



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 88 (Substitute S-2 as reported)
Sponsor: Senator Bill Hardiman
Committee: Health Policy

CONTENT

The bill would amend the Insurance Code to do the following:

- Delete a requirement that copayments for basic health services provided under a health maintenance organization (HMO) contract be nominal.
- Require the Commissioner of the Office of Financial and Insurance Services (OFIS) to make an annual determination as to whether the greater copayment and coinsurance levels allowed by the bill had increased the number of employers who had contracted for HMO services and the number of HMO enrollees.
- Require the Commissioner to hold a public hearing and issue an annual report delineating specific examples of copayment and coinsurance levels in force, and suggestions to increase the number of HMO enrollees; and require the Commissioner to issue a supplemental report if the results were disputed or circumstances had changed.
- Require an HMO that participated in a State or Federal health program, excluding a State or Federal employee health program, to meet the Code's solvency and financial requirements, unless it were in receivership or under supervision.

The Code prohibits a health maintenance contract from providing for payment of cash of other material benefit to an enrollee, except as otherwise allowed. The bill specifies that this would not prohibit an HMO from promoting optimum health by offering healthy lifestyle programs to enrollees. The bill also would exempt a healthy lifestyle program from the Code's requirement for the Commissioner's approval for a rate differential.

MCL 500.3515 et al.

Legislative Analyst: Julie Koval

FISCAL IMPACT

This bill would have no fiscal impact on the State's Medicaid program and an indeterminate fiscal impact on expenditures for State employees' health insurance coverage.

Medicaid Program

In order to receive Federal matching funds for the Medicaid program, states are required under Federal law to provide certain basic services to Medicaid beneficiaries. These services include inpatient and outpatient hospital services, physician services, emergency services, preventive services, laboratory and radiological services, and home health services, to name a few. While this bill would allow HMOs to offer contracts that contained a more restricted package of benefits than is required under current law, the bill would have no impact on the scope of services that must be provided to Medicaid beneficiaries who receive services through HMOs.

State Employees' Health Insurance Coverage

Because this bill would lower the "floor" for the scope of services that must be provided by HMO contracts, there is a potential that the State could experience a reduction in expenditures for health insurance coverage if a less costly, reduced-benefit HMO contract were provided to State employees. However, such a reduction in health benefits, and the concomitant reduction in expenditures, would be subject to the collective bargaining process.

The determination, public hearings, report, and possible supplemental report regarding HMO contracts and enrollees would lead to a marginal increase in administrative costs for OFIS.

Date Completed: 10-27-05

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.