

STANDING COMMITTEE REPORT NO. 15-129

RE: C.B. NO. 15-65/HESA

SUBJECT: PROPOSED AMENDMENTS TO TITLE 52, MICARE HEALTH INSURANCE PLAN

MAY 29, 2008

The Honorable Isaac V. Figir  
Speaker, Fifteenth Congress  
Federated States of Micronesia  
Fourth Regular Session, 2008

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs, to which was referred C.B. 15-65, 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 AND BY AMENDING SECTION 406 TO DELETE THE REQUIREMENT THAT THE FUND MAINTAIN SEPARATE ACCOUNTS FOR EACH STATE, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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 and delete the requirement that the fund maintain separate accounts for each state.

Your committee notes that a hearing was held on this bill during the Fourteenth Congress on Tuesday 27 March 2007. At that time, the bill was C.B. 14-188. The bill was not voted on during the Fourteenth Congress and has been re-introduced, with some amendments, during this Fifteenth Congress as C.B. No. 15-65, the subject bill.

In attendance at the 2007 hearing were Senator Moses, then Chairman of your committee, along with witnesses Mr. Yosiwo George, Administrator of the MiCare Plan at the time, then 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.

**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.

**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 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.

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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.

#### **STATE HEARINGS**

Your committee also held hearings during the Fifteenth Congress in our four states from March 10 until 21, 2008 on the subject bill, among others. Your committee was accompanied by representatives of the FSM MiCare Health Insurance program, including Mr. George, who accompanied your committee at hearings in the State of Kosrae. Comments from the hearings are set out below.

#### **Kosrae**

Your committee met with Governor Weilbacher of Kosrae, his Attorney General and Director of Health Services on March 11, 2008.

The Kosrae State AG commented that the intent of the bill appears to be to create a unified system, similar to the FSM Social Security program. In the case of MiCare, the bill proposed that states will cross-subsidize each other's care and referrals will be based on the seriousness of a medical case rather than the patient's state of origin.

Mr. Yosiwo George noted that MiCare will continue to track its users but that there will be one account for all.

Your committee met with the Speaker and members of the Kosrae State Legislature on 12 March 2008. Mr. George said the subject bill and its proposal of mandatory participation on the part of national government employees represents a move toward universal coverage for MiCare.

#### **Chuuk**

On 14 March 28, your committee met with the Speaker and members of the Chuuk State Legislature. A member of the MiCare Board was present to respond to questions.

The Speaker asked if the State of Chuuk could require national government employees who reside in the State of Chuuk to participate in the Chuuk State health insurance plan.

Discussion focused on the constitutionality of mandatory participation

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in the plan. Based on advice from its legal staff, your committee is confident that the required participation in the plan is consistent with our Constitution. Since the requirement of participation is proposed to be applied equally to all national government employees, there is no denial or impairment of equal protection of the laws under Article IV of the FSM Constitution. Also, your committee notes that participation in the FSM Social Security program is mandatory for all individuals earning income in the FSM.

**FSM community on Guam**

Your committee met on 18 March with representatives of the FSM community on Guam to present the subject bill, among others. The bill was received with interest and comments focused on making enrollment mandatory for national government employees.

**Yap**

On 19 March, your committee met with members of the Yap business community on Yap proper. The Yap State MiCare administrator participated in the meeting. It was noted that Yap State is enrolled in the MiCare plan. One effect of this non-enrollment is that participants from the State of Yap must pay 100% of the premiums themselves.

Your committee met with members of the Yap State Legislature and Executive on March 20. The Yap State MiCare administrator was again present to provide information regarding the MiCare program and the effects of the proposed amendments. Discussion focused on the proposed "pooling" of MiCare's resources that are currently distinguished by state.

**Pohnpei**

Your committee met with the Governor and Lieutenant Governor of Pohnpei, along with members of their staff, on 24 March. With regard to the proposed pooling of state resources, Governor Ehsa noted that Pohnpei is sensitive to the other states accessing its account and said the feeling in Pohnpei is that it subsidizes other states. Some support was expressed for mandatory participation and the movement toward global coverage.

**Effective date of proposed amendments**

Your committee recommends that subsection 403(1) of the subject bill, proposing mandatory participation in the MiCare plan on the part of full-time national government employees, take effect one year after

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this bill becoming law. This will allow more time to implement the requirement of mandatory participation. Your committee recommends amending section 3 of the proposed bill to reflect this recommendation.

Your committee recommends that subsection 403(f) and section 406 take effect immediately on the subject bill becoming law.

**Conclusion**

With the foregoing amendment, your committee on Health, Education and Social Affairs is in accord with the intent and purpose of C.B. No. 15-65, C.D. 1 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. 15-65, C.D.1.

Respectfully submitted,

/s/ Joseph J. Urusemal  
Joseph J. Urusemal, chairman

/s/ Claude H. Phillip  
Claude H. Phillip, vice chairman

/s/ Dohsis Halbert  
Dohsis Halbert, member

Tiwiter Aritos, member

/s/ Resio S. Moses  
Resio S. Moses, member

/s/ Setiro Paul  
Setiro Paul, member

/s/ Joe N. Suka  
Joe N. Suka, member