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MICHIGAN HOUSE OF REPRESENTATIVES

MARC R. CORRIVEAU

STATE REPRESENTATIVE

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COMMITTEES:
CHAIR, ETHICS AND ELECTIONS
EDUCATION
HEALTH POLICY
JUDICIARY

November 14, 2008

Re: Drafts of Individual Market Reform

To begin, we would like to thank those who participated in the process of creating a draft report for Individual Market Reform. During the past 13 months there has been discussion, testimony, workgroup meetings, and direct involvement in the preparation of this draft by many individuals. The attached proposed draft report is the result of a bipartisan, bicameral effort. Please note that this is NOT an end product and work will continue.

Michigan is facing many challenges. With jobs being lost, small businesses closing, and the automotive industry continuing to downsize, more consumers are entering the individual market everyday. The current economic circumstances require us to act thoughtfully and urgently.

After carefully examining all the data provided by numerous sources, it is clear to a majority of the members of this committee that the Michigan Legislature must address the ever growing instability of the individual health insurance market.

As the chair of the committee appointed by the Speaker of the House Andy Dillon, I have been instructed to find viable, consensus oriented solutions. The committee would like to reemphasize our pledge to work with all stakeholders on this important reform package. It has been our goal to provide transparency and extend the opportunity to every interested party to participate fully in the process.

Many of you have submitted your position and evaluation of the key points included in the 'Proposed IMR Compromise Components' document provided. We have carefully reviewed and included many of the suggestions, and we appreciate your effort in helping us to create good public policy. In that same effort, we again invite and encourage comments and suggested modifications to this draft. Attached with the draft, you will find a brief summary of the larger components contained in the report. Please forward your written comments and/or suggested changes to my office. In addition, I will be personally available for the entire recess and will have direct contact with individual members of the committee.

Thank you again for your anticipated cooperation in this matter.

Respectfully,

Marc R. Corriveau
State Representative

Summary of the IMR Drafts

Consumer Protections maintained from S-5 and H-1 versions:

- Sets pre-existing condition clause to 6 months for all carriers. Current law allows commercial carriers to have a 12 month pre-existing condition clause.
- Prohibits closing blocks of business, rescissions and re-underwriting
- Allows initial health condition to be used as a rating factor at application only and prohibits carriers from drastically raising up rates upon renewal.
- Attorney General oversight
- Institutes a 90 percent loss ratio for all carriers who sell Medigap

Additional point included from the S-5 version

- Includes a comprehensive study to look at all the market conditions in the individual market and the potential need for a high risk pool.

Additional point included from the H-1 version:

- Limits a carriers ability to rate based on age and health by instituting 7 to 1 rate bands with a 2 to 1 limitation on health status. Blues would be allowed to sell rate banded products under this same regulatory structure.

New compromise points:

- A high risk pool has been removed. Blue Cross Blue Shield of Michigan is required to maintain their insurer of last resort status accepting all applicants regardless of health status. The Blues are required to maintain their currently existing community rated products (status quo)
- Consumers would be allowed to choose either a Blues community rated (non-health underwritten) or underwritten product.
- BCBSM will file an independent report outlining their Social Mission spending and will have to ensure that their Social Mission spending exceeds their tax exempt value.
- Loss ratios with commercial carriers set at 65 percent, HMO's and BCBSM at 80 percent. All carriers will be subject to new data reporting requirements to OFIR to obtain the information relative to loss ratios.
- Institutes new procedure for File, Approve and Review for BCBSM.
- Institutes rejection offset and assessment for BCBSM.
- If a carrier offers a community rated plan for 12 months out of the year comparable to the insurer of last resort (relative to benefit and cost) they will be exempt from the offset.