

Legislative Analysis



HEALTH CARE BENEFITS/SERVICES

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House Bill 4875

Sponsor: Rep. Mike Callton, D.C.

House Bill 4876

Sponsor: Rep. Bradford C. Jacobsen

House Bill 4877

Sponsor: Rep. Frank D. Foster

Committee: Health Policy

Complete to 9-30-13

A SUMMARY OF HOUSE BILLS 4875-4877 AS INTRODUCED 6-20-13

House Bills 4875 and 4876 would prohibit health insurers from including a health care service as a covered health care benefit under the terms and conditions of a policy, certificate, or contract if the copayment, coinsurance, or deductible for that service exceeded certain amounts. This applies to commercial insurance companies, health maintenance organizations (HMOs), and Blue Cross and Blue Shield.

House Bill 4877 would prohibit a third-party administrator (TPA) from administering a plan that included the prohibited services.

House Bill 4875 would add a new section to the Insurance Code (MCL 500.3402a) to apply to commercial insurance companies and HMOs. House Bill 4876 would add a new section to the Nonprofit Health Care Corporation Reform Act (MCL 550.421) to apply to Blue Cross Blue Shield of Michigan.

The bills apply to health insurance certificates, policies, and contracts entered into after the bills take effect. For certificates, policies, or contracts already in effect on the date the bills take effect, the new prohibition would apply on the date the policy, contract, or certificate is next extended, renewed, or modified in any manner.

The bills prohibit a health insurer providing individual or group health insurance plans from including a health care service as a covered health care benefit under the terms and conditions of the policy, certificate, or contract, or in any other communication about the policy, certificate, or contract if either of the following apply:

- The copayment or coinsurance for the health care service (the amount the insured person is responsible to pay over the cost of any premium) is greater than 50 percent of the cost of that service.

- The deductible for the health care service either: (1) is established in such a way as to provide *de minimis* (that is, nominal) reimbursement for the service by the health insurer, or (2) has an annual or other deductible amount that the health insurer reasonably knows will not be met by at least 80 percent of the members.

The director of the Department of Insurance and Financial Services would be required to investigate and issue a ruling on all complaints arising from the new provisions.

House Bill 4877 would add a new section to the Third Party Administrator Act (MCL 550.33). A third party administrator (TPA) processes claims under a service contract and may also provide one or more administrative services. Often, large employers who self-insure (meaning the employer acts as the insurance company and pays the claims of the employees) contract with TPAs to process the employee's health claims.

The bill prohibits a TPA from entering into a service contract with a benefit plan if the benefit plan included the provisions prohibited by House Bills 4875 and 4876 as a covered health care benefit. The bill applies to a service contract entered into after the bill's effective date. For a service contract in effect on the bill's effective date, the bill's provisions would apply on the date the service contract is next extended, renewed, or modified in any manner. The director of Insurance and Financial Services would be required to investigate and issue a ruling on all complaints arising from the new provisions.

FISCAL IMPACT:

House Bills 4875-4877 would have a marginal fiscal impact on the Department of Insurance and Financial Services (DIFS) to the extent that the DIFS incurs costs of investigating and issuing rulings on complaints arising under the new sections.

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