



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1426 (Substitute S-1 as passed by the Senate)
House Bill 6032 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Bev Hammerstrom (S.B. 1425)
Representative Roger Kahn (H.B. 6032)
Senate Committee: Health Policy
House Committee: Health Policy (H.B. 6032)

Date Completed: 10-9-06

RATIONALE

Under Michigan law, an individual has the right to seek an independent review when his or her health carrier denies a claim. A patient first must file a grievance with the health carrier and undergo the internal grievance process. If the patient is unsatisfied with the outcome, he or she may request the Office of Financial and Insurance Services (OFIS) to conduct an external review under the Patient's Right to Independent Review Act. Under the Act, "health carrier" does not include a State department or agency. Thus, government employees are precluded from using the independent review process available to others. It has been suggested that the definition of "health carrier" should exclude only a State department or agency administering the Medicaid program, and that health insurers that contract with governmental units should be required to implement internal and external review procedures.

CONTENT

Senate Bill 1426 (S-1) would create a new act to require an entity that contracted with the State or a local unit of government for health care services provided under a self-funded plan established or maintained by the State or that local unit for its employees, to establish procedures and make available to people covered by the plan internal and external reviews as though the entity were an insurer subject to the Insurance Code and a health carrier

under the Patient's Right to Independent Review Act.

House Bill 6032 (S-1) would amend the Patient's Right to Independent Review Act to exclude from the definition of "health carrier" a State department or agency administering the Medicaid program, rather than a State department or agency.

The bills are described below in further detail.

Senate Bill 1426 (S-1)

Under the bill, an entity that contracted with a State or local unit of government to provide, deliver, arrange for, pay for, or reimburse any of the costs of health care services provided under a self-funded plan established or maintained by the State or local unit for its employees would have to do both of the following:

- Establish procedures and make available to people covered by the plan internal reviews as though the entity were an insurer subject to Section 2213 of the Insurance Code.
- Establish procedures and make available to people 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 the Patient's Right to Independent Review Act.

(Section 2213 of the Insurance Code requires insurers to establish an internal formal grievance procedure for people covered under a disability insurance or health maintenance organization (HMO) policy, certificate, or contract.)

The OFIS Commissioner would have to provide external reviews under this provision to a person covered by the State or local self-funded plan as though he or she were a covered person under the Patient's Right to Independent Review Act.

Under the bill, "local unit of government" would mean any political subdivision of the State, including a school district, community or junior college, State university, city, village, township, charter township, county, charter county, authority created by the State, or authority created by another local unit of government.

House Bill 6032 (S-1)

The Patient's Right to Independent Review Act authorizes an individual to request the OFIS Commissioner to review an adverse determination by the individual's health carrier, and prescribes the review process.

"Health carrier" means an entity subject to the insurance laws and regulations of this State, or subject to the jurisdiction of the OFIS Commissioner, that contracts or offers to contract to provide, deliver, arrange for, pay for, or reimburse any of the costs of health care services, including a sickness and accident insurance company, an HMO, a nonprofit health care corporation, or any other entity providing a plan of health insurance, health benefits, or health services. The term does not include a State department or agency. Under the bill, the term would exclude a State department or agency administering the Medicaid program.

MCL 550.1903 (H.B. 6032)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bills would extend to State and local governmental employees the same rights to independent review as those afforded

private sector employees, closing an unfair loophole in the current law. The independent review process constitutes a system of checks and balances in the health insurance industry and provides an avenue through which a consumer who feels that his or her claim has been denied unfairly can appeal the denial. Every Michigan citizen should have the right to an independent review, whether his or her employer is private or public.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

Senate Bill 1426 (S-1)

The bill would increase the costs of the Office of Financial and Insurance Services within the Department of Labor and Economic Growth by a small but unknown amount, due to a potential for increases in the external reviews provided by OFIS that would be authorized by the bill. Currently, health insurers are required to offer consumers external reviews of adverse determinations made by the insurers. These external reviews from OFIS, however, are not available to State or local self-funded health plans operated by a third party administrator. The bill would extend the opportunity for an external review of decisions to consumers in those self-funded health plans. The Office of Financial and Insurance Services is funded entirely by restricted funds.

State and local governments operating self-funded health plans could see a minimal cost increase in complying with the internal and external review processes required by the bill.

House Bill 6032 (S-1)

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.