

**SENATE BILL NO. 561**

April 29, 1999, Introduced by Senator SHUGARS and referred to  
the Committee on Health Policy.

A bill to amend 1984 PA 64, entitled  
"The coordination of benefits act,"  
by amending section 3 (MCL 550.253), as amended by 1996 PA 325.

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

1       Sec. 3. (1) Any policy or certificate delivered or issued  
2 for delivery in this state in connection with a group disability  
3 benefit plan may contain provisions coordinating the benefits or  
4 services that would otherwise be provided to a covered person.  
5 Any such policy or certificate that contains a coordination of  
6 benefits provision shall provide that benefits will be payable as  
7 follows when coordinating with another policy or certificate that  
8 also has a coordination of benefits provision:

9       (a) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN SUBDIVISION (F),  
10 THE benefits of a policy or certificate that covers the person on  
11 whose expenses the claim is based other than as a dependent shall

1 be determined before the benefits of a policy or certificate that  
 2 covers the person as a dependent. However, if the person is a  
 3 medicare beneficiary and as a result of the provisions of title  
 4 XVIII of the social security act, chapter 531, 49 Stat. 620, 42  
 5 U.S.C. 1395 to 1395b, 1395b-2, ~~1395c to 1395i, 1395i-2 to~~  
 6 ~~1395i-4, 1395j to 1395t, 1395u to 1395w-2, 1395w-4 to 1395yy, and~~  
 7 ~~1395bbb to 1395ccc~~ 1395b-6 TO 1395b-7, 1395c TO 1395i, 1395i-2  
 8 TO 1395i-5, 1395j TO 1395t, 1395u TO 1395w, 1395w-2 TO 1395w-4,  
 9 1395w-21 TO 1395w-28, 1395x TO 1395yy, AND 1395bbb TO 1395ggg,  
 10 medicare is secondary to the policy or certificate covering the  
 11 person as a dependent and primary to the policy or certificate  
 12 covering the person as other than a dependent, then the order of  
 13 benefits is reversed and the policy or certificate covering the  
 14 person as other than a dependent is secondary and the policy or  
 15 certificate covering the person as a dependent is primary.

16 (b) Except as otherwise provided in subdivision (c), if 2  
 17 policies or certificates cover a person on whose expenses the  
 18 claim is based as a dependent, the benefits of the policy or cer-  
 19 tificate of the person whose birthday anniversary occurs earlier  
 20 in the calendar year shall be determined before the benefits of  
 21 the policy or certificate of the person whose birthday anniver-  
 22 sary occurs later in the calendar year. If the birthday anniver-  
 23 saries are identical, the benefits of a policy or certificate  
 24 that has covered the person on whose expenses the claim is based  
 25 for the longer period of time shall be determined before the ben-  
 26 efits of a policy or certificate that has covered the person for  
 27 the shorter period of time. However, if either policy or

1 certificate is lawfully issued in another state and does not have  
2 the coordination of benefits procedure regarding dependents based  
3 on birthday anniversaries as provided in this subdivision, and as  
4 a result each policy or certificate determines its benefits after  
5 the other, the coordination of benefits procedure set forth in  
6 the policy or certificate that does not have the coordination of  
7 benefits procedure based on birthday anniversaries shall deter-  
8 mine the order of benefits.

9       (c) For a person for whom claim is made as a dependent minor  
10 child, benefits shall be determined according to the following:

11       (i) Except as provided in subparagraph (iii), if the parents  
12 of the minor child are legally separated or divorced, and the  
13 parent with custody of the minor child has not remarried, the  
14 benefits of a policy or certificate that covers the minor child  
15 as a dependent of the custodial parent shall be determined before  
16 the benefits of a policy or certificate that covers the minor  
17 child as a dependent of the noncustodial parent.

18       (ii) Except as provided in subparagraph (iii), if the par-  
19 ents of the minor child are divorced, and the parent with custody  
20 of the child has remarried, the benefits of a policy or certifi-  
21 cate that covers the minor child as a dependent of the custodial  
22 parent shall be determined before the benefits of a policy or  
23 certificate that covers the minor child as a dependent of the  
24 spouse of the custodial parent, and the benefits of a policy or  
25 certificate that covers the minor child as a dependent of the  
26 spouse of the custodial parent shall be determined before the

1 benefits of a policy or certificate that covers the minor child  
2 as a dependent of the noncustodial parent.

3       (iii) If the parents of the minor child are divorced, and  
4 the decree of divorce places financial responsibility for the  
5 medical, dental, or other health care expenses of the minor child  
6 upon either the custodial or the noncustodial parent, the bene-  
7 fits of a policy or certificate that covers the minor child as a  
8 dependent of the parent with such financial responsibility shall  
9 be determined before the benefits of any other policy or certifi-  
10 cate that covers the minor child as a dependent.

11       (d) If subdivisions (a), (b), and (c) do not establish an  
12 order of benefit determination, the benefits of a policy or cer-  
13 tificate in connection with a group disability benefit plan that  
14 has covered the person on whose expenses the claim is based for  
15 the longer period of time shall be determined before the benefits  
16 of a policy or certificate that has covered the person for the  
17 shorter period of time, subject to the following:

18       (i) The benefits of a policy or certificate covering the  
19 person on whose expenses the claim is based as a laid-off or  
20 retired employee or as a dependent of a laid-off or retired  
21 employee shall be determined after the benefits of any other  
22 policy or certificate covering the person other than as a  
23 laid-off or retired employee or a dependent of a laid-off or  
24 retired employee.

25       (ii) Subparagraph (i) does not apply if either policy or  
26 certificate is lawfully issued in another state and does not have  
27 a provision regarding laid-off or retired employees and, as a

1 result, each policy or certificate determines its benefits after  
2 the other.

3 (e) If a person whose coverage is provided under a right of  
4 continuation pursuant to federal or state law is also covered  
5 under another policy or certificate, the policy or certificate  
6 covering the person as an employee, member, subscriber, enrollee,  
7 or retiree, or as that person's dependent, is primary and the  
8 continuation coverage is secondary.

9 (F) THE BENEFITS OF A POLICY OR CERTIFICATE THAT COVERS A  
10 STUDENT ON WHOSE EXPENSES THE CLAIM IS BASED SHALL BE DETERMINED  
11 BEFORE THE BENEFITS OF SCHOOL ACCIDENT-TYPE COVERAGE. AS USED IN  
12 THIS SUBDIVISION, "SCHOOL ACCIDENT-TYPE COVERAGE" MEANS A CON-  
13 TRACT COVERING A COLLEGE STUDENT OR A STUDENT IN GRADES  
14 KINDERGARTEN THROUGH 12 FOR ACCIDENTS ONLY, INCLUDING ATHLETIC  
15 INJURIES, ON A 24-HOUR BASIS OR ON A TO AND FROM SCHOOL BASIS.

16 (2) A policy or certificate that contains a coordination of  
17 benefits provision shall provide that benefits under the policy  
18 or certificate shall not be reduced or otherwise limited because  
19 of the existence of another nongroup contract that is issued as a  
20 hospital indemnity, surgical indemnity, specified disease, or  
21 other policy of disability insurance as defined in section 3400  
22 of the insurance code of 1956, ~~Act No. 218 of the Public Acts of~~  
23 ~~1956, being section 500.3400 of the Michigan Compiled Laws~~ 1956  
24 PA 218, MCL 500.3400.

25 (3) A health maintenance organization is not required to pay  
26 claims or coordinate benefits for services that are not provided

1 or authorized by the health maintenance organization and that are  
2 not benefits under the health maintenance contract.