

# Legislative Analysis



## **REQUIRE HEALTH INSURERS TO NOTIFY DCH OF INSUREDS WHO ALSO RECEIVE MEDICAID**

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**House Bill 6603**

**Sponsor: Rep. Bruce Caswell**

**Committee: Health Policy**

**Complete to 11-27-06**

### **A SUMMARY OF HOUSE BILL 6603 AS INTRODUCED 11-9-06**

The bill would create a new act under which health insurers and similar entities would be required to provide the Department of Community Health with information each month about whether a covered individual is also a recipient of Medicaid assistance. The information would have to be provided in a format determined by DCH. When a covered individual was a recipient of Medicaid, the bill would require health coverage entities (1) to pay DCH, or assign right of recovery owed to the entity, for a covered health claim paid by Medicaid; and (2) respond to any inquiry from DCH about a claim for payment for an item or service submitted not later than three years after it was provided.

The bill would apply to a party that is legally responsible for payment of a health care claim; the bill uses the term "entity" to apply to these parties. These entities include health insurers; health maintenance organizations (HMOs); Blue Cross and Blue Shield of Michigan (nonprofit health care corporations); managed care corporations; prudent provider organizations (PPOs); self-funded health plans; professional associations, trusts, pools, unions, or fraternal groups offering health coverage; systems of health care delivery and financing operating under Section 3573 of the Insurance Code; and third party administrators (TPAs) or other entities that by statute, contract, or agreement is legally responsible for a health care claim. The bill also applies to parties responsible for payment of health care claims under the Workers Disability Compensation Act.

Under the bill, an entity could not deny a claim submitted by DCH solely on the basis of its submission date, type or format, or failure to provide proper documentation at the time a service or item was provided so long as (1) the claim was submitted within three years of the date the service or item was provided, and (2) any action by the state to enforce its rights was commenced within six years after the date the service or item was provided.

An entity violating the new act would be subject to an administrative fine of not more than \$500 for each day of violation. Upon DCH's determination of a violation, the entity would have a right to notice of the alleged violation and an opportunity for a hearing under the terms of the Administrative Procedures Act.

The Department of Community Health could promulgate rules needed to implement the new act. Rules regarding the exchange of information would have to be consistent with all federal laws, regulations, and rules relating to the confidentiality or privacy of

personal information and medical records, including the federal Health Insurance Portability and Accountability Act (HIPAA).

**FISCAL IMPACT:**

House Bill 6603, if enacted, is anticipated to generate Medicaid program savings by requiring all insurers doing business in Michigan responsible for payment of health care claims to report information that will determine whether a health coverage recipient is also Michigan Medicaid eligible. This will enable the state to better identify Medicaid eligible persons with other health insurance and avoid or recover payments for the services provided by the Medicaid program. The FY 2007 Department of Community Health budget includes additional third party liability savings totaling \$36,877,700 gross (\$16,086,000 General Fund) resulting from passage of this legislation.

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