



Senate Fiscal Agency  
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**BILL ANALYSIS**

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Senate Bill 1150 (Substitute S-3 as reported by the Committee of the Whole)  
Sponsor: Senator Bill Hardiman  
Committee: Health Policy

**CONTENT**

The bill would amend the Insurance Code to do the following in regard to health maintenance organization (HMO) contracts:

- Specify that an enrollee's coinsurance for basic health services and copayments for inpatient hospital services and facility-based outpatient surgical services could not exceed 50% of the HMO's reimbursement to an affiliated provider, and the copayment could not be based on the provider's standard charge for the service. (Presently, this provision applies to copayments for basic health services, which also are required to be nominal.)
- Limit an enrollee's annual aggregate out-of-pocket costs for coinsurance and copayments to \$5,000 for an individual and \$10,000 for a family.
- Require the maximum out-of-pocket costs to be adjusted annually to the greater of the annual average percentage change in the consumer price index, or the maximum annual out-of-pocket expenses for a high deductible health plan under the Internal Revenue Code.
- Require the maximum out-of-pocket costs to be adjusted to an amount warranted by current market conditions upon petition by an HMO to the Commissioner of the Office of Financial and Insurance Services.
- Allow an HMO contract to have separate out-of-pocket costs under a prudent purchaser contract for services provided by a nonaffiliated provider of up to twice the out-of-pocket costs for services provided by an affiliated provider (excluding emergency services or services performed by nonaffiliated providers that were authorized by the HMO).
- Provide that an HMO participating in a State or Federal health program would have to meet the solvency and financial requirements of the Code, but would not have to offer benefits or services in excess of the program's requirements. (This requirement would not apply to State or Federal employee health programs.)

MCL 500.3515 et al.

Legislative Analyst: Julie Koval

**FISCAL IMPACT**

The bill specifically would exempt State employees and Medicaid HMOs, so would have no fiscal impact on State government. The limits on copay and coinsurance amounts could change employee health care costs for local governments.

Date Completed: 10-7-04

Fiscal Analyst: Steve Angelotti