

COORDINATION OF HEALTH BENEFITS

Phone: (517) 373-8080
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House Bill 4934 (reported from committee as H-1)

Sponsor: Rep. Robert L. Kosowski

Committee: Insurance

Complete to 11-4-15

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

The bill would revise the Coordination of Benefits Act. The aim of this act, generally speaking, is to establish a uniform order of benefits determination under which insurance or other health-benefit plans pay claims. The act determines, for example, which policy is primary and which secondary when an individual has coverage under two group health plans. The bill appears to be largely consistent with the Coordination of Benefits Model Regulation developed by the National Association of Insurance Commissioners.

For that model and commentary on its provisions, see:

<http://www.naic.org/store/free/MDL-120.pdf>

Following are some key provisions contained in the revamped act.

If an individual is covered by multiple plans, the various insurers must coordinate with one another as follows in order to ensure that the obligation to provide insurance is met, but also that amount required by insurance is not exceeded:

- The primary insurer is responsible to provide benefits as if no secondary insurer exists.
- Secondary insurers should take the amounts to be paid by the primary plan and any other plan that has a higher priority to pay into account when determining how much they must pay.
- When a plan does not list an order of benefits determination consistent with the act, that plan is the primary plan unless it and the other plan both identify the other plan as primary.
- If the primary plan is a closed panel plan (provides coverage primarily through contracted providers) and the secondary plan is not, the secondary plan covers nonpanel services, except for emergency or referral nonpanel services that are covered by the primary plan.

Non-dependent/Dependent Rule: A person is first covered by a plan in which he or she is an employee, member, subscriber, policyholder or retiree, and then covered under a plan in which he or she is a dependent, unless the person is also a Medicare beneficiary and Medicare dictates that the order is reversed (1. Plan in which he is a dependent, 2. Medicare, 3. Plan in which he is an employee, etc.).

Dependent Covered under More Than One Plan Rule: Unless a court order states otherwise, the following metric determines which insurer covers the dependent.

- If the child's parents are married or living together, the plan of the parent with the earlier birthday is primary, and if they have the same birthday, the plan which has covered the parent longer is primary (birthday rule).
- If the child's parents are divorced, separated, or not living together, the following determines the order of priority (court order rule):
 - If a court order or judgment states that one parent is responsible for health care, the plan of that parent, or that parent's spouse if the parent does not have health insurance, is the primary plan.
 - If a court order or judgement states that both parents are responsible for health care, or that they have joint custody without specifying which is responsible for health care, the order of priority for those plans is determined by the birthday rule.
 - If there is no court order or judgment charging responsibility for health care, the primary plan is the one covered by the following parties, in this order of priority: (1) custodial parent, (2) custodial parent's spouse, (3) noncustodial parent, (4) noncustodial parent's spouse.
- If the child is covered under multiple plans by individuals who are not his or her parents, the order of priority for those plans is determined by the birthday rule or court order rule, as applicable, as if those individuals were the parents.
- If the child is married, and is covered by one or both parents' plans and also by a spouse's plan, the plan which has been effect for his or her family member longer is the primary plan, and the plan in effect shorter is the secondary plan. If they have been in effect the same amount of time, the birthday rule determines the priority among the family members' plans.

The Active, Retired, or Laid-off Employee Rule: A plan in which the individual is, or is the dependent of, an active employee (active plan) is the primary plan over a plan in which the individual is, or is the dependent of, a retired or laid-off employee (retired/laid off plan), so long as the retired/laid-off plan asserts that it is secondary to the active plan.

The Continuation Coverage Rule: A plan which covers the individual as a dependent of an employee, member, subscriber, enrollee or retiree (dependent plan) is the primary plan over a plan by which the individual has a right of continuation coverage pursuant to federal or state law (continuation coverage plan), so long as the continuation coverage plan asserts that it is secondary to the dependent plan.

The Longer or Shorter Length of Coverage Rule: If none of the four above named rules determines the order of benefits, the primary plan is the plan which has covered the individual for the longer period of time, and the secondary plan is the plan which has covered the individual for the shorter period of time. Two successive plans are treated as one plan for the purposes of this section if coverage under the second plan took effect within 24 hours after coverage under the first plan ended. Changes in the amount or scope of the plan's benefits, the entity that pays, provides, or administers the plan's benefits, or in the type of plan, such as from single-employer to multiple employer, do not constitute the start of a new plan.

If the insurers cannot agree on the order of benefits within 30 days of receiving the information to pay the claim, the insurers should pay the claim in equal shares and determine their relative liabilities following payment. An insurer is not required to pay more than it would have paid had the plan it issued been the primary plan.

If a secondary insurer wishes to coordinate benefits in determining the amount to be paid on a claim, the insurer should calculate the benefits it would have paid on the claim in the absence of other health care coverage and, in effect, use that amount to fill in the gaps left by the primary plan, paying for services that it would have covered but that went uncovered by the primary plan. The secondary plan may also reduce its payment so that, in conjunction with the primary plan, the individual does not receive more than 100% reimbursement. In addition, the secondary plan should still credit a plan deductible in the same amount it would have in the absence of other health care coverage.

The bill would repeal the current Section 5 of the act, which is an obsolete effective date provision from 1984.

FISCAL IMPACT:

The bill would have a neutral fiscal impact on the Department of Insurance and Financial Services (DIFS). The bill would stimulate higher expenditures, within the short-term, to the extent that DIFS would prepare and publish departmental bulletins and declaratory rulings to provide guidance pertaining to the applicability and interpretation of statutory revisions to the insurance code, in addition to training relevant regulatory and enforcement staff on the aspects and effects of the revisions under the bills. However, these expenditures would be sufficiently offset with revenue generated by the annual regulatory fee determined by DIFS, subject to a statutory formula, and levied on insurers (totaling approximately \$18.2 million during FY 15).

Legislative Analyst: Chris Couch
Jennifer McInerney
Fiscal Analyst: Paul B.A. Holland

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.