

**SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 5249**

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending section 224b (MCL 500.224b), as amended by 2007 PA 88.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 224b. (1) The department of community health shall assess  
2 a quality assurance assessment fee as follows:

3           (a) On each health maintenance organization that has a  
4 medicaid managed care contract awarded by the state and  
5 administered by the department of community health, a quality  
6 assurance assessment fee that equals 6% of non-medicare premiums  
7 collected by that health maintenance organization.

8           (b) On each medicaid managed care organization that is a  
9 specialty prepaid health plan under section 109f of the social  
10 welfare act, 1939 PA 280, MCL 400.109f, and that has a medicaid  
11 managed care contract awarded by the state and administered by the

1 department of community health, a quality assurance assessment fee  
2 that equals 6% of non-medicare capitation payments collected by  
3 that medicaid managed care organization.

4 (2) The quality assurance assessment fee collected under  
5 subsection (1) and all federal matching funds attributed to that  
6 fee shall be used for the following purposes and under the  
7 following specific circumstances:

8 (a) The quality assurance assessment fee shall be implemented  
9 on May 10, 2002 for health maintenance organizations described in  
10 subsection (1)(a) and on August 1, 2005 for medicaid managed care  
11 organizations described in subsection (1)(b).

12 (b) The quality assurance assessment fee shall be assessed on  
13 the non-medicare premiums collected by each health maintenance  
14 organization described in subsection (1)(a) based on the health  
15 maintenance organization's most recent statement filed with the  
16 commissioner pursuant to sections 438 and 438a. Except as otherwise  
17 provided, the quality assurance assessment fee shall be payable on  
18 a quarterly basis with the first payment due 90 days after the date  
19 the fee is assessed. If a health maintenance organization does not  
20 have non-medicare premium revenue listed in a filing under section  
21 438 or 438a, the assessment shall be based on an estimate by the  
22 department of community health of the health maintenance  
23 organization's non-medicare premiums for the quarter and shall be  
24 payable upon receipt.

25 (c) The quality assurance assessment fee shall be assessed on  
26 the non-medicare capitation payments collected by each medicaid  
27 managed care organization described in subsection (1)(b) based on

1 the medicaid managed care organization's most recent financial  
2 status report filed with the department of community health. Except  
3 as otherwise provided, the quality assurance assessment fee shall  
4 be payable on a quarterly basis with the first payment due 90 days  
5 after the date the fee is assessed.

6 (d) The quality assurance assessment fee shall only be  
7 assessed on an organization described in subsection (1)(a) or (b)  
8 that has in effect a medicaid managed care contract awarded by the  
9 state and administered by the department of community health at the  
10 time of the assessment.

11 ~~—— (e) Beginning October 1, 2008, the quality assurance~~  
12 ~~assessment fee shall no longer be assessed or collected.~~

13 (E) ~~(f)~~ The department of community health shall implement  
14 this section in a manner that complies with federal requirements.  
15 If the department of community health is unable to comply with the  
16 federal requirements for federal matching funds under this section  
17 for organizations described in subsection (1)(a) or is unable to  
18 use the fiscal year 2001-2002 level of support for federal matching  
19 dollars other than for a change in covered benefits or covered  
20 population required under the state's medicaid contract with health  
21 maintenance organizations, the quality assurance assessment fee  
22 under subsection (1)(a) shall no longer be assessed or collected.

23 (F) ~~(g)~~ If the department of community health is unable to  
24 comply with the federal requirements for federal matching funds  
25 under this section for organizations described in subsection (1)(b)  
26 or is unable to use the centers for medicare and medicaid services  
27 approved fiscal year 2004-2005 level of support for federal

1 matching dollars other than for a change in covered benefits or  
2 covered population required under the state's medicaid contract  
3 with the managed care organization, the quality assurance  
4 assessment fee under subsection (1)(b) shall no longer be assessed  
5 or collected.

6 (G) ~~(h)~~—If an organization fails to pay the quality assurance  
7 assessment fee required under subsection (1), the department of  
8 community health may assess the organization a penalty of 5% of the  
9 assessment for each month that the assessment and penalty are not  
10 paid up to a maximum of 50% of the assessment. The department of  
11 community health may also refer for collection to the department of  
12 treasury past due amounts consistent with section 13 of 1941 PA  
13 122, MCL 205.13.

14 (H) ~~(i)~~—The medicaid health maintenance organization quality  
15 assurance assessment fund is established as a separate fund in the  
16 state treasury. The designated medicaid managed care organization  
17 quality assurance assessment fund is established as a separate fund  
18 in the state treasury. The department of community health shall  
19 deposit the revenue raised through the quality assurance assessment  
20 fee under subsection (1)(a) with the state treasurer for deposit in  
21 the medicaid health maintenance organization quality assurance  
22 assessment fund. The department of community health shall deposit  
23 the revenue raised through the quality assurance assessment fee  
24 under subsection (1)(b) with the state treasurer for deposit in the  
25 designated medicaid managed care organization quality assurance  
26 assessment fund.

27 (I) ~~(j)~~—In all fiscal years governed by this section, medicaid

1 reimbursement rates shall not be reduced below the medicaid payment  
2 rates in effect on April 1, 2002 for organizations described in  
3 subsection (1)(a) or below the medicaid payment rates in effect on  
4 July 1, 2005 for organizations described in subsection (1)(b) as a  
5 direct result of the quality assurance assessment fee assessed  
6 under this section. This subdivision does not apply to a change in  
7 medicaid reimbursement rates caused by a change in covered benefits  
8 or change in covered populations required under the state's  
9 medicaid contract with organizations described in subsection (1)(a)  
10 or (b).

11 (3) As used in this section:

12 (a) "Medicaid" means title XIX of the social security act, 42  
13 USC 1396 to 1396v.

14 (b) "Medicare" means title XVIII of the social security act,  
15 42 USC 1395 to 1395hhh.