

CODIFYING MEDICAL LOSS RATIO REBATES

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House Bill 5825 (H-3) as passed by the House
Sponsor: Rep. Julie Rogers
Committee: Insurance and Financial Services
Complete to 12-13-24

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 254 of 2024)

SUMMARY:

House Bill 5825 would amend the Insurance Code to require insurers that deliver, issue for delivery, or renew health insurance policies in Michigan to issue rebates, in accordance with federal law and regulations, to those it insures if the insurer does not meet the medical loss ratio as required by the federal Patient Protection and Affordable Care Act (ACA).

Insurers that file their medical loss ratio and other rebate information with the United States Department of Health and Human Services would be required to concurrently file the information with the Michigan Department of Health and Human Services.

An insurer that complies with the ACA's rebate requirements would be considered to be in compliance with the bill.

The bill would not apply to grandfathered health plan coverage, as defined in federal regulations, or to health insurance policies not required to issue rebates by the ACA, including plans that cover retirees.

Proposed MCL 500.3406jj

BACKGROUND:

The ACA requires insurers to spend at least 80% or 85% of premium dollars on medical care quality improvement (known as the medical loss ratio), as opposed to administrative costs, overhead, profits, or other nonmedical items. An insurer that fails to meet this standard is required to provide a rebate to its customers.¹ The Kaiser Family Foundation has estimated about \$1.0 billion in rebates are issued across all commercial insurance markets each year, including for 2024. Rebates are estimated to have exceeded \$2.5 billion in both 2020 and 2021.²

Supporters of the bill argued that it is important to codify the protections of the ACA in state law to ensure that they are continued in the event federal policy changes.

¹ <https://www.cms.gov/marketplace/private-health-insurance/medical-loss-ratio>

² <https://www.kff.org/private-insurance/issue-brief/medical-loss-ratio-rebates/>

FISCAL IMPACT:

House Bill 5825 would not have a fiscal impact on any units of state or local government.

POSITIONS:

A representative of the Michigan Council of Nurse Practitioners testified in support of the bill. (11-14-24)

The following entities indicated support for the bill (11-14-24):

- Michigan Occupational Therapists Association
- American Physical Therapy Association Michigan

Legislative Analyst: Alex Stegbauer
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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.