

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.3563 Insolvency; offer of enrollment by health insurers participating in enrollment process; allocation of group coverage to health maintenance organizations or insurers within service area; nongroup coverage; reassignment of enrollees of insolvent organization contracting with state funded health care program; substitute coverage under American health benefit exchange.

Sec. 3563. (1) If a health maintenance organization becomes insolvent, upon the director's order all other health insurers that participated in the enrollment process with the insolvent health maintenance organization at a group's last regular enrollment period shall offer the insolvent health maintenance organization's group enrollees a 30-day enrollment period beginning on the date of the director's order. Each health insurer shall offer the insolvent health maintenance organization's enrollees the same coverages and rates that it had offered to the enrollees of the group at its last regular enrollment period.

(2) If no other health insurer was offered to some groups enrolled in an insolvent health maintenance organization, or if the director determines that the other health insurers lack sufficient health care delivery resources to ensure that health care services will be available and accessible to all of the group enrollees of the insolvent health maintenance organization, the director shall allocate equitably the insolvent health maintenance organization's group contracts for these groups among all health maintenance organizations that operate within a portion of the insolvent health maintenance organization's service area, taking into consideration the health care delivery resources of each health maintenance organization. Each health maintenance organization to which a group or groups are allocated under this subsection shall offer the group or groups the health maintenance organization's existing coverage that is most similar to each group's coverage with the insolvent health maintenance organization at rates determined in accordance with the successor health maintenance organization's existing rating methodology.

(3) The director shall allocate equitably the insolvent health maintenance organization's nongroup enrollees who are unable to obtain other coverage among all health maintenance organizations that operate within a portion of the insolvent health maintenance organization's service area, taking into consideration the health care delivery resources of each health maintenance organization. Each health maintenance organization to which nongroup enrollees are allocated under this subsection shall offer the nongroup enrollees coverage without a preexisting condition limitation for individual coverage as determined by the enrollee's type of coverage in the insolvent health maintenance organization at rates under the successor health maintenance organization's existing rating methodology. Successor health maintenance organizations that do not offer direct nongroup enrollment may aggregate all of the allocated nongroup enrollees into 1 group for rating and coverage purposes.

(4) If a health maintenance organization that contracts with a state funded health care program becomes insolvent, the director shall inform the state agency responsible for the program of the insolvency. Notwithstanding any other provision of this section to the contrary, enrollees of an insolvent health maintenance organization covered by a state funded health care program may be reassigned under state and federal statutes governing the program.

(5) Notwithstanding any provision of this section to the contrary, an enrollee of an insolvent health maintenance organization who is eligible to obtain coverage as either an individual or a member of a small group under an American health benefit exchange established or operating in this state pursuant to the patient protection and affordable care act, Public Law 111-148, as amended by the health care and education reconciliation act of 2010, Public Law 111-152, may obtain substitute coverage through the exchange.

History: Add. 2000, Act 252, Imd. Eff. June 29, 2000;—Am. 2016, Act 276, Imd. Eff. July 1, 2016.

Popular name: Act 218

Popular name: HMO