



# HOUSE BILL No. 4393

February 14, 1995, Introduced by Reps. Bennane, DeMars, Martinez, Stallworth, Goschka, Yokich and Pitoniak and referred to the Committee on Health Policy.

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 39a.

**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 39a to read as  
4 follows:

5 CHAPTER 39A

6 SEC. 3961. AS USED IN THIS CHAPTER:

7 (A) "BOARD" MEANS THE INSURANCE POOL GOVERNING BOARD

8 ESTABLISHED UNDER SECTION 3963.

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 SUCH INSURANCE COMPANIES,  
5 HEALTH CARE CORPORATIONS, OR HEALTH MAINTENANCE ORGANIZATIONS  
6 ACTING TOGETHER PURSUANT TO A PARTNERSHIP, JOINT VENTURE, OR  
7 OTHER JOINT 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 BOTH OF  
22 THE FOLLOWING CRITERIA:

23 (i) EMPLOYS NO MORE THAN 25 EMPLOYEES OR, IF IN OPERATION  
24 FOR LESS THAN 2 YEARS, EMPLOYS NO MORE THAN 100 EMPLOYEES.

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

1 (F) "FAMILY MEMBER" MEANS AN ELIGIBLE EMPLOYEE'S SPOUSE AND  
2 AN UNMARRIED CHILD OR STEPCHILD WITHIN AGE LIMITS AND OTHER  
3 CONDITIONS IMPOSED BY THE BOARD FOR UNMARRIED CHILDREN OR  
4 STEPCHILDREN.

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

8 (H) "HEALTH CARE PROVIDER" MEANS A HEALTH PROFESSIONAL  
9 LICENSED UNDER ARTICLE 15 OF THE PUBLIC HEALTH CODE, ACT NO. 368  
10 OF THE PUBLIC ACTS OF 1978, BEING SECTIONS 333.16101 TO 333.18838  
11 OF THE MICHIGAN COMPILED LAWS, AND A HEALTH FACILITY OR AGENCY  
12 LICENSED UNDER ARTICLE 17 OF ACT NO. 368 OF THE PUBLIC ACTS OF  
13 1978, BEING SECTIONS 333.20101 TO 333.22260 OF THE MICHIGAN  
14 COMPILED LAWS.

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

17 SEC. 3963. (1) AN INSURANCE POOL GOVERNING BOARD IS ESTAB-  
18 LISHED WITHIN THE INSURANCE BUREAU. THE BOARD CONSISTS OF 5  
19 VOTING MEMBERS APPOINTED BY THE GOVERNOR, WITH THE ADVICE AND  
20 CONSENT OF THE SENATE, AND THE COMMISSIONER OR HIS OR HER DESIG-  
21 NATED REPRESENTATIVE WHO SHALL SERVE WITHOUT A VOTE. OF THE MEM-  
22 BERS APPOINTED BY THE GOVERNOR, 2 SHALL BE EMPLOYERS AND AT LEAST  
23 2 SHALL BE KNOWLEDGEABLE ABOUT INSURANCE, BUT NOT BE A CARRIER  
24 OFFICER, A CARRIER EMPLOYEE, OR A CARRIER CONSULTANT.

25 (2) A VOTING MEMBER SERVES FOR A 3-YEAR TERM OF OFFICE  
26 EXCEPT THAT, OF THE VOTING MEMBERS FIRST APPOINTED, 2 SHALL SERVE  
27 FOR A 3-YEAR TERM, 2 SHALL SERVE FOR A 2-YEAR TERM, AND 1 SHALL

1 SERVE FOR A 1-YEAR TERM. A MEMBER IS ELIGIBLE FOR  
2 REAPPOINTMENT. IF THERE IS A VACANCY ON THE BOARD, THE GOVERNOR  
3 SHALL MAKE AN APPOINTMENT TO BECOME IMMEDIATELY EFFECTIVE FOR THE  
4 UNEXPIRED TERM.

5 SEC. 3965. (1) A MEMBER OF THE BOARD SHALL NOT BE COMPEN-  
6 SATED, BUT IS ENTITLED TO REIMBURSEMENT FOR ACTUAL EXPENSES IN AN  
7 AMOUNT ESTABLISHED BY THE LEGISLATURE.

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

14 (3) A MAJORITY OF THE MEMBERS OF THE BOARD CONSTITUTES A  
15 QUORUM FOR THE TRANSACTION OF BUSINESS.

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

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

24 SEC. 3967. (1) IN CARRYING OUT ITS DUTIES UNDER THIS CHAP-  
25 TER, THE BOARD MAY DO ALL OF THE FOLLOWING:

1 (A) ENTER INTO CONTRACTS FOR THE ADMINISTRATION OF THIS  
2 CHAPTER INCLUDING THE COLLECTION OF PREMIUMS AND THE PAYMENT OF  
3 CARRIERS.

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

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

10 (D) RETAIN CONSULTANTS AND EMPLOY STAFF.

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

14 (F) REINSURE OR CONTRACT TO REINSURE.

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

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

23 (3) THE BOARD SHALL APPROVE AND CONTRACT FOR A HEALTH BENE-  
24 FIT PLAN OR PLANS BEST DESIGNED TO MEET THE NEEDS AND PROVIDE FOR  
25 THE WELFARE OF ELIGIBLE EMPLOYEES AND EMPLOYERS. IN APPROVING A  
26 HEALTH BENEFIT PLAN, THE BOARD MAY REQUIRE AN OPTION OF  
27 ADDITIONAL COVERAGE FOR ELIGIBLE EMPLOYEES AND FAMILY MEMBERS AT

1 AN ADDITIONAL COST OR PREMIUM. A HEALTH BENEFIT PLAN SHALL NOT  
2 BE APPROVED BY THE BOARD IF THE PLAN PROVIDES FOR PREMIUMS TO BE  
3 BASED, IN WHOLE OR IN PART, ON THE CLAIMS EXPERIENCE OF AN INDI-  
4 VIDUAL EMPLOYER OR EACH INDIVIDUAL EMPLOYER INSTEAD OF ALL THE  
5 EMPLOYERS AS A GROUP CONTRACTING FOR A HEALTH BENEFIT PLAN.

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

10 SEC. 3969. (1) THE BOARD MAY EMPLOY WHATEVER MEANS ARE REA-  
11 SONABLY NECESSARY TO CARRY OUT THE PURPOSES OF THIS CHAPTER  
12 INCLUDING, BUT NOT LIMITED TO, SEEKING CLARIFICATION, AMENDMENT,  
13 MODIFICATION, SUSPENSION, OR TERMINATION OF AN AGREEMENT OR CON-  
14 TRACT THAT IN THE BOARD'S JUDGMENT REQUIRES THAT ACTION.

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

18 SEC. 3971. IF THE BOARD APPROVES THE CONTRACT, AN EMPLOYER  
19 MAY ENTER INTO A CONTRACT FOR A HEALTH BENEFIT PLAN DIRECTLY WITH  
20 A CARRIER.

21 SEC. 3973. (1) THE MONTHLY CONTRIBUTION OF EACH ELIGIBLE  
22 EMPLOYEE FOR HEALTH BENEFIT PLAN COVERAGE SHALL BE THE TOTAL COST  
23 PER MONTH OF THE BENEFIT COVERAGE AFFORDED UNDER THE PLAN FOR  
24 WHICH THE EMPLOYEE EXERCISES THE OPTION, INCLUDING ADMINISTRATIVE  
25 EXPENSES, LESS THE PORTION CONTRIBUTED BY THE EMPLOYER. AN ELI-  
26 GIBLE EMPLOYEE MAY ENROLL IN MORE THAN 1 OPTION AT A TIME SO LONG  
27 AS THE COMBINED OPTIONS DO NOT DUPLICATE BENEFITS.

1 (2) A PARTICIPATING EMPLOYER'S CONTRIBUTION SHALL BE THE  
2 AMOUNT NECESSARY TO PAY THE COST OF THE HEALTH BENEFIT PLAN COV-  
3 ERING THE EMPLOYER'S COVERED EMPLOYEES, AS DESCRIBED IN  
4 SECTION 3979, AND OTHER HEALTH BENEFIT PLANS SELECTED BY A COV-  
5 ERED EMPLOYEE FOR WHICH THE EMPLOYER DOES NOT REQUIRE THE  
6 EMPLOYEE TO PAY, INCLUDING THE ADMINISTRATIVE EXPENSES. AN  
7 EMPLOYER IS NOT REQUIRED TO ENROLL AN EMPLOYEE WHO IS ALREADY  
8 ENROLLED IN A HEALTH BENEFIT PLAN NOT OFFERED BY THE BOARD.

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

14 SEC. 3975. THE BOARD SHALL DISTRIBUTE ANNUALLY SURPLUS  
15 ADMINISTRATIVE EXPENSE MONEY TO ALL PREMIUM PAYERS ON A PRO RATA  
16 BASIS.

17 SEC. 3977. AN ELIGIBLE EMPLOYER MAY ELECT TO COVER FEWER  
18 THAN THE TOTAL NUMBER OF ELIGIBLE EMPLOYEES SO LONG AS ITS COV-  
19 ERED CLASS OF EMPLOYEES INCLUDES ALL EMPLOYEES IN THE CLASS. A  
20 HEALTH BENEFIT PLAN SHALL NOT LIMIT OR EXCLUDE ANY ELIGIBLE  
21 EMPLOYEE IN A COVERED CLASS OF EMPLOYEES.

22 SEC. 3979. (1) A HEALTH BENEFIT PLAN SHALL PROVIDE PART I  
23 COVERAGE AND SHALL APPLY TO ELIGIBLE COVERED EMPLOYEES ONLY.

24 (2) SUBJECT TO SUBSECTION (3), ELIGIBLE EMPLOYERS THAT ELECT  
25 TO PARTICIPATE IN A HEALTH BENEFIT PLAN UNDER THIS CHAPTER SHALL  
26 PAY THE PREMIUM OF PART I COVERAGE UP TO A MAXIMUM OF \$40.00 FOR  
27 EACH ELIGIBLE COVERED EMPLOYEE PER MONTH.

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

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

10 SEC. 3981. (1) A HEALTH BENEFIT PLAN SHALL OFFER PART II  
11 COVERAGE. PART II COVERAGE SHALL CONSIST OF A VARIETY OF ADDI-  
12 TIONAL HEALTH BENEFIT PLAN PACKAGES THAT AN ELIGIBLE EMPLOYEE MAY  
13 PURCHASE. ALL PACKAGES SHALL CONTAIN INCENTIVES TO ENCOURAGE THE  
14 COVERED EMPLOYEE TO INTELLIGENTLY USE COST EFFECTIVE SERVICES AND  
15 DISINCENTIVES TO DISCOURAGE USE OF NONCOST EFFECTIVE SERVICES.

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

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

22 (4) IN GENERAL, A PART II COVERAGE PACKAGE SHALL NOT PROVIDE  
23 BENEFITS PROVIDED BY PART I COVERAGE. ELIGIBLE EMPLOYERS MAY  
24 CONTRIBUTE TOWARD THE COST OF PART II COVERAGE.

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

1           SEC. 3983. FOR THE PERIOD ENDING JUNE 30, 1996, THE BOARD  
2 SHALL NOT OFFER HEALTH BENEFIT PLANS TO MORE THAN 10,000 ELIGIBLE  
3 EMPLOYEES AND FAMILY MEMBERS.

4           SEC. 3985. THE INSURANCE BUREAU SHALL PROVIDE OFFICE SPACE  
5 AND CLERICAL ASSISTANCE TO THE BOARD AND SHALL BE REIMBURSED FOR  
6 THAT SPACE AND ASSISTANCE BY THE BOARD.