



**House
Legislative
Analysis
Section**

Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

THE APPARENT PROBLEM:

Delta Dental Plan of Michigan has requested an amendment to its enabling act (Public Act 125 of 1963) so that it can market its benefit plans outside of Michigan. The organization says expansion of market area would be beneficial in two key ways: 1) it would reduce administrative expenses passed on to customers by spreading fixed costs over a larger base of business; and 2) it would allow Delta Dental to compete for the business of national and multinational companies that prefer to have one company service all branch offices and plant locations.

THE CONTENT OF THE BILL:

The bill would amend Public Act 125 of 1963, which regulates Delta Dental, to allow the corporation to establish, maintain, and operate dental care plans in other states, directly or through affiliate corporations. The bill says that dental plans could be fee-for-service plans, administrative service contracts, cost-plus arrangements, or capitation plans. The bill would also say that, except as otherwise provided by its enabling act, Delta Dental would be subject to the Nonprofit Corporation Act of 1982 and the bill would remove obsolete language referring to repealed sections of an earlier nonprofit corporation law.

The act currently says that dental care rendered "on behalf of" a dental care corporation shall at all times be in accordance with the accepted dental practice in the community. The bill would amend that section to say that care rendered "by" a dental care corporation shall at all times be in accordance with the accepted dental practice in the community "in which the care was rendered." The bill would also delete the references to Michigan's dentist licensure act and instead require that dental care be furnished only through licensed dentists.

MCL 550.351 et al.

FISCAL IMPLICATIONS:

The Department of Licensing and Regulation says that the bill has no budgetary or revenue implications for the state. (5-1-90)

ARGUMENTS:

For:

The bill would make the necessary changes to Delta Dental Corporation's nearly 30-year-old enabling act to allow the corporation to market its dental benefit plans outside of Michigan. (The corporation understands the act as limiting its operation to its home state.) This will help the corporation better compete in the rapidly changing health care marketplace. In particular, the bill will allow Delta Dental to spread its administrative costs over a larger base of business, thus lowering per unit costs, and will allow the

DELTA DENTAL: MARKET OUT OF STATE

House Bill 5644 (Substitute H-1)
First Analysis (5-10-90)

Sponsor: Rep. James M. Middaugh
Committee: Insurance

corporation to compete for the business of national and multinational companies who prefer one company to service all of their locations. The corporation says ultimately the bill will benefit all of the corporation's groups and subscribers and would likely lead to an increase in its Michigan work force.

POSITIONS:

The Insurance Bureau supports the bill. (5-1-90)

Delta Dental Plan of Michigan supports the bill. (5-8-90)