Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 629 (Substitute S-1 as reported)
Senate Bill 630 (Substitute S-1 as reported)
Sponsor: Senator Bill Bullard, Jr.
Committee: Health Policy

CONTENT

Senate Bill 629 (S-1) would amend the Nonprofit Health Care Corporation Reform Act (which governs Blue Cross and Blue Shield of Michigan (BCBSM)), and Senate Bill 630 (S-1) would amend the Insurance Code, to require BCBSM, a health maintenance organization (HMO), and a health insurer providing benefits for emergency services, to provide for direct reimbursement to any provider of covered medical transportation services if that provider had not received payment for those services from any other source. (In the case of BCBSM, payment could be made to the provider or jointly to the covered individual and the provider.) The bills' requirement for direct reimbursement would not apply to a transaction between BCBSM, or an insurer or HMO, and a medical transportation service provider if the parties had entered into a contract providing for direct payment.

Under Senate Bill 629 (S-1), BCBSM would not have to provide for direct reimbursement or joint payment to any nonparticipating provider for medical transportation services that were not emergency health services as defined in the Nonprofit Health Care Corporation Reform Act. Under Senate Bill 630 (S-1), an insurer or HMO, for a policy or certificate issued under Section 3405 or 3631 of the Insurance Code, would not have to provide for direct reimbursement to any nonaffiliated or nonparticipating provider for medical transportation services that were not emergency health services as defined in the Code. (Those sections allow insurers and HMOs authorized to write disability insurance to enter into prudent purchaser agreements with providers of hospital, nursing, medical, surgical, or sick-care services.)

The bills would apply to a policy or certificate providing benefits for emergency services that was delivered, issued, or renewed in Michigan on or after April 1, 2003.

Proposed MCL 550.1418a (S.B. 629) Legislative Analyst: George Towne
Proposed MCL 500.3406l (S.B. 630)

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on State and local government. According to providers of ambulance services, they often end up writing off unpaid claims as bad debt, even though the individual who used the ambulance had insurance coverage for that service. The problem, they suggest, is that in many cases the insurer pays the insured for the claim and the ambulance provider then tries to collect from the insured individual. The providers suggest that if they were paid directly by the insurer (or, as suggested in the past, if the insurer paid the insured directly with the check made out to both the insured *and* the ambulance provider), it would be easier to collect the copayment or uncovered portion of the claim from the individual insured, thereby reducing both the amount of bad debt and the subsequent need of the ambulance provider to raise prices to make up for that bad debt. Under these bills, *if* an insurer provided coverage for ambulance services, then the insurer would be required to pay an ambulance provider directly (or to pay the provider and the insured jointly, in the case of

BCBSM) if one of its insured individuals incurred a claim for that service. The bills do not appear to mandate that an insurer provide coverage for ambulance services, or set the amount of payment for these services.

The provider community claims that bad debt is equivalent to 10% of its revenue. While the Senate Fiscal Agency (SFA) cannot independently verify that, there is no evidence to the contrary. Although not all of the bad debt results from the claims of people with coverage, the SFA tested the cost savings hypothesis based on that parameter.

Using a simple recursive model that generated successive changes in the average cost of services, where the *only* cost driver was the need to cover the bad debt, the SFA found that the average charge over three years would have to increase by 21% and all of the bad debt still would not be covered. As noted above, this result is based on an assumed level of bad debt of 10% and is compared with a pricing structure that holds all other factors constant. However, even if the related bad debt were only 5% of revenue, the increased cost over the same period still would be 10%. It is impossible to give a "dollar" savings if the bills were enacted, though they almost certainly would generate "system-wide" savings.

Date Completed: 11-18-02 Fiscal Analyst: John Walker

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