

STANDING COMMITTEE REPORT NO. 14-147

RE: C.B. NO. 14-188/HESA

SUBJECT: PROPOSED AMENDMENTS TO TITLE 52, PUBLIC EMPLOYMENT,
HEALTH INSURANCE PLAN

MARCH 29, 2007

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Sixth Special Session, 2007

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs ("HESA"), to which was referred C.B. No. 14-188, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTION 403 TO MAKE ENROLLMENT IN MICARE MANDATORY FOR EMPLOYEES OF THE NATIONAL GOVERNMENT AND TO REQUIRE THAT POST SECONDARY INSTITUTIONS ENROLL IN MICARE BEFORE STUDENTS ARE PERMITTED TO ENROLL, BY AMENDING SECTION 406 TO DELETE THE REQUIREMENT THAT THE FUND MAINTAIN SEPARATE ACCOUNTS FOR EACH STATE AND BY AMENDING SECTION 409 TO PERMIT THE PLAN TO DENY CLAIMS BASED ON PREEXISTING MEDICAL CONDITIONS, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

The proposed amendments to Section 4 of Title 52 would make participation in MiCare health care insurance mandatory for employees of the national government, require the enrollment of post-secondary institutions, delete the requirement that the fund maintain separate accounts for each state and permit the plan to deny claims based on pre-existing medical conditions.

Your committee held a public hearing on this matter on Tuesday 27 March 2007. In attendance were Senator Moses, Chairman of the HESA committee, along with witnesses Mr. Yosiwo George, Administrator of the MiCare Plan, Assistant Secretary Ihlen Joseph from the Department of Finance and a representative from the Office of the President.

Mandatory enrollment for all full-time national government employees

Mr. George explained the reasons behind the proposed amendments. Primarily, the MiCare plan is experiencing grave financial difficulties. The first amendment proposes broadening MiCare's participant base as a means of addressing these difficulties. Mr. George informed your committee that, currently, about 20% of the FSM

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population are members of the MiCare plan. However, of full-time national government employees, between 92 and 93% currently participate in the plan. Accordingly, the proposed amendment to make enrollment in MiCare mandatory for all national government employees would affect between 7 to 8% of non-members. This would be the first time enrollment in the plan is made compulsory. National government employees currently pay 48% of their MiCare premiums whereas their employer covers the remaining 52%. This arrangement would remain unchanged.

Your committee supports the above proposed amendment to section 403 of Title 52.

Requirement of post-secondary institution enrollment in plan

Currently, post-secondary students pay 100% of their MiCare premiums themselves. The proposed amendment would require post-secondary institutions to enroll in the plan. Mr. George referred to this amendment as being for the purposes of "administrative coordination". Your committee notes that the employees of FSM post-secondary institutions will not be required to enroll in the plan.

The effect of this amendment would be to make it possible for a post-secondary institution in the FSM to automatically deduct premiums on behalf of their students who are enrolled in the plan and remit them to MiCare.

Your committee supports the above proposed amendment to section 403 of Title 52.

One MiCare fund will be maintained

Currently, each FSM state maintains a separate MiCare account. For example, premiums collected in one state can only be used to pay claims in that state. The effect of this is to limit risk sharing in the plan and is tantamount to there being four separate health insurance schemes in the FSM. The result can be that a serious case may be denied medical attention if the MiCare resources of that individual's state have been exhausted.

Mr. George explained that the premiums of national government employees plan members are part of the state MiCare account in which the member is resident. He noted that Chuuk State has its own mandatory health insurance plan but that national government employees

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who reside in Chuuk tend to prefer the MiCare plan. Yap State employees pay 100% of their MiCare premiums themselves and that state tends to have a low enrollment rate. Both Pohnpei and Kosrae state residents have significant enrollment in MiCare.

With the proposed amendment, claims will be paid on the basis of medical seriousness, the nature and urgency of the member's illness, rather than according to state residency.

Mr. George noted that there has never been a surplus in premiums at the end of any fiscal year. Accordingly, subsection (3) of section 406, which allows for the use of surplus premiums over 25% of the total premium paid by a state to be used to purchase medical supplies, is irrelevant and may be deleted at this time.

Your committee supports the above proposed amendments to section 406 of Title 52.

Denial of claims based on pre-existing medical conditions

Mr. George discussed the serious on-going problem of abuse of the MiCare plan. He explained that it is common for FSM citizens to defer enrollment in the plan until they become ill and require medical care. At this time, an individual may choose to enroll in the plan and receive payment on their claims. Currently, Title 52 does not permit MiCare to deny its members' claims that are based on preexisting medical conditions. In order to contain this abuse of the system, the subject bill proposes deleting subsection 1(a) of section 409 with the effect that the Board may promulgate regulations that allow for the denial of claims based on preexisting conditions.

Whereas your committee recognizes and is prepared to acknowledge the problem of abuse of the plan, it is concerned that this proposed amendment may not be compatible with making enrollment mandatory for certain eligible members of the FSM population. Accordingly, your committee does not support the proposed amendment to subsection 1(a) of section 409. Your committee is prepared to consider other proposals to mitigate abuse of the plan.

Effective date of proposed amendments

Your committee suggests that the three proposed amendments supported by your committee, as set out above, take effect at the beginning of the FY 2008 fiscal year.

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With the foregoing amendments, your committee on Health, Education and Social Affairs is in accord with the intent and purpose of C.B. No. 14-188 and recommends its passage on First Reading and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 14-188, C.D.1.

Respectfully submitted,

/s/ Resio S. Moses
Resio S. Moses, chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

/s/ Dohsis Halbert
Dohsis Halbert, member

Roosevelt D. Kansou, member

Manny Mori, member

Ramon Peyal, member

/s/ Claude H. Phillip
Claude H. Phillip, member