

SENATE BILL No. 238

April 9, 1991, Introduced by Senators SCHWARZ, O'BRIEN, MILLER, POSTHUMUS, DE GROW, WARTNER, ARTHURHULTZ, GAST, HONIGMAN, EMMONS, CISKY, N. SMITH, DILLINGHAM, MC MANUS, KOIVISTO, BERRYMAN, CHERRY, VAUGHN, BARCIA, WELBORN, CONROY, STABENOW, V. SMITH, POLLACK, DINGELL, HOLMES, HART, DI NELLO, CARL and GEAKE and referred to the Committee on Commerce.

A bill to amend section 608 of Act No. 350 of the Public Acts of 1980, entitled
"The nonprofit health care corporation reform act,"
being section 550.1608 of the Michigan Compiled Laws; and to add section 501a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 608 of Act No. 350 of the Public Acts of
2 1980, being section 550.1608 of the Michigan Compiled Laws, is
3 amended and section 501a is added to read as follows:

4 SEC. 501A. A HEALTH CARE CORPORATION MAY ENTER INTO SPECIAL
5 PARTICIPATING CONTRACTS WITH HEALTH CARE PROVIDERS FOR THE PROVI-
6 SION OF PRIMARY HEALTH CARE BENEFITS TO CHILDREN ENROLLED IN A
7 MICHIGAN CARING PROGRAM CREATED UNDER SECTION 436. SPECIAL
8 PARTICIPATING CONTRACTS ENTERED INTO UNDER THIS SECTION ARE NOT
9 SUBJECT TO SECTIONS 502 TO 518.

1 Sec. 608. (1) The rates charged to nongroup subscribers for
2 each certificate shall be filed in accordance with section 610
3 and shall be subject to the prior approval of the commissioner.
4 Annually, the commissioner shall approve, disapprove, or modify
5 and approve the proposed or existing rates for each certificate
6 subject to the standard that the rates must be determined to be
7 equitable, adequate, and not excessive, as defined in section
8 609. The burden of proof that rates to be charged meet these
9 standards shall be upon the health care corporation proposing to
10 use the rates.

11 (2) The methodology and definitions of each rating system,
12 formula, component, and factor used to calculate rates for group
13 subscribers for each certificate, including the methodology and
14 definitions used to calculate administrative costs for adminis-
15 trative services only and cost-plus arrangements, shall be filed
16 in accordance with section 610 and shall be subject to the prior
17 approval of the commissioner. The definition of a group, includ-
18 ing any clustering principles applied to nongroup subscribers or
19 small group subscribers for the purpose of group formation, shall
20 be subject to the prior approval of the commissioner. HOWEVER,
21 IF A MICHIGAN CARING PROGRAM IS CREATED UNDER SECTION 436, THAT
22 PROGRAM SHALL BE DEFINED AS A GROUP PROGRAM FOR THE PURPOSE OF
23 ESTABLISHING RATES. The commissioner shall approve, disapprove,
24 or modify and approve the methodology and definitions of each
25 rating system, formula, component, and factor for each certifi-
26 cate subject to the standard that the resulting rates for group
27 subscribers must be determined to be equitable, adequate, and not

1 excessive, as defined in section 609. In addition, the
2 commissioner may from time to time review the records of the cor-
3 poration to determine proper application of a rating system, for-
4 mula, component, or factor with respect to any group. The corpo-
5 ration shall refile for approval under this subsection, every 3
6 years, the methodology and definitions of each rating system,
7 formula, component, and factor used to calculate rates for group
8 subscribers, including the methodology and definitions used to
9 calculate administrative costs for administrative services only
10 and cost-plus arrangements. The burden of proof that the result-
11 ing rates to be charged meet these standards shall be upon the
12 health care corporation proposing to use the rating system, for-
13 mula, component, or factor.

14 (3) A proposed rate shall not take effect until a filing has
15 been made with the commissioner and approved under section 607 or
16 this section, as applicable, except as provided in subsections
17 (4) and (5).

18 (4) Upon request by a health care corporation, the commis-
19 sioner may allow rate adjustments to become effective prior to
20 approval, for federal or state mandated benefit changes.
21 However, a filing for these adjustments shall be submitted before
22 the effective date of the mandated benefit changes. If the com-
23 missioner disapproves or modifies and approves the rates, an
24 adjustment shall be made retroactive to the effective date of the
25 mandated benefit changes or additions.

26 (5) Implementation prior to approval may be allowed ~~when~~
27 IF the health care corporation is participating with 1 or more

1 health care corporations to underwrite a group whose employees
2 are located in several states. Upon request from the commission-
3 er, the corporation shall file with the commissioner, and the
4 commissioner shall examine, the financial arrangement, formulae,
5 and factors. If any are determined to be unacceptable, the com-
6 missioner shall take appropriate action.

7 Section 2. This amendatory act shall not take effect unless
8 Senate Bill No. 239
9 of the 86th Legislature is enacted into law.