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BILL ANALYSIS

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Senate Bill 1111 (Substitute S-1 as passed by the Senate)

Sponsor: Senator Kevin Hertel

Committee: Health Policy

Date Completed: 12-27-24

CONTENT

The bill would amend Chapter 34 (Disability Insurance Policies) of the Insurance Code to do the following:

- **Exempt retiree-only health insurance coverage from requirements related to coverage for dependents.**
- **Allow retiree-only health insurance coverage and non-grandfathered health plan coverage to place lifetime or annual limits on the dollar value of essential health benefit coverage.**
- **Exempt non-grandfathered health plan coverage and retiree-only health insurance coverage from the requirement to provide essential health benefits like hospitalization and pregnancy care.**
- **Exempt insurance coverage that provided benefits for fixed indemnity, short-term duration policy, and non-grandfathered health plan coverage from the prohibition on limiting or excluding coverage based on a pre-existing condition.**

Retiree-Only Health Insurance Coverage Exemptions

The Code prescribes requirements for an insurer who delivers a health insurance policy that makes dependent coverage available under the policy. The insurer must do all the following:

- Make available dependent coverage, at the option of the policyholder, until the dependent has attained 26 years of age.
- Provide the same health insurance benefits to a dependent child that are available to any other covered dependent.
- Provide health insurance benefits to a dependent child at the same rate or premium applicable to any other covered dependent.
- Include provisions that the health insurance benefits applicable for children are payable with respect to a newly born child of the insured from the moment of birth.
- Include provisions that the coverage for newly born children consists of coverage of injury or sickness including the necessary care and treatment of medically diagnosed congenital defects and birth abnormalities.

In addition, a health insurance policy that offers dependent coverage may not deny enrollment to an insured's child on any of the following grounds:

- The child was born out of wedlock.
- The child is not claimed as a dependent on the insured's Federal income tax return.
- The child does not reside with the insured or in the insurer's service area.

Also, the Code prohibits an insurer that delivers, issues for delivery, or renews in the State a health insurance policy from instituting either of the following:

- Lifetime limits on the dollar value of essential health benefit coverage under Section 3406bb, which is described below.
- Annual limits on the dollar value of essential health benefit coverage under Section 3406bb.

Under the bill, all the provisions described above would not apply to retiree-only health insurance.

Non-Grandfathered Health Plan Coverage

Section 3406bb of the Code requires an insurer that delivers, issues for delivery, or renews in the individual or small group market in Michigan a health insurance policy to provide coverage for all the following:

- Ambulatory patient services.
- Emergency services.
- Hospitalization.
- Pregnancy, maternity, and newborn care.
- Mental health and substance use disorder services, including behavioral health treatment.
- Prescription drugs.
- Rehabilitative and habilitative services and devices.
- Laboratory services.
- Certain preventive and wellness services and chronic disease management identified by the Director of the Department of Insurance and Financial Services as meeting specified requirements.
- Pediatric services, including oral and vision care.

The Code exempts certain insurance policies and plans from these provisions, such as a short-term or limited duration policy. Under the bill, these provisions also would not apply to non-grandfathered health plan coverage and retiree-only health insurance coverage.

"Non-grandfathered health plan coverage" would mean individual and small group transitional insurance plans that have been afforded additional time to comply with certain market reform provisions of the Affordable Care Act, and as specified annually by the Director of the Department of Insurance and Financial Services, until the Centers for Medicare and Medicaid Services requires these plans to come into full compliance with the Affordable Care Act.

Exemptions for Pre-existing Condition Exclusions

Finally, the Code prohibits an insurer from limiting or excluding coverage for an individual by imposing a preexisting condition exclusion on the individual. The Code exempts certain plans from this prohibition. Under the bill, the following would be exempt from this requirement:

- Insurance coverage that provided benefits for a fixed indemnity.¹
- Insurance coverage that provided benefits for a short-term or one-time limited duration policy or certificate of not longer than six months.
- Insurance coverage that provided benefits for non-grandfathered health plan coverage.

MCL 500.3403 et al.

¹ Generally, fixed indemnity insurance is insurance that provides a fixed benefit amount for specific coverage, regardless of the expense incurred by the insured.

BRIEF RATIONALE

In 2023, Public Acts (PA) 156 to 163 codified provisions of the Affordable Care Act (ACA) into the Insurance Code, such as prohibitions against exclusion of coverage due to a pre-existing condition. According to testimony, these PAs did not incorporate all the intended provisions of the ACA. The bill would further incorporate some of the intended ACA provisions, including amendments to the Insurance Code to exempt certain plans from providing benefits for pre-existing conditions in accordance with the ACA.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Nathan Leaman

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.