Legislative Analysis

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EXEMPT HMOS FROM NOTICE REQUIREMENT FOR FEDERAL OR STATE HEALTH PROGRAMS

House Bill 5855 (Substitute H-2)
Sponsor: Rep. Kate Segal
Committee: Insurance

Complete to 5-17-10

A SUMMARY OF HOUSE BILL 5855 AS REPORTED FROM COMMITTEE

Under the Insurance Code, a health maintenance organization (HMO) typically must provide a clear written explanation to subscribers of the extent and nature of a proposed change in an HMO contract or the rate charged not less than 30 days before the change takes effect. (There is an exception for collectively bargained revisions.)

House Bill 5855 would create an exception from this requirement for HMO contracts issued in connection with state and federal health programs, such as Medicaid. (This does not refer to programs for state and federal employees.) For contracts issued in connection with state and federal health programs, advance notice would not be required if the change in a contract or rate arises from a change in the law, a state or federal administrative order, or an executive order that does not provide for a reasonable period of time for an HMO to give the required notice. Instead, in such cases, notice would have to be provided within 30 days after a change took effect.

MCL 500.3525

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

BACKGROUND AND DISCUSSION:

The Michigan Association of Health Plans has testified that the need for this legislation arose last summer when certain optional services in the Medicaid program were eliminated by executive order of the governor. Medicaid health plans (HMOs) did not know until just before the effective date of the executive order what information to provide Medicaid beneficiaries. They then under state law had to seek approval from state regulators (the Office of Financial and Insurance Regulation) and provide 30 days' notice to beneficiaries before making benefit changes. The result, in brief, according the association, is that the Medicaid HMOs "had to continue to provide a service to Medicaid beneficiaries up to 60 days after the State of Michigan stopped paying health plans for the benefit." The association says there have been other similar cases in the past.

The bill addresses this kind of case by providing an exception from the advance notification requirement when federal or state action does not allow HMOs a reasonable amount of time to comply. Notification would still need to be provided within 30 days after the changes in a contract or rate took effect. Further, according to the association, the Michigan Department of Community Health (MDCH) is required as a matter of policy to notify Medicaid beneficiaries of changes in Medicaid policies.

POSITIONS:

The Office of Financial and Insurance Regulation supports the bill. (5-13-10)

The Michigan Association of Health Plans testified in support of the bill. (5-13-10)

CareSource of Michigan (a Medicaid HMO that describes itself as serving nearly 40,000 beneficiaries in 31 Michigan counties and dually eligible Medicare/Medicaid beneficiaries in six Michigan counties) testified in support of the bill. (5-13-10)

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