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**SFA**



**BILL ANALYSIS**

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House Bill 4322 (as reported without amendment)  
Sponsor: Representative Susan Tabor  
House Committee: Senior Health, Security and Retirement  
Senate Committee: Health Policy

Date Completed: 3-15-01

### **RATIONALE**

According to the National Association of Insurance Commissioners, long-term care insurance was first developed during the early 1980s and was designed to cover nursing home costs. Since then, this type of insurance has evolved into a more sophisticated product that may cover other services, such as in-home care or adult day care. Public Act 84 of 1992 amended the Insurance Code to add Chapter 39, which regulates long-term care insurance. Among other things, Chapter 39 includes long-term care coverage requirements, provides inflation protection features for benefit levels, and requires that a summary of coverage be provided to a person applying for a long-term care policy. Apparently, there have been instances of confusion and misunderstanding between individuals covered under long-term care policies and insurance providers because terms relating to the facilities and the services to be covered have not been clearly defined in the policies. Consequently, some individuals who have purchased long-term care policies have found out, when they needed long-term care, that their policies did not cover the assisted living situations they sought. In some cases, the misunderstanding evidently occurred because of the complex wording of the policy. To ensure that individuals understand the type of home care and assisted living services they are entitled to under a long-term care insurance policy, it has been suggested that these policies be required to provide in plain English a detailed explanation of covered services.

### **CONTENT**

The bill would amend Chapter 39 of the Insurance Code to specify that a long-term care insurance policy that provided coverage for home care services or assisted living services would have to define, and provide a detailed explanation in plain English of, what services were covered. Further, a long-term care insurance policy that provided coverage for assisted living facility stays would have to define, in plain English, what assisted living facilities were

covered.

MCL 500.3913

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Based on growing consumer demand for alternatives to nursing home care and for safe and comfortable residential living arrangements for senior citizens, assisted living options are becoming more prevalent. In response, long-term care insurance policies are available to cover the cost of medical or personal care services that are provided in a setting other than a hospital or nursing home. Some individuals, however, do not clearly understand the types of services that are covered under a policy until they must file a claim. Then, it often is too late to change insurance coverage if a person's policy does not cover the type of service or facility he or she wishes to use. Thus, long-term care health insurance policies should clearly outline the coverage that will be provided. By requiring that a long-term care policy define and explain in plain English the services to be covered, the bill would help consumers to make informed decisions when they purchase these insurance policies, since the definitions of covered services and facilities would be in language that was more understandable to policy holders. Consumer confusion, disappointment, and subsequent complaints could be minimized when the benefits and limitations of long-term care contracts were fully understood.

**Response:** The term "plain English" should be defined specifically so all insurance companies would have to meet the same standard in the language of their policies. In addition, the bill should address what must be included exactly in the terms of a policy. For example, the bill should require that

insurance policies define terms such as “assisted living facility” to explain whether it would be inside or outside of an individual’s home; the types of services to be provided; and, whether the facility would be subject to inspections by a controlling authority.

**Opposing Argument**

The bill may not be necessary since the Insurance Code already requires that insurance contracts meet specific readability requirements (MCL 500.2236(3)). Under the Code, a policy for personal, family, or household purposes must obtain a certain “readability score” or meet other requirements regarding wording.

**Response:** Evidently, these requirements have not been sufficient to ensure that consumers understand the actual language of their long-term care policies.

Legislative Analyst: L. Arasim

**FISCAL IMPACT**

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

Fiscal Analyst: M. Tyszkiewicz

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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.