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ADOPTED CHILDREN: HEALTH INSURANCE

House Bills 5443-5445 (Substitute H-2)
First Analysis (3-22-90)

Sponsor: Rep. Maxine Berman
Committee: Insurance

THE APPARENT PROBLEM:

According to testimony before the House Insurance Committee, typically when a child is adopted by a family, he or she does not become covered under the family's insurance policy until the adoption is finalized. Yet adoptions are routinely not final until one year after the child is first placed in the home. While many adoptees are covered (as wards of the probate court) under Medicaid, the health care program for low-income people, some are not, and some families think it is important that a new child in their home become part of the family in all senses, including being treated by the same health care providers as the rest of the family and under the same kind of insurance coverage. There are also areas of the state where Medicaid-participating providers are hard to find. Health insurers currently are required by law to provide coverage immediately to newborns on a family health insurance policy and some people believe adopted children, a great many of whom are infants, should be covered immediately when they join the family.

THE CONTENT OF THE BILLS:

The bills would require individual and group health insurance that provides or offers to provide coverage for a family member to provide, at the election of the insured, coverage for the insured's adopted children (or children placed with the insured for adoption) that is the same as the coverage for the insured's other dependents and without any pre-existing condition limitations or insurability, eligibility, or health underwriting approval provisions that pertain only to adopted children. The coverage would begin from the date of placement for the purpose of adoption and continue until the policy is canceled or discontinued or the placement is disrupted prior to legal adoption and the child removed from placement.

House Bill 5443 would amend the HMO act within the Public Health Code (MCL 333.21054c) to apply to individual and group contracts of health maintenance organizations. House Bill 5444 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1418), to apply to group and nongroup certificates of Blue Cross and Blue Shield of Michigan. House Bill 5445 would amend the Insurance Code (MCL 500.3406f and 500.3617) to apply to individual and group hospital, medical, and surgical expense incurred policies of commercial health insurers.

FISCAL IMPLICATIONS:

The Department of Licensing and Regulation has said the bills have no revenue or budgetary implications for the state (2-27-90), but some people believe the bills will lead to costs being shifted from publicly funded health insurance programs to the private sector.

ARGUMENTS:

For:

The bill would, essentially, allow children being adopted into a family to be treated like newborn natural family members for insurance purposes. If a family elected such

coverage, an insurance company would have to provide coverage for a child being adopted as soon as he or she was placed in the home. Coverage now typically does not begin until the adoption is finalized, perhaps a year after placement. For some families this is a hardship. They want the new child to be treated as a full family member in every way possible and yet cannot obtain insurance coverage for the child like the rest of the family's. Most (although not all) children placed for adoption are covered by Medicaid, but Medicaid providers are not available everywhere in the state, and some families would prefer that the new child be treated like all other family members as regards the health providers visited and the method of insurance.

Against:

Representatives of commercial insurance companies that sell individual policies have complained that these bills will increase premiums, in part because they do not permit the medical underwriting of adopted children. This means the insurer cannot charge higher rates and cannot refuse coverage based on the health status of the person for whom coverage is sought. This is standard practice for providers of individual coverage (which includes family coverage) for everyone except newborns. (The Insurance Code is understood to prohibit underwriting newborn children.) One company has said that their current practice is not to medically underwrite newborns being adopted if they go straight from the hospital to the adoptive home but to medically underwrite newborns if they make an intermediate stop (e.g., a foster home) before being placed in the adoptive home. The bills would appear to prevent the company from doing this. Further, if a child comes into a home through some mechanism other than adoption (e.g., guardianship or a change in custodial parent) he or she would not get this favorable treatment but would be underwritten. The bills actually provide preferential treatment to adopted children. Generally, private commercial insurers point out, when insurance rates are forced up, even for what seem to be good reasons, fewer people can afford insurance and more people complain.

Against:

Some people consider this to be an insurance mandate of the type that the legislature should avoid, because mandated benefits drive up insurance costs and result in fewer people being covered or in more groups switching to "self-insurance" to avoid the mandates. While these bills may serve good public policy interests and may not add much to insurance costs, nevertheless the legislature should be cautious in further burdening the private insurance market in this way. It should be noted that children placed for adoption usually are covered by Medicaid and thus are not lacking health coverage; in fact, that coverage may be more generous than that of the adopting family. There are also medical subsidies available for certain children with special needs.

Response: The bills are not mandatory benefit bills: they

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require equal treatment for adopted and natural children. No new benefits are required under health policies. It should also be noted that the Insurance Code, according to regulators, does not require family members to be covered on individual policies. The bills say that in cases where there is family coverage, a family can choose to have a child who has been placed in the home for adoption covered under the family policy from the date of placement and that the child must be treated for insurance purposes as a child born naturally into the family. (The bill would also permit a family to have a child remain covered under Medicaid if such coverage was available.) While there may be other kinds of cases that need to be addressed (such as guardianships and changes in custodial parent), these bills address particular problems identified by those who involved in the adoption of children.

POSITIONS:

The Insurance Bureau supports the bills. (3-21-90)

The Michigan Citizens Lobby supports the bills. (3-21-90)

Blue Cross and Blue Shield of Michigan does not oppose the bills. (3-21-90)

A representative of the American Community Mutual insurance company testified in opposition to some elements of the bills before the House Insurance Committee. (3-21-90)