

Legislative Analysis



MEDICARE SUPPLEMENTAL POLICIES

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House Bill 5235 (Substitute H-3)

Sponsor: Rep. Barb Byrum

Committee: Insurance

Complete to 9-15-09

A BRIEF SUMMARY OF HOUSE BILL 5235 AS REPORTED FROM COMMITTEE

The bill updates Chapter 38 of the Insurance Code, which regulates Medicare supplemental (or "Medigap") benefit plans, which are the health plans that allow individuals to cover expenses for various kinds of care not paid for by Medicare.

Medicare is regulated by the federal government under Title XVIII of the Social Security Act. Medicare supplement policies and contracts (also known as "Medigap" policies) are also governed by that federal law.

Generally speaking, House Bill 5235 brings Michigan law into conformity with changes at the federal law in Medicare and in the regulation of Medicare supplemental policies. The bill is based on a model act produced by the National Association of Insurance Commissioners. According to the Office of Financial and Insurance Regulation (OFIR), the federal government requires states to adopt the changes to Chapter 38 in order to continue regulation of Medicare supplemental policies. The federal changes affect policies marketed as of June 1, 2010.

While the bill is lengthy, many of the changes are technical in nature. For example, Chapter 38 contains charts spelling out the required benefits in the various permitted kinds of Medicare supplemental policy. Each of the charts is updated to reflect changes at the federal level. The plans are designated by letter labels -- currently "A" through "L". The bill reflects that plans "E", "H", "I", and "J" will no longer be available for sale, and that two new plans, labeled "M" and "N", are to be added. These provisions run from Pages 29 to 114.

The bill also, as substituted, includes health maintenance organizations in the definition of "insurer," thus specifically allowing HMOs to market Medicare supplemental policies.

FISCAL IMPACT:

The bill does not appear to have any significant fiscal impact.

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