Summary of Senate Bill 1011

Expansion of Association Health Plans

Senate Bill 1011 allows for the creation of a de facto "Multiple Employer Welfare Arrangement" (MEWA) for domiciled non-profit business associations to offer pooled group health insurance (fully-insured and self-insured) to members of their association, so long as the said association has been operating for the past 5 years, has other lines of organizational purpose, and has at least 1,000 dues-paying employers or 10,000 workers.

Commonality: The members of the association eligible for pooled group health insurance must share a common interest, defined either geographically or professionally. Meaning, the members could all be located in Michigan, but not share the same professional trade, or conversely share the same trade/profession, but not be located in the same geographical area.

Membership: Members of the pooled group could be both employers and self-employed individuals who belong to that association. A single employer-member must have fewer than 500 employees in total. Self-employed individuals must be located in Michigan, have operated for 2 years, demonstrate positive income, work 20 hours a week, and not be eligible for coverage through an employer plan. Both employers and self-employed must be part of an association to be eligible for access to the group insurance pool.

Benefits/Coverage Mandates: The MEWA must include benefit coverage for those in the pool, consisting of the following:

- Include all EHBs, mental health parity, maternity, preventive care, and dependent coverage standard consistent with the ACA.
- Member employers must pay at least 50% of employees' costs

Regulations of the MEWA: The MEWA must be licensed, meet solvency standards, and file annual financial statements. DIFS must approve rates for fully insured products. Rates for self-insured product offerings must meet and maintain reserve margins. DIFS can examine, audit, and enforce compliance with the established pools and create rules related to licensing, reserves, and reporting requirements for enrollees.

Reinsurance Program: A catastrophic reinsurance program is established to cover 60% of the costs associated with claims between $75K and $250K per life. The reinsurance program is funded solely by state appropriations; no member or insurer fees may be imposed to fund the program.

MAHP's Policy Suggestions: Similar to requirements placed on public entities such as schools and municipalities, MAHP would suggest that qualifying associations be required, at a minimum, to solicit bids from more than one health insurer when awarding a contract to provide health insurance for their members every couple of years. This is especially important given that SB 1011 requires state taxpayer dollars to fund the reinsurance program, which helps make health care premiums more affordable. As such, a qualifying association should be required to solicit bids to find the most affordable options.

Suggested Amendments to Senate Bill 1011

Amendment #1 – Encourage Choice and Competition

Background: Under current law (Public Act 106 of 2007, specifically MCL 124.75), a public employer or pooled group plan serving public employees, like municipal and school employees, must solicit 4 or more bids from different carriers every three years when selecting a health insurance carrier to provide health insurance. This due diligence is conducted to ensure that all affordable and competitive options are reviewed before making a decision with state tax dollars. Because Senate Bill 1011 requires an appropriation from the State of Michigan to provide publicly financed reinsurance assets to make health insurance affordable for small businesses, the same prudent due diligence should be applied when selecting a health plan.

Suggested Amendment: Amend page 6, line 8, by inserting the following:

"(6) A pool procuring coverage shall solicit from different carriers 4 or more bids when establishing a medical benefit plan. A pool procuring coverage shall solicit from different carriers 4 or more bids every 3 years when renewing or continuing a medical benefit plan. A pool that provides for administration of a medical benefit plan using an authorized third-party administrator, an insurer, a nonprofit health care corporation, or other entity authorized to provide services in connection with a noninsured medical benefit plan shall solicit from different carriers 4 or more bids for those administrative services when establishing a medical benefit plan. A pool that provides for administration of a medical benefit plan using an authorized third-party administrator, an insurer, a nonprofit health care corporation, or other entity authorized to provide services in connection with a noninsured medical benefit plan shall solicit from different carriers 4 or more bids for those administrative services every 3 years when renewing or continuing a medical benefit plan.