



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 848 and 849 (as enrolled)
Sponsor: Senator Tom George
Senate Committee: Health Policy
House Committee: Health Policy

PUBLIC ACTS 412 & 413 of 2006

Date Completed: 10-12-06

RATIONALE

Health care costs are of increasing concern to employers who wish to offer health care benefits to their employees. Often, employers pass on some of the costs to workers by increasing co-pays and deductibles, or require workers to pay for their benefits by freezing wages. In some cases, employers, particularly small businesses, feel they must drop health care coverage for their employees altogether.

Some employers offer wellness programs to their workers in an effort to reduce health care costs. Wellness programs, which emphasize individual responsibility through the adoption and maintenance of behavior conducive to good health, are seen as a way to reduce the need for health care services. Reportedly, large businesses that are self-insured generally experience a direct financial benefit from investment in such programs. Small businesses, however, frequently belong to an insurance pool with other businesses, and the savings resulting from a wellness program are generated to the pool. Thus, although employees might experience lower out-of-pocket costs, there is little incentive for small businesses to offer wellness programs.

It was suggested that allowing insurers to provide rebates to employers for employee participation in wellness programs, as well as to nongroup customers, could encourage more small businesses to offer such programs and improve individual health. Michigan law, however, does not authorize health insurers to offer premium rebates to their clients.

CONTENT

Senate Bills 848 and 849 amend the Insurance Code and the Nonprofit Health Care Corporation Reform Act, respectively, to permit an insurer or health maintenance organization (HMO), and Blue Cross and Blue Shield of Michigan (BCBSM), to offer wellness coverage that may include premium rebates or reductions, or reduced copayments or deductibles. The bills will take effect on January 1, 2007.

Senate Bill 848 applies to an insurer providing an expense-incurred hospital, medical, or surgical certificate delivered, issued for delivery, or renewed in this State, as well as an HMO. Senate Bill 849 applies to BCBSM.

Under the bills, wellness coverage may provide for an appropriate rebate or reduction in premiums or for reduced copayments, coinsurance, or deductibles for participation in any health behavior wellness, maintenance, or improvement program offered by the employer, in the case of group coverage, or approved by the insurer, HMO, or BCBSM, in the case of individual or family coverage.

The employer, under a group coverage plan, or the insured, enrollee, or member, under a family or individual plan, must provide evidence of demonstrative maintenance or improvement of the insureds', enrollees', or members' health status, or the individual's or family's health status, as determined by assessments of health status indicators agreed upon between the employer or the insured, enrollee, or member; and the insurer, HMO, or BCBSM, as applicable.

Any rebate provided by the health insurer, HMO, or BCBSM will be presumed to be appropriate unless credible data demonstrate otherwise, but may not exceed 10% of paid premiums.

Each insurer and HMO, and BCBSM, must make available to employers, families, and individuals, as applicable, all wellness coverage plans that it markets to those groups in Michigan.

The bills provide that an insurer or HMO, and BCBSM, do not have to continue any health behavior wellness, maintenance, or improvement program or continue any incentive associated with such a program.

Each bill states, "it is only the intent of this amendatory act to promote the availability of health behavior wellness, maintenance, and improvement programs."

MCL 500.3426 (S.B. 848)
550.1414b (S.B. 849)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Some people believe that the current demand for health care resources has reached a crisis level, which drives up costs and results in substantial hardship for companies, especially smaller ones, trying to do business in the State. Many of the illnesses and conditions placing such a strain on the health care system could be mitigated or prevented if individuals adopted better practices with regard to diet, exercise, regular physical exams, smoking, immunizations, and compliance with doctors' orders. Unhealthy behavior also can have significant economic consequences for both employers and individuals. For example, according to the U.S. Department of Health and Human Services, in 2000 the indirect costs of obesity—wages lost by people unable to work due to illness or disability, and future earnings lost due to premature death—totaled an estimated \$56 billion. Additionally, according to the Centers for Disease Control and Prevention, smoking-related deaths resulted in an average of \$92 billion in productivity losses every year from 1997 through 2001, and additional smoking-

related medical expenses of \$75.5 billion per year.

Wellness programs can help educate group subscribers, individuals, and families on management of their own health, and facilitate the adoption of healthier habits. These programs can be especially effective in the workplace, where camaraderie with fellow employees can be a significant motivation to continue participating. Moreover, better health can lead to improved employee morale, focus, and productivity. In addition to a direct reduction in health care costs, the incentives allowed under the bills could lead to a reduction in business losses due to worker absenteeism.

Unlike life, automobile, and homeowner insurance companies, health insurers currently are prohibited from offering rebates as incentives for good behavior. The bills will make the provision of wellness programs more practical for small employers, encourage people to take more responsibility for their own health, and reduce the demand for health care resources. The resulting savings will contribute to Michigan's economic competitiveness.

Response: Although the goals of better health and lower costs are worthwhile, care should be taken to protect the rights of workers who choose not to participate in wellness programs, if offered. Weyco, a company located in Michigan, has received national attention due to its policy requiring employees to be tested for nicotine and fired for smoking, even if they do not engage in smoking at work. Additionally, if an employee's spouse tests positive for nicotine, or refuses to be tested, the company reportedly charges the worker an additional \$80 per month for insurance coverage. The law should shield employees who choose not to participate in a wellness program from such adverse impacts on their employment.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

State and local units of government that provide health coverage will be affected by these bills. The fiscal impact on State and local government will equal the difference between the rebates provided and any

reduction in health care costs due to any changes in health behavior. That impact is indeterminate. The State's Medicaid program will be affected in a similar indeterminate manner.

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.