



**House  
Legislative  
Analysis  
Section**

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**PROHIBIT SOCIAL SECURITY  
NUMBERS ON BENEFIT CARDS**

**House Bill 4052 (Substitute H-1)  
Sponsor: Rep. Fran Amos**

**House Bill 4644 (Substitute H-1)  
Sponsor: Rep. Ruth Johnson**

**Committee: Insurance**

**First Analysis (6-24-03)**

***THE APPARENT PROBLEM:***

The Federal Trade Commission (FTC) defines identity fraud as occurring when “an individual appropriates another’s name, address, Social Security number, or other identifying information to commit fraud.” Armed with personally identifying information about another, it is relatively easy to obtain credit cards and loans in the victim’s name and even steal from his or her existing bank accounts. Their credit histories ruined for months or years while they seek to clear their names, victims of identity theft report being denied loans, credit cards, mortgages, and even employment. Newspaper reports citing FTC statistics reported that the number of identity theft complaints almost doubled in 2002 from the previous year, now making up about 43 percent of all complaints received by the agency.

According to testimony by a representative for the FTC given before a congressional committee in 1998, “the Social Security number is the one piece of information that most facilitates identity theft, as it opens the door to an individual’s financial life – providing access to checking accounts, savings accounts, brokerage accounts, etc.” Indeed, an article on the FTC’s website on understanding identity theft and how consumers can protect themselves exhorts consumers to not carry their Social Security cards with them.

As many have found, however, little is gained by leaving a Social Security card at home when the number is boldly printed on health insurance cards, which consumers are exhorted to carry at all times. Many believe that the practice by many health insurers of using a person’s SSN as the member contract or ID number puts an individual at greater risk of falling victim to identity theft if his or her wallet or purse is lost or stolen. Legislation has been

offered to stop health insurers from printing Social Security numbers on benefit cards.

***THE CONTENT OF THE BILLS:***

The bills would prohibit benefit cards from health insurance companies, HMOs, and Blue Cross and Blue Shield of Michigan from displaying an insured’s or a member’s Social Security number (SSN). The bills would take effect January 1, 2006.

Specifically, House Bill 4052 would amend the Insurance Code to prohibit the display of a member’s SSN on a benefit card by a health maintenance organization or an insurer writing disability insurance under Chapters 34 and 36 of the code that provides coverage for hospital, nursing, medical, surgical, or sick-care benefits (MCL 550.3408a). House Bill 4644 would amend the Nonprofit Health Care Corporation Reform Act, which regulates Blue Cross and Blue Shield (MCL 550.1406a)

***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the bills would have no fiscal impact to either the state or local units of government. (6-19-03)

***ARGUMENTS:***

***For:***

With the number of identity theft complaints growing each year, the issue must be taken seriously, and every attempt must be made to protect consumers. One measure that should be taken is to stop health insurers from using a person’s Social Security number as the contract or member ID number, or at the minimum, to stop printing the SSN contract

**House Bill 4052 and 4644 (6-24-03)**

number on the person's benefit card. People have to carry their insurance cards at all times in case of the need for emergency care, for doctor's visits, and to purchase medications. This puts those individuals at higher risk for identity theft if their wallets are lost or stolen. Also, onlookers can often see the numbers as the cards are passed to medical receptionists and pharmacists. For people paying with credit cards, the risk is increased as even low-level employees at pharmacies and doctor's offices can get a person's credit card number and SSN (and often the date of birth) in a single transaction. The bills, therefore, represent an important consumer protection initiative.

***Against:***

Yes, the role of Social Security numbers in identity theft is alarming, but there are many ways of obtaining a person's SSN that do not involve health insurance benefit cards. Many people still carry their Social Security cards in their wallets, and Medicare cards, paycheck stubs, and certain financial documents that people have in their wallets, purses, or cars also have Social Security numbers on them. Many utility and phone companies require SSNs, in addition to financial institutions and employers. Social Security numbers can be gleaned from Internet databases, papers in people's trash bins, college IDs and transcripts, some motor vehicle departments, and so forth. It is unfair to target only the health care industry's use of Social Security numbers, and doing so will not stop the use of Social Security numbers to facilitate fraud.

***Against:***

A Social Security number is unique to the person it identifies. Therefore, it is ideal for use in financial tracking, as well as for health providers and insurers to use for claims and billing purposes. The switch from using SSNs to a different system of identifying a health plan participant would be complicated and costly, estimated by the Michigan Association of Health Plans (which represents HMOs) to be in the millions of dollars. And health care providers would be affected as well, as SSNs are also used as patient identifiers in billing insurers. Reformatting patient identifiers at both the insurer and provider level is sure to cause glitches in proper patient identification, which will negatively affect claims reimbursements. Health care insurers and providers would not be able to bear the costs of reconfiguring their systems alone; a portion of the cost is sure to be passed along to subscribers and patients, thus increasing health care costs at a time when many are scrutinizing the delivery of health care in an attempt to reduce costs.

The timing and viability of this initiative must be questioned.

***Response:***

The committee adopted substitutes that would extend the deadline for eliminating SSNs on benefit cards to January 1, 2006. Health insurers and providers will have over two years to develop systems of identifying patients without putting people at risk for identity theft. If indeed the task should prove to be economically unrealistic, there is time to revisit the issue and extend the deadline if needed. Otherwise, two and a half years should provide sufficient time to develop a new and safer system (as regards privacy) to identify members of health plans and to enable insurers to absorb the costs associated with changing their identification systems.

***POSITIONS:***

Blue Cross Blue Shield of Michigan supports the committee substitutes. (6-18-03)

A representative for AARP testified in support of the bills. (6-11-03)

A representative for Taxpayers United testified in support of the bills. (6-11-03)

According to written analyses of the bills, the Office of Financial and Insurance Services is neutral on House Bills 4052 and 4644. (2-21-03 and 6-9-03, respectively)

Golden Rule Insurance Company is not opposed to the bills. (6-18-03)

The Health Insurance Association of America (HIAA) is not opposed to the bills. (6-18-03)

The Life Insurance Association of Michigan does not yet have a position on the bills. (6-18-03)

The Michigan Association of Health Plans opposes House Bill 4052. (6-18-03)

Analyst: S. Stutzky

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