



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5400
Sponsor: Representative John Llewellyn
House Committee: Insurance
Senate Committee: Financial Services

Date Completed: 12-5-95

SUMMARY OF HOUSE BILL 5400 as passed by the House:

The bill would amend the Nonprofit Health Care Corporation Reform Act, which regulates Blue Cross and Blue Shield of Michigan (BCBSM), to allow BCBSM to have a contingency reserve of up to 150% of the target contingency reserve level established annually by the Insurance Commissioner. Currently, the maximum allowable contingency reserve is 120% of the target level. If reserves are above the limit at the end of a calendar year, the Act requires BCBSM to make adjustments to stay within the required range.

MCL 550.1205

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill could have an indeterminate fiscal impact on those governmental units participating in health insurance benefit plans through Blue Cross/Blue Shield. Premium levels would be maintained at a level that would enable the corporation to raise the level of reserves to the desired level of \$850,000,000. The current cap of \$595,000,000 is \$215,000,000 less than the current reserve level of \$810,000,000. If the reserve cap is not increased, Blue Cross/Blue Shield could be required to reduce its contingency reserve by as much as \$215,000,000. This could result in reduced premiums for Michigan employers, including the State and local governmental units.

Fiscal Analyst: K. Lindquist

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