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BILL ANALYSIS

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House Bill 5348 (as reported without amendment)
House Bill 5349 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative Kevin Green (H.B. 5348)
Representative Paula Zelenko (H.B. 5349)
House Committee: Senior Health, Security, and Retirement
Senate Committee: Health Policy

CONTENT

House Bill 5348 would repeal provisions of the Nonprofit Health Care Corporation Reform Act governing long-term care coverage offered by Blue Cross and Blue Shield of Michigan, and include them in provisions of the Insurance Code regulating long-term care coverage; and amend the Insurance Code to include services provided in an assisted living facility among the services covered by long-term care insurance.

House Bill 5349 (S-1) would amend the Insurance Code to do the following:

- Include online courses among the courses that may be used to complete the required hours of instruction in a registered insurance agent program of study; and provide that any combination of classroom, online, or self-study hours could be used in satisfying the minimum number of hours.
- Include long-term care among the subjects to be covered in a life-health insurance agent program of study.
- Prohibit an individual long-term care policy or certificate from being issued until the insurer received from the applicant a designation of an additional person to receive notice of lapse or termination of the policy for nonpayment of premium, or a waiver of the right to designate an additional person, beginning March 1, 2007.
- Prohibit the lapse or termination of an individual long-term care policy unless the insurer gave the insured and any designated additional person at least 30 days' notice, beginning March 1, 2007.
- Require a policy or certificate to provide for reinstatement of coverage if the insurer were given proof that the policyholder or certificateholder was cognitively impaired or had a loss of functional capacity before the policy's grace period expired, beginning March 1, 2007.
- Prohibit a long-term care policy from being delivered or issued unless the policyholder were offered the option of purchasing a policy or certificate including a nonforfeiture benefit, subject to certain exceptions; and require an insurer to provide a contingent benefit upon lapse to a person who declined the nonforfeiture benefit.
- Require policyholders to be notified at least 45 days before the effective date of a premium increase.
- Require an insurer to offer reduced policy benefits or a shortened benefit period before the effective date of a substantial premium increase.
- Require an insurer to give an applicant information about previous and potential premium rate increases, beginning June 1, 2007.
- Require an insurer to give an actuarial certification to the Commissioner of the Office of Financial and Insurance Services 30 days before offering a long-term care policy or

certificate available for sale; and allow the Commissioner to request an actuarial demonstration that benefits were reasonable in relation to premiums, beginning June 1, 2007.

- Require an insurer to give the Commissioner at least 30 days' notice of a pending premium rate schedule increase, beginning June 1, 2007.
- Allow the Commissioner to require an insurer to implement rate schedule adjustments if he or she determined that the actual experience following a rate increase did not adequately match the projected experience, beginning June 1, 2007.
- Require the Commissioner to review the projected lapse rates and past lapse rates following a rate increase to determine if significant adverse lapsation occurred or was anticipated, under certain circumstances; and allow the Commissioner to determine that a rate spiral existed and require an insurer to take certain actions, beginning June 1, 2007.
- Apply only to policies issued before June 1, 2007, a provision under which benefits under individual long-term care policies are considered reasonable in relation to premiums provided the expected loss ratio is at least 60%.
- Require an insurer marketing long-term care insurance to develop suitability standards to determine whether the purchase of long-term care insurance was appropriate for the needs of an applicant.

MCL 500.3901 et al. (H.B. 5348)
500.1204c et al. (H.B. 5349)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

House Bill 5348 would have no fiscal impact on State or local government.

House Bill 5349 (S-1) would likely lead to an expansion of the long-term care insurance market. Such an expansion would, in the long run, reduce Medicaid long-term care expenditures. Some of the individuals who would buy long-term care insurance would have been covered by Medicaid if they had not bought policies.

Date Completed: 9-13-06

Fiscal Analyst: Steve Angelotti

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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.