BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUALIZATION — LEGISLATIVE SUMMARY

In September 2012, two bills (SB 1293 and SB 1294) were introduced to allow Blue Cross Blue Shield of Michigan to become a nonprofit mutual disability insurer. On December 28, 2012, Governor Rick Snyder vetoed amended versions of each bill. The bills were vetoed due to the addition of special language that would require female customers to opt into a special coverage that would pay for an abortion in case of rape.

Governor Snyder reiterated his support of the mutualization of Blue Cross in his most recent State of the State address. Shortly thereafter new legislation was introduced (S.B. 61 and 62) that will shift Blue Cross to a nonprofit mutual company that pays taxes. This time however, the bills do not contain the abortion provision that led to the Governor’s veto. Prompt attention to this legislation is expected within the first quarter of this year.

Major Components of Originally Passed Bills

**Senate Bill 1293**

Amends the Michigan Insurance Code to provide a mechanism for Blue Cross Blue Shield of Michigan to become a nonprofit mutual disability insurer.

- Sec. 2213b — allows for discontinuing individual health care plans or products with notice to insureds and the Office of Financial and Insurance Services (OFIR) Commissioner. Must offer individuals the option to convert to another plan without regard to pre-existing condition.
- Sec. 3705 — allows smoking as a rating factor for health benefit plans. Allows premiums for small employers or sole proprietors to vary by up to 45 percent from the index rate.
- Sec. 3712 — applies same rules from Sec. 2213b (see above) for discontinuing small group coverage.
- Sec. 5008 — allows a nonprofit mutual disability insurer to retain use of the trade names in use before a merger or consolidation. Blue Cross Blue Shield of Michigan will not be required to use a name that includes the word “mutual,” which would be required without this change.
- Sec. 5104 — modifies the limitation on the lines of insurance that the Accident Fund of Michigan (AFM) may transact. Currently, AFM may sell workers’ compensation and employers’ liability insurance and act as an administrative services organization for self-insured workers’ compensation plans. This section ends that limitation when BCBSM is no longer a nonprofit health care corporation.
- Sec. 5209 — amends Corporate Powers and Procedures chapter to allow BCBSM to retain use of current name after transition.
- Sec. 5800 — applies chapter regulating General Mutual Insurers to a nonprofit mutual disability insurer.
- Sec. 5801 — allows a nonprofit mutual disability insurer to form. Prohibits a nonprofit mutual disability insurer from converting to a stock company or reorganizing under the chapter allowing for reorganization of a mutual insurer.
- Sec. 5805 — allows a nonprofit health care corporation to merge with a nonprofit mutual disability insurer. The surviving entity is governed under chapter 58 of the Insurance Code. The merger is exempt from Chapter 13, regulating holding companies.
Sec. 5824 — specifies that entities holding administrative services agreements with a nonprofit mutual disability insurer may be members of the mutual insurer. Allows the nonprofit mutual disability insurer to establish bylaws for the basis of the number of votes entities will have as members.

Enacting 1293 is tied to enacting 1294

**Senate Bill 1294**

Amends PA 350 of 1980 to provide for merging and transferring BCBSM into an entity regulated under the Michigan Insurance Code.

Sec. 218 — removes current prohibition on dissolution of a health care corporation.

Sec. 220 — allows a health care corporation to establish, own and merge with a nonprofit mutual disability insurer. The surviving entity is a nonprofit mutual disability insurer. The merger is exempt from Chapter 13 of the Insurance Code. The merger is effective when the Board of Directors of the health care corporation and the nonprofit mutual disability insurer adopt the merger. The merger results in the dissolution of the health care corporation.

Sec. 401e — allows for discontinuing individual or group health care plans or products with notice to insureds and the OFIR Commissioner. Must offer individuals the option to convert to another plan without regard to pre-existing condition.

Sec. 401l — allows a health care corporation to use rating factors in the individual market as allowed by federal law for coverage issued on or after Jan. 1, 2014.

Sec. 401m — requires BCBSM to be the insurer of last resort until Jan. 1, 2014.

Sec. 620 — coverage issued on or after Jan. 1, 2014, is subject to regulation by the Insurance Code. Beginning Jan. 1, 2014, a health care corporation may establish open enrollment periods for coverage.

Enacting 1294 is tied to enacting 1293

**MORE INFORMATION**

Please contact our Health Care Reform Task Force for more information

mailto:HealthCareReformTaskForce@kapnick.com

888.263.4656 | kapnick.com

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