

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 775 (Substitute S-1 as reported)
 Senate Bill 776 (Substitute S-1 as reported)
 Senate Bill 777 (Substitute S-1 as reported)
 Senate Bill 778 (Substitute S-1 as reported)
 Senate Bill 779 (Substitute S-1 as reported)

Sponsor: Senator Dick Posthumus

Committee: Commerce and Technology

Date Completed: 4-21-88

RATIONALE

Public Act 233 of 1984 created the Prudent Purchaser Act as part of a package of legislation authorizing and regulating the formation and operation of prudent purchaser organizations, which are sometimes called preferred provider organizations. (An organization of this kind negotiates contracts with health care providers and facilities and then requires its customers to make use of only the providers and facilities with whom it has contracts, or at least offers incentives to encourage such use.) When the package of legislation was enacted, a sunset date of July 1, 1988, was included in the Prudent Purchaser Act and in the corresponding provisions of the other Acts it amended. Some people feel that the prudent purchaser approach to the provision of health care services has been a successful one and should be continued indefinitely.

CONTENT

Senate Bill 775 (S-1) would amend the Prudent Purchaser Act to repeal the Act's July 1, 1988, sunset. Senate Bills 776 (S-1) through 779 (S-1) would amend various other Acts to eliminate sunsets on provisions pertaining to the Prudent Purchaser Act.

Senate Bill 776 (S-1) would amend the Insurance Code; Senate Bill 777 (S-1) would amend the Nonprofit Health Care Corporation Reform Act; Senate Bill 778 (S-1) would amend the Public Health Code; and Senate Bill 779 (S-1) would amend Public Act 125 of 1963, which regulates nonprofit dental care corporations.

MCL 550.61 (Senate Bill 775)
 500.3405 et al. (Senate Bill 776)
 550.1502a (Senate Bill 777)
 333.21054 (Senate Bill 778)
 550.366a (Senate Bill 779)

FISCAL IMPACT

The bills would have a minimal fiscal impact on State and local government. The bills would continue the need for the Insurance Bureau to review the criteria developed by the Prudent Purchaser organizations for their provider panels. This information would also be required to be filed and kept available under the Freedom of Information Act. The Insurance Bureau estimated that the equivalent of one-half of one FTE would be required indefinitely at a cost of approximately \$24,000 per year.

ARGUMENTS***Supporting Argument***

Prudent purchaser organizations (PPOs) have become a common and successful approach to the provision of health care. Many employee benefit plans use PPOs or a similar approach, health maintenance organizations, to provide health care assistance to workers. Rather than allowing the statutes to sunset, the State should allow PPOs to continue to operate.

Supporting Argument

The bills merely would "clean up" the statutes, since, according to recent rulings of the Attorney General, the legislation in question would not be repealed anyway. The Attorney General has ruled that language to repeal an Act or a section of an Act is not legally enforceable unless the Act's title indicates repeal on a specific date. None of the Acts that would be amended by these bills contains such language in their title.

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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.

S.B. 775 - 779 (4-21-88)