

Legislative Analysis



EXCEPTED BENEFITS

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House Bill 4732 as reported from committee
Sponsor: Rep. Mike Harris

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

House Bill 4733 as reported from committee
Sponsor: Rep. Brenda Carter

Committee: Insurance and Financial Services
Complete to 6-22-23

SUMMARY:

House Bills 4732 and 4733 would amend the Insurance Code to provide that the terms “health insurance policy” and “health benefit plan,” when used in Chapter 37 (Small Employer Group Health Coverage) or in the code, respectively, do not include coverage that is only for *excepted benefits* as described under federal law (specifically, in 42 USC 300gg-91).

Generally speaking, excepted benefits are plans that provide limited or supplemental health-related coverage and are not considered individual or group health plans that would be subject to certain provisions of federal law, such as the portability requirements of the Health Insurance Portability and Accountability Act (HIPAA) or several provisions of the Affordable Care Act (ACA). Excepted benefits include plans that may have health-related benefits but are not health plans (such as automobile insurance); plans that provide limited health benefits and are separate from or not integral to a health plan (such as dental insurance); plans that provide independent benefits that are not coordinated with benefits under a health plan (such as hospital indemnity insurance); and plans that supplement a health plan under a separate policy (such as Medicare supplementals).

As specifically defined in federal law (42 USC 300gg-91), *excepted benefits* means benefits under one or more, or a combination, of the following:

- Coverage only for accident, or disability income insurance, or any combination thereof.
- Coverage issued as a supplement to liability insurance.
- Liability insurance, including general liability insurance and automobile liability insurance.
- Workers’ compensation or similar insurance.
- Automobile medical payment insurance.
- Credit-only insurance.
- Coverage for on-site medical clinics.
- Other insurance coverage similar to the above, as specified in regulations, under which benefits for medical care are secondary or incidental to other insurance benefits.
- Limited scope dental or vision benefits, if offered separately.
- Benefits for long-term care, nursing home care, home health care, or community-based care, or any combination of those, if offered separately.
- Other limited benefits similar to the above two items, as specified in regulations, if offered separately.

- Coverage only for a specified disease or illness, if offered as independent, noncoordinated benefits.
- Hospital indemnity or other fixed indemnity insurance, if offered as independent, noncoordinated benefits.
- Medicare supplemental health insurance as defined in 42 USC 1395ss(g)(1), coverage supplemental to the coverage provided to servicemembers and their dependents under 10 USC 1071 to 1110b, and similar supplemental coverage provided to coverage under a group health plan, if offered as separate insurance policy.

House Bill 4732 would amend section 3701 of the Insurance Code, which provides that, as used in Chapter 37 of the code, “health benefit plan” means an expense-incurred hospital, medical, or surgical policy or certificate, or health maintenance organization contract. The section also provides that “health benefit plan” does not include any of the following:

- Accident-only, credit, dental, or disability income insurance.
- Long-term care insurance.
- Coverage issued as a supplement to liability insurance.
- Coverage only for a specified disease or illness.
- Worker’s compensation or similar insurance.
- Automobile medical-payment insurance.

The bill would remove the above description of types of insurance that are not included in the definition of “health benefit plan” and instead provide that “health benefit plan” does not include coverage only for *excepted benefits* as described in 42 USC 300gg-91 (see above).

MCL 500.3701

House Bill 4733 would amend section 608 of the Insurance Code, which provides that, as used in the code, “health insurance policy” means an expense-incurred hospital, medical, or surgical policy, certificate, or contract.

The bill would add that “health insurance policy” does not include a policy that provides coverage only for *excepted benefits* as described in 42 USC 300gg-91 (see above).

MCL 500.608

Each bill can take effect only if both bills are enacted.

BACKGROUND:

According to committee testimony, the bills make technical changes to align the Michigan Insurance Code with federal law to eliminate ambiguity in the difference between major medical insurance and supplemental insurance.

FISCAL IMPACT:

House Bills 4732 and 4733 would no fiscal impact on state or local government.

POSITIONS:

A representative of AFLAC testified in support of the bills. (6-20-23)

The Department of Insurance and Financial Services indicated a neutral position on the bills.
(6-20-23)

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■ 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.