

HOUSE BILL No. 4955

June 28, 1989, Introduced by Reps. Randall, Muxlow, Nye, Crandall, Owninga, Martin, Wartner, Emmons and Camp and referred to the Committee on Insurance.

A bill to amend Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws, by adding chapter 38.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 218 of the Public Acts of 1956, as
2 amended, being sections 500.100 to 500.8302 of the Michigan
3 Compiled Laws, is amended by adding chapter 38 to read as
4 follows:

CHAPTER 38

5
6 SEC. 3801. AS USED IN THIS CHAPTER:

7 (A) "BOARD" MEANS THE INSURANCE POOL GOVERNING BOARD
8 ESTABLISHED UNDER SECTION 3803.

1 (B) "CARRIER" MEANS AN INSURANCE COMPANY, HEALTH CARE
2 CORPORATION, OR HEALTH MAINTENANCE ORGANIZATION APPROVED BY THE
3 BOARD AND HOLDING A VALID CERTIFICATE OF AUTHORITY OR LICENSE
4 FROM THE COMMISSIONER, OR 2 OR MORE INSURANCE COMPANIES, HEALTH
5 CARE CORPORATIONS, OR HEALTH MAINTENANCE ORGANIZATIONS ACTING
6 TOGETHER PURSUANT TO A PARTNERSHIP, JOINT VENTURE, OR OTHER JOINT
7 MEANS OF OPERATION.

8 (C) "CLASS OF EMPLOYEE" MEANS AN EMPLOYEE CLASSIFIED AS
9 EITHER A MANAGEMENT OR NONMANAGEMENT EMPLOYEE.

10 (D) "ELIGIBLE EMPLOYEE" MEANS AN INDIVIDUAL WHO IS EMPLOYED
11 BY AN EMPLOYER ELECTING TO PARTICIPATE IN 1 OF THE HEALTH BENEFIT
12 PLANS UNDER THIS CHAPTER AND WHO IS EMPLOYED BY THE EMPLOYER FOR
13 AN AVERAGE OF AT LEAST 17.5 HOURS PER WEEK. ELIGIBLE EMPLOYEE
14 ALSO INCLUDES SOLE PROPRIETORS, BUSINESS PARTNERS, AND LIMITED
15 PARTNERS. ELIGIBLE EMPLOYEE DOES NOT INCLUDE THE FOLLOWING:

16 (i) AN INDIVIDUAL ENGAGED AS AN INDEPENDENT CONTRACTOR.

17 (ii) AN INDIVIDUAL WHOSE PERIODS OF EMPLOYMENT ARE ON AN
18 INTERMITTENT OR IRREGULAR BASIS.

19 (iii) AN INDIVIDUAL WHO HAS BEEN EMPLOYED BY THE EMPLOYER
20 FOR FEWER THAN 90 DAYS.

21 (E) "ELIGIBLE EMPLOYER" MEANS AN EMPLOYER THAT MEETS ALL OF
22 THE FOLLOWING CRITERIA:

23 (i) EMPLOYS NO MORE THAN 25 EMPLOYEES.

24 (ii) MAKES A MINIMUM CONTRIBUTION TO BE SET BY THE BOARD
25 TOWARD THE PREMIUM INCURRED ON BEHALF OF A COVERED EMPLOYEE.

26 (F) "FAMILY MEMBER" MEANS AN ELIGIBLE EMPLOYEE'S SPOUSE AND
27 AN UNMARRIED CHILD OR STEPCHILD WITHIN AGE LIMITS AND OTHER

1 CONDITIONS IMPOSED BY THE BOARD FOR UNMARRIED CHILDREN OR
2 STEPCHILDREN.

3 (G) "HEALTH BENEFIT PLAN" MEANS A CONTRACT APPROVED BY THE
4 BOARD FOR GROUP MEDICAL, SURGICAL, HOSPITAL, OR OTHER REMEDIAL
5 CARE RECOGNIZED BY STATE LAW, AND RELATED SERVICES AND SUPPLIES.

6 (H) "HEALTH CARE PROVIDER" MEANS A HEALTH PROFESSIONAL
7 LICENSED UNDER ARTICLE 15 OF THE PUBLIC HEALTH CODE, ACT NO. 368
8 OF THE PUBLIC ACTS OF 1978, BEING SECTIONS 333.16101 TO 333.18838
9 OF THE MICHIGAN COMPILED LAWS, AND A HEALTH FACILITY OR AGENCY
10 LICENSED UNDER ARTICLE 17 OF ACT NO. 368 OF THE PUBLIC ACTS OF
11 1978, BEING SECTIONS 333.20101 TO 333.22260 OF THE MICHIGAN
12 COMPILED LAWS.

13 (I) "PREMIUM" MEANS THE MONTHLY OR OTHER PERIODIC CHARGE FOR
14 A HEALTH BENEFIT PLAN.

15 SEC. 3803. (1) AN INSURANCE POOL GOVERNING BOARD IS ESTAB-
16 LISHED WITHIN THE INSURANCE BUREAU. THE BOARD CONSISTS OF 5
17 VOTING MEMBERS APPOINTED BY THE GOVERNOR, WITH THE ADVICE AND
18 CONSENT OF THE SENATE, AND THE COMMISSIONER OR HIS OR HER DESIG-
19 NATED REPRESENTATIVE WHO SHALL SERVE WITHOUT A VOTE. OF THE MEM-
20 BERS APPOINTED BY THE GOVERNOR, 2 SHALL BE EMPLOYERS AND AT LEAST
21 2 SHALL BE KNOWLEDGEABLE ABOUT INSURANCE, BUT NOT BE A CARRIER
22 OFFICER, A CARRIER EMPLOYEE, OR A CARRIER CONSULTANT.

23 (2) A VOTING MEMBER SERVES AT THE PLEASURE OF THE GOVERNOR
24 AND FOR A 3-YEAR TERM OF OFFICE. A MEMBER IS ELIGIBLE FOR
25 REAPPOINTMENT. IF THERE IS A VACANCY ON THE BOARD, THE GOVERNOR
26 SHALL MAKE AN APPOINTMENT TO BECOME IMMEDIATELY EFFECTIVE FOR THE
27 UNEXPIRED TERM. OF THE VOTING MEMBERS FIRST APPOINTED TO THE

1 BOARD, 1 SHALL SERVE FOR A 1-YEAR TERM, 2 SHALL SERVE FOR A
2 2-YEAR TERM, AND 2 SHALL SERVE FOR A 3-YEAR TERM.

3 SEC. 3805. (1) A MEMBER OF THE BOARD SHALL NOT BE COMPEN-
4 SATED, BUT IS ENTITLED TO REIMBURSEMENT FOR ACTUAL EXPENSES IN AN
5 AMOUNT ESTABLISHED BY THE LEGISLATURE.

6 (2) THE BOARD SHALL SELECT 1 OF ITS VOTING MEMBERS AS CHAIR-
7 PERSON AND 1 OF ITS VOTING OR NONVOTING MEMBERS AS
8 VICE-CHAIRPERSON. THE CHAIRPERSON AND VICE-CHAIRPERSON SHALL
9 SERVE FOR A TERM OR TERMS AND WITH DUTIES AND POWERS NECESSARY
10 FOR THE PERFORMANCE OF THE FUNCTIONS OF THOSE OFFICES AS THE
11 BOARD DETERMINES.

12 (3) A MAJORITY OF THE MEMBERS OF THE BOARD CONSTITUTES A
13 QUORUM FOR THE TRANSACTION OF BUSINESS.

14 (4) THE BOARD SHALL MEET AT LEAST ONCE EVERY 3 MONTHS AT A
15 PLACE, DAY, AND HOUR DETERMINED BY THE BOARD. IN ADDITION, THE
16 BOARD SHALL MEET PURSUANT TO THE CALL OF THE CHAIRPERSON OR OF A
17 MAJORITY OF THE BOARD MEMBERS.

18 (5) THE BOARD MAY PROMULGATE RULES NECESSARY FOR THE ADMIN-
19 ISTRATION OF THE THIS ACT PURSUANT TO THE ADMINISTRATIVE PROCE-
20 DURES ACT OF 1969, ACT NO. 306 OF THE PUBLIC ACTS OF 1969, BEING
21 SECTIONS 24.201 TO 24.328 OF THE MICHIGAN COMPILED LAWS.

22 SEC. 3807. (1) IN CARRYING OUT ITS DUTIES UNDER THIS CHAP-
23 TER, THE BOARD MAY DO ALL OF THE FOLLOWING:

24 (A) ENTER INTO CONTRACTS FOR THE ADMINISTRATION OF THIS
25 CHAPTER INCLUDING THE COLLECTION OF PREMIUMS AND THE PAYMENT OF
26 CARRIERS.

1 (B) APPROVE A CONTRACT FOR A HEALTH BENEFIT PLAN ENTERED
2 INTO DIRECTLY BETWEEN AN EMPLOYER AND CARRIER.

3 (C) ENTER INTO CONTRACTS WITH CARRIERS OR HEALTH CARE PRO-
4 VIDERS FOR HEALTH CARE INSURANCE OR SERVICES, INCLUDING CONTRACTS
5 THAT PERMIT FINAL PAYMENT TO BE REDUCED IF USAGE IS BELOW A LEVEL
6 FIXED IN THE CONTRACT.

7 (D) RETAIN CONSULTANTS AND EMPLOY STAFF.

8 (E) BEGINNING 1 YEAR AFTER THE EFFECTIVE DATE OF THIS CHAP-
9 TER, SET PREMIUM RATES FOR PARTICIPATING EMPLOYEES AND
10 EMPLOYERS.

11 (F) REINSURE OR CONTRACT TO REINSURE ALL OR PART OF THE
12 DEDUCTIBLE FOR THE HEALTH BENEFIT PLAN.

13 (G) PERFORM OTHER DUTIES TO PROVIDE LOW COST HEALTH BENEFIT
14 INSURANCE PLANS OF TYPES LIKELY TO BE PURCHASED BY ELIGIBLE
15 EMPLOYEES AND EMPLOYERS.

16 (2) THE BOARD SHALL APPROVE A CARRIER AND MAY APPROVE MORE
17 THAN 1 CARRIER FOR EACH TYPE OF HEALTH BENEFIT PLAN CONTRACTED
18 FOR AND OFFERED IF THE NUMBER OF CARRIERS IS HELD TO A NUMBER
19 CONSISTENT WITH ADEQUATE SERVICE TO ELIGIBLE EMPLOYEES AND FAMILY
20 MEMBERS.

21 (3) THE BOARD SHALL APPROVE AND CONTRACT FOR A HEALTH BENE-
22 FIT PLAN OR PLANS BEST DESIGNED TO MEET THE NEEDS AND PROVIDE FOR
23 THE WELFARE OF ELIGIBLE EMPLOYEES AND EMPLOYERS. IN APPROVING A
24 HEALTH BENEFIT PLAN, THE BOARD MAY REQUIRE AN OPTION OF ADDI-
25 TIONAL COVERAGE FOR ELIGIBLE EMPLOYEES AND FAMILY MEMBERS AT AN
26 ADDITIONAL COST OR PREMIUM. A HEALTH BENEFIT PLAN SHALL NOT BE
27 APPROVED BY THE BOARD IF THE PLAN PROVIDES FOR PREMIUMS TO BE

1 BASED, IN WHOLE OR IN PART, ON THE CLAIMS EXPERIENCE OF AN
2 INDIVIDUAL EMPLOYER OR EACH INDIVIDUAL EMPLOYER INSTEAD OF ALL
3 EMPLOYERS AS A GROUP CONTRACTING FOR A HEALTH BENEFIT PLAN.

4 (4) IF APPROPRIATE FOR A CONTRACTED AND OFFERED HEALTH BENE-
5 FIT PLAN, THE BOARD SHALL PROVIDE OPTIONS IN THE PLAN TO ENABLE
6 AN ELIGIBLE EMPLOYEE TO ARRANGE COVERAGE FOR THE EMPLOYEE'S
7 FAMILY MEMBERS.

8 (5) NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS ACT, IF THE
9 BOARD DOES NOT REQUEST A BENEFIT OTHERWISE REQUIRED BY THIS ACT,
10 A CARRIER IS NOT REQUIRED TO OFFER THAT BENEFIT.

11 SEC. 3809. (1) THE BOARD MAY EMPLOY WHATEVER MEANS ARE REA-
12 SONABLY NECESSARY TO CARRY OUT THE PURPOSES OF THIS CHAPTER
13 INCLUDING, BUT NOT LIMITED TO, SEEKING CLARIFICATION, AMENDMENT,
14 MODIFICATION, SUSPENSION, OR TERMINATION OF AN AGREEMENT OR CON-
15 TRACT THAT IN THE BOARD'S JUDGMENT REQUIRES THAT ACTION.

16 (2) IF, FOR A PERIOD OF 3 MONTHS, AN EMPLOYER FAILS TO PER-
17 FORM AN ACTION REQUIRED BY THIS CHAPTER OR BY BOARD RULE, THE
18 BOARD BY ORDER MAY TERMINATE THE PARTICIPATION OF THAT EMPLOYER.

19 SEC. 3811. IF THE BOARD APPROVES THE CONTRACT, AN EMPLOYER
20 MAY ENTER INTO A CONTRACT FOR A HEALTH BENEFIT PLAN DIRECTLY WITH
21 A CARRIER.

22 SEC. 3813. (1) THE MONTHLY CONTRIBUTION OF EACH ELIGIBLE
23 EMPLOYEE FOR HEALTH BENEFIT PLAN COVERAGE SHALL BE THE TOTAL COST
24 PER MONTH OF THE BENEFIT COVERAGE AFFORDED UNDER THE PLAN FOR
25 WHICH THE EMPLOYEE EXERCISES THE OPTION, INCLUDING ADMINISTRATIVE
26 EXPENSES, LESS THE PORTION CONTRIBUTED BY THE EMPLOYER. AN

1 ELIGIBLE EMPLOYEE MAY ENROLL IN MORE THAN 1 OPTION AT A TIME SO
2 LONG AS THE COMBINED OPTIONS DO NOT DUPLICATE BENEFITS.

3 (2) A PARTICIPATING EMPLOYER'S CONTRIBUTION SHALL BE THE
4 AMOUNT NECESSARY TO PAY THE COST OF THE HEALTH BENEFIT PLAN COV-
5 ERING THE EMPLOYER'S COVERED EMPLOYEES, AS DESCRIBED IN
6 SECTION 3819, AND OTHER HEALTH BENEFIT PLANS SELECTED BY A COV-
7 ERED EMPLOYEE FOR WHICH THE EMPLOYER DOES NOT REQUIRE THE
8 EMPLOYEE TO PAY, INCLUDING THE ADMINISTRATIVE EXPENSES. AN
9 EMPLOYER IS NOT REQUIRED TO ENROLL AN EMPLOYEE WHO IS ALREADY
10 ENROLLED IN A HEALTH BENEFIT PLAN NOT OFFERED BY THE BOARD.

11 (3) PAYROLL DEDUCTIONS FOR COSTS THAT ARE NOT PAYABLE BY THE
12 EMPLOYER SHALL BE MADE BY THE EMPLOYER UPON RECEIPT OF A SIGNED
13 AUTHORIZATION FROM THE EMPLOYEE INDICATING AN ELECTION TO PARTIC-
14 IPATE IN THE HEALTH BENEFIT PLAN COVERING THE EMPLOYEE OR THE
15 EMPLOYEE'S FAMILY MEMBERS.

16 SEC. 3815. THE BOARD SHALL DISTRIBUTE ANNUALLY SURPLUS
17 ADMINISTRATIVE EXPENSE MONEY TO ALL PREMIUM PAYERS ON A PRO RATA
18 BASIS.

19 SEC. 3817. AN ELIGIBLE EMPLOYER MAY ELECT TO COVER FEWER
20 THAN THE TOTAL NUMBER OF ELIGIBLE EMPLOYEES SO LONG AS ITS COV-
21 ERED CLASS OF EMPLOYEES INCLUDES ALL EMPLOYEES IN THE CLASS. A
22 HEALTH BENEFIT PLAN SHALL NOT LIMIT OR EXCLUDE ANY ELIGIBLE
23 EMPLOYEE IN A COVERED CLASS OF EMPLOYEES.

24 SEC. 3819. (1) A HEALTH BENEFIT PLAN SHALL PROVIDE PART I
25 COVERAGE AND SHALL APPLY TO ELIGIBLE COVERED EMPLOYEES ONLY.

26 (2) SUBJECT TO SUBSECTION (3), ELIGIBLE EMPLOYERS THAT ELECT
27 TO PARTICIPATE IN A HEALTH BENEFIT PLAN UNDER THIS CHAPTER SHALL

1 PAY THE PREMIUM OF PART I COVERAGE UP TO A MAXIMUM OF \$40.00 FOR
2 EACH ELIGIBLE COVERED EMPLOYEE PER MONTH.

3 (3) ALL COVERED ELIGIBLE EMPLOYEES SHALL PARTICIPATE IN AND
4 BE COVERED BY PART I COVERAGE. AN EMPLOYER MAY REQUIRE A MINIMUM
5 EMPLOYEE CONTRIBUTION OF NOT TO EXCEED 25% OF THE PREMIUM FOR
6 PART I COVERAGE DESCRIBED IN THIS SECTION.

7 (4) BEGINNING 1 YEAR AFTER THE EFFECTIVE DATE OF THIS CHAP-
8 TER, THE PREMIUMS REQUIRED BY SUBSECTIONS (2) AND (3) OR THE BEN-
9 EFITS PROVIDED IN A HEALTH BENEFIT PLAN MAY BE ALTERED BY THE
10 BOARD TO PROVIDE NECESSARY ECONOMIC STABILITY IN A HEALTH BENEFIT
11 PLAN.

12 SEC. 3821. (1) A HEALTH BENEFIT PLAN SHALL OFFER PART II
13 COVERAGE. PART II COVERAGE SHALL CONSIST OF A VARIETY OF ADDI-
14 TIONAL HEALTH BENEFIT PLAN PACKAGES THAT AN ELIGIBLE EMPLOYEE MAY
15 PURCHASE. ALL PACKAGES SHALL CONTAIN INCENTIVES TO ENCOURAGE THE
16 COVERED EMPLOYEE TO INTELLIGENTLY USE COST EFFECTIVE SERVICES AND
17 DISINCENTIVES TO DISCOURAGE USE OF NONCOST EFFECTIVE SERVICES.

18 (2) AT LEAST 1 PART II COVERAGE PACKAGE SHALL REDUCE THE
19 DEDUCTIBLE OF THE PART I COVERAGE, AND PROVIDE FOR ACCESS TO PRI-
20 MARY AND PREVENTIVE CARE. ADDITIONAL BENEFIT PACKAGES MAY
21 INCLUDE COVERAGE FOR OPTICAL AND DENTAL CARE.

22 (3) PACKAGES SHALL BE AVAILABLE TO EXTEND COVERAGE TO AN
23 ELIGIBLE EMPLOYEE OR AN ELIGIBLE EMPLOYEE'S FAMILY MEMBERS.

24 (4) IN GENERAL, A PART II COVERAGE PACKAGE SHALL NOT PROVIDE
25 BENEFITS PROVIDED BY PART I COVERAGE. ELIGIBLE EMPLOYERS MAY
26 CONTRIBUTE TOWARD THE COST OF PART II COVERAGE AND MAY INCLUDE
27 THE COST OF PART II CONTRIBUTIONS WHEN CALCULATING A TAX CREDIT

1 AVAILABLE UNDER SECTION 39B OF THE SINGLE BUSINESS TAX ACT, ACT
2 NO. 228 OF THE PUBLIC ACTS OF 1975, BEING SECTION 208.39B OF THE
3 MICHIGAN COMPILED LAWS.

4 (5) THE BOARD MAY ESTABLISH BY RULE THAT CERTAIN PACKAGES
5 ARE NOT AVAILABLE TO AN ELIGIBLE EMPLOYEE WHO IS NOT COVERED BY A
6 CERTAIN OTHER PACKAGE OR PACKAGES.

7 SEC. 3823. FOR THE PERIOD ENDING JUNE 30, 1991, THE BOARD
8 SHALL NOT OFFER HEALTH BENEFIT PLANS TO MORE THAN 10,000 ELIGIBLE
9 EMPLOYEES AND FAMILY MEMBERS.

10 SEC. 3825. THE INSURANCE BUREAU SHALL PROVIDE OFFICE SPACE
11 AND CLERICAL ASSISTANCE TO THE BOARD AND SHALL BE REIMBURSED FOR
12 THAT SPACE AND ASSISTANCE BY THE BOARD.

13 Section 2. This amendatory act shall not take effect unless
14 Senate Bill No. ____ or House Bill No. 4954 (request no. 01159'89
15 a *) of the 85th Legislature is enacted into law.