

**SUBSTITUTE FOR
HOUSE BILL NO. 6240**

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 3406f and 3539 (MCL 500.3406f and 500.3539),
section 3406f as added by 1996 PA 517 and section 3539 as amended
by 2005 PA 306.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3406f. (1) An insurer may exclude or limit coverage for a
2 condition as follows:

3 (a) For an individual covered under an individual policy or
4 certificate or any other policy or certificate not covered under
5 subdivision (b) or (c), only if the exclusion or limitation relates
6 to a condition for which medical advice, diagnosis, care, or
7 treatment was recommended or received within 6 months before
8 enrollment and the exclusion or limitation does not extend for more
9 than 12 months after the effective date of the policy or

1 certificate.

2 (b) For an individual covered under a group policy or
3 certificate covering 2 to 50 individuals, only if the exclusion or
4 limitation relates to a condition for which medical advice,
5 diagnosis, care, or treatment was recommended or received within 6
6 months before enrollment and the exclusion or limitation does not
7 extend for more than 12 months after the effective date of the
8 policy or certificate.

9 (c) For an individual covered under a group policy or
10 certificate covering more than 50 individuals, only if the
11 exclusion or limitation relates to a condition for which medical
12 advice, diagnosis, care, or treatment was recommended or received
13 within 6 months before enrollment and the exclusion or limitation
14 does not extend for more than 6 months after the effective date of
15 the policy or certificate.

16 (2) As used in this section, "group" means a group health plan
17 as defined in ~~section 2791(a)(1) and (2) of part C of title XXVII~~
18 ~~of the public health service act, chapter 373, 110 Stat. 1972, 42~~
19 ~~U.S.C. 300gg-91-42~~ **USC 300GG-91**, and includes government plans that
20 are not federal government plans.

21 (3) This section applies only to an insurer that delivers,
22 issues for delivery, or renews in this state an expense-incurred
23 hospital, medical, or surgical policy or certificate. This section
24 does not apply to any policy or certificate that provides coverage
25 for specific diseases or accidents only, or to any hospital
26 indemnity, medicare supplement, long-term care, disability income,
27 or 1-time limited duration policy or certificate of no longer than

1 6 months.

2 ~~—— (4) The commissioner and the director of community health~~
 3 ~~shall examine the issue of crediting prior continuous health care~~
 4 ~~coverage to reduce the period of time imposed by preexisting~~
 5 ~~condition limitations or exclusions under subsection (1) (a), (b),~~
 6 ~~and (c) and shall report to the governor and the senate and the~~
 7 ~~house of representatives standing committees on insurance and~~
 8 ~~health policy issues by May 15, 1997. The report shall include the~~
 9 ~~commissioner's and director's findings and shall propose~~
 10 ~~alternative mechanisms or a combination of mechanisms to credit~~
 11 ~~prior continuous health care coverage towards the period of time~~
 12 ~~imposed by a preexisting condition limitation or exclusion. The~~
 13 ~~report shall address at a minimum all of the following:~~

14 ~~—— (a) Cost of crediting prior continuous health care coverages.~~

15 ~~—— (b) Period of lapse or break in coverage, if any, permitted in~~
 16 ~~a prior health care coverage.~~

17 ~~—— (c) Types and scope of prior health care coverages that are~~
 18 ~~permitted to be credited.~~

19 ~~—— (d) Any exceptions or exclusions to crediting prior health~~
 20 ~~care coverage.~~

21 ~~—— (e) Uniform method of certifying periods of prior creditable~~
 22 ~~coverage.~~

23 Sec. 3539. (1) For an individual covered under a nongroup
 24 contract or under a contract not covered under subsection (2), a
 25 health maintenance organization may exclude or limit coverage for a
 26 condition only if the exclusion or limitation relates to a
 27 condition for which medical advice, diagnosis, care, or treatment

1 was recommended or received within 6 months before enrollment and
2 the exclusion or limitation does not extend for more than 6 months
3 after the effective date of the health maintenance contract.

4 (2) A health maintenance organization shall not exclude or
5 limit coverage for a preexisting condition for an individual
6 covered under a group contract.

7 (3) Except as provided in subsection (5), a health maintenance
8 organization that has issued a nongroup contract shall renew or
9 continue in force the contract at the option of the individual.

10 (4) Except as provided in subsection (5), a health maintenance
11 organization that has issued a group contract shall renew or
12 continue in force the contract at the option of the **PLAN'S** sponsor.
13 ~~of the plan.~~

14 (5) Guaranteed renewal is not required in cases of fraud,
15 intentional misrepresentation of material fact, lack of payment, if
16 the health maintenance organization no longer offers that
17 particular type of coverage in the market, or if the individual or
18 group moves outside the service area.

19 (6) A health maintenance organization is not required to
20 continue a healthy lifestyle program or to continue any incentive
21 associated with a healthy lifestyle program, including, but not
22 limited to, goods, vouchers, or equipment.

23 (7) As used in this section, "group" means a group of 2 or
24 more subscribers.