

A bill to amend 1984 PA 218, entitled
"Third party administrator act,"
by amending sections 40 and 44 (MCL 550.940 and 550.944).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 40. A TPA or manager, in processing claims, shall not
2 do any of the following:

3 (a) Misrepresent pertinent facts relating to coverage.

4 (b) Fail to make a good faith effort to acknowledge promptly
5 or to act reasonably and promptly upon communications with
6 respect to a claim for benefits.

7 (c) Fail to adopt and implement reasonable standards for the
8 prompt investigation of a claim for benefits.

9 (d) Refuse to process claims without conducting a reasonable
10 investigation based upon the available information.

1 (e) Fail to communicate affirmation or denial of coverage of
2 a claim for benefits within a reasonable time after a claim has
3 been received.

4 (f) Fail to make a good faith effort to promptly, fairly,
5 and equitably process a claim for benefits.

6 (g) Fail to promptly provide a reasonable explanation of the
7 basis for denial or partial denial of a claim for benefits.

8 (h) Refuse to process claims because of race, color, creed,
9 marital status, sex, national origin, residence, age, ~~handicap~~
10 DISABILITY, or lawful occupation.

11 (i) Knowingly compel individuals covered by the plan to
12 institute litigation to recover amounts due under a benefit plan
13 by offering substantially less than the amounts due unless the
14 amounts due are reasonably in dispute.

15 (j) For the purpose of coercing an individual covered by the
16 plan to accept a settlement or compromise of a claim, inform the
17 individual of a policy of the TPA of appealing judicial, arbitra-
18 tion, or administrative hearing decisions which are in favor of
19 individuals covered by the plan.

20 (k) Delay the investigation or processing of a claim by
21 requiring an individual covered by the plan, or the provider of
22 services to the individual covered by the plan, to submit a pre-
23 liminary claim and then requiring subsequent submission of a
24 formal claim, seeking solely the duplication of a verification.
25 This subdivision does not apply to the predetermination or pre-
26 certification of benefits.

1 Sec. 44. (1) A TPA shall not refuse to enter into a service
2 contract or provide administrative services other than processing
3 claims because of race, color, creed, marital status, sex,
4 national origin, residence, age, ~~handicap~~ DISABILITY, or lawful
5 occupation.

6 (2) A TPA or manager shall not misrepresent the financial
7 condition of a TPA or of any person engaged in the business of
8 insurance, or misrepresent the financial aspects of the services
9 offered by the TPA or make a statement which is maliciously
10 false, maliciously critical of, or maliciously derogatory to the
11 financial condition of another TPA or of a person engaged in the
12 business of insurance.

13 (3) A TPA or manager shall not misrepresent the nature of
14 the services provided by the TPA, including but not limited to,
15 the existence or identity of any carrier or other TPA involved
16 with the plan; the extent of risk assumed by any particular named
17 carrier, if any; or the regulatory status of the carrier or TPA.

18 (4) A TPA or manager shall not make, or participate in the
19 making of, any fraudulent statement on a claims form for the pur-
20 pose of obtaining money or other benefits.

21 (5) A TPA shall process claims for benefits on a timely
22 basis.