. (6-15-06)

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.