

# HOUSE BILL No. 6198

November 8, 1990, Introduced by Rep. Joe Young, Jr. and referred to the Committee on Public Health.

A bill to amend section 21053 of Act No. 368 of the Public Acts of 1978, entitled as amended "Public health code," as amended by Act No. 249 of the Public Acts of 1987, being section 333.21053 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 21053 of Act No. 368 of the Public Acts  
2 of 1978, as amended by Act No. 249 of the Public Acts of 1987,  
3 being section 333.21053 of the Michigan Compiled Laws, is amended  
4 to read as follows:

5 Sec. 21053. (1) Upon obtaining a license, a health mainte-  
6 nance organization may enter into health maintenance contracts  
7 and engage in other activities consistent with this part and  
8 other applicable laws of this state ~~which~~ THAT are necessary to  
9 perform its obligations under its contracts.

1       (2) A health maintenance organization shall not terminate a  
2 health maintenance contract or deny a renewal of a contract  
3 because of age, sex, health status, national origin, BECAUSE AN  
4 ENROLLEE HAS BEEN CONVICTED OF A CRIMINAL VIOLATION IN THIS STATE  
5 OR ELSEWHERE EXCEPT WHILE THE ENROLLEE, BASED UPON A TRANSACTION  
6 OR OCCURRENCE INVOLVING A HEALTH MAINTENANCE ORGANIZATION, IS  
7 SERVING A SENTENCE ARISING OUT OF A CHARGE OF FRAUD OR IS MAKING  
8 RESTITUTION PURSUANT TO A VOLUNTARY PAYMENT AGREEMENT BETWEEN THE  
9 ENROLLEE AND THE ORGANIZATION, or DUE TO THE frequency of utili-  
10 zation of medically indicated services of an enrollee or group of  
11 enrollees.

12       (3) A health maintenance contract may be terminated for vio-  
13 lation of the terms of the contract or for nonpayment of the  
14 fixed prepaid sum or per capita prepayment set forth in the con-  
15 tract if the fixed prepaid sum or per capita prepayment is not  
16 paid within 30 days after the due date.

17       (4) A health maintenance organization may contract with or  
18 directly engage health professionals and affiliated providers,  
19 including other health maintenance organizations to render the  
20 services the organization has agreed to provide under the terms  
21 of its health maintenance contracts. An affiliated provider  
22 shall look solely to the health maintenance organization for pay-  
23 ment of services rendered pursuant to a contract with the health  
24 maintenance organization. In meeting the requirements of  
25 section 21021, the health maintenance organization may contract  
26 with or employ health professionals on the basis of cost,  
27 quality, availability of services to the membership, conformity

1 to the administrative procedures of the health maintenance  
2 organization, and other factors relevant to delivery of economi-  
3 cal, quality care, but shall not discriminate solely on the basis  
4 of the class of health professionals to which the health profes-  
5 sional belongs.

6 (5) A health maintenance organization may provide additional  
7 health maintenance services or any other related health care  
8 service or treatment not required under this part.

9 (6) A health maintenance organization may have health main-  
10 tenance contracts that are supplemented by deductibles or addi-  
11 tional nominal payments which are required for the provision of  
12 specific health maintenance services, except that the payments  
13 shall not exceed 50% of a reasonable charge for providing a  
14 single service to an enrollee as determined by comparison to the  
15 amount charged for that service by other providers in the geo-  
16 graphic service area.

17 (7) A health maintenance organization may accept from gov-  
18 ernmental agencies and from private persons payments covering any  
19 part of the cost of health maintenance contracts.

20 (8) The health maintenance organization may provide services  
21 in a noncontiguous service area if the department, with the  
22 advice of the insurance bureau, finds that the requirements of  
23 this article are met and that its subscriber governing body elec-  
24 tion procedures provide for proportional subscriber representa-  
25 tion on the governing board from each noncontiguous service area  
26 with each noncontiguous service area having at least 1  
27 representative.