



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5414 (as reported with amendments)
Sponsor: Representative Marc Shulman
House Committee: Appropriations
Senate Committee: Judiciary

CONTENT

The bill would amend the Social Welfare Act to require a medical assistance (Medicaid) recipient or his or her legal counsel to notify the Department of Community Health (DCH) and, if appropriate, a "Medicaid-contracted health plan", when filing an action in which the DCH or health plan could have a right to recover expenses paid under the Act. ("Medicaid-contracted health plan" would mean a managed care organization with which the DCH contracted to provide or arrange for the delivery of comprehensive health care services.)

Under the Act, the DCH is subrogated to any right of recovery that a patient may have for the cost of hospitalization, pharmaceutical services, physician services, nursing services, and other medical services. ("Subrogation" refers to the substitution of one person in the place of another with respect to a lawful claim.) Under the bill, a Medicaid recipient or his or her legal counsel would have to notify the DCH when filing an action in which the DCH could have a right to recover expenses. If the individual were enrolled in a Medicaid-contracted health plan, notification also would have to be given to the health plan. If an action were filed and settled without the required notice, the DCH or the health plan could file a legal action to recover expenses. In that case, the Attorney General also could recover any costs or attorney fees associated with the recovery of expenses.

If the individual would recover less against the proceeds of the net recovery than the expenses paid under the Act, the DCH or Medicaid-contracted health plan and the individual would have to share equally in the proceeds of the net recovery. ("Net recovery" would mean the total settlement or judgment, less the costs and fees incurred by or on behalf of the individual who obtained the settlement or judgment.)

MCL 400.106

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

If a patient received medical services paid for all or in part by Medicaid, and the services related to a potential court case, that patient would have to inform the State of the lawsuit. The State then could recover any Medicaid costs related to the lawsuit award or settlement. The FY 2004-05 Department of Community Health budget assumes approximately \$7.6 million gross; \$3.3 million GF/GP savings from passage of the bill. While the bill would allow the State Attorney General to recover costs or attorney fees, the projected savings appear to be a reasonable estimate.

Date Completed: 9-23-04

Fiscal Analyst: Steve Angelotti

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Analysis available @ <http://www.michiganlegislature.org>

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