



SENATE BILL No. 477

March 9, 1993, Introduced by Senator SCHWARZ and referred to the Committee on Health Policy.

A bill to amend sections 502 and 502a of Act No. 350 of the Public Acts of 1980, entitled as amended

"The nonprofit health care corporation reform act,"

section 502 as amended by Act No. 38 of the Public Acts of 1988 and section 502a as amended by Act No. 283 of the Public Acts of 1988, being sections 550.1502 and 550.1502a of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 502 and 502a of Act No. 350 of the
2 Public Acts of 1980, section 502 as amended by Act No. 38 of the
3 Public Acts of 1988 and section 502a as amended by Act No. 283 of
4 the Public Acts of 1988, being sections 550.1502 and 550.1502a of
5 the Michigan Compiled Laws, are amended to read as follows:

1 Sec. 502. (1) A health care corporation may enter into
2 participating contracts for reimbursement with professional
3 health care providers practicing legally in this state for health
4 care services ~~which~~ THAT the professional health care providers
5 may legally perform. A participating contract may cover all mem-
6 bers or may be a separate and individual contract on a per claim
7 basis, as set forth in the provider class plan, if, in entering
8 into a separate and individual contract on a per claim basis, the
9 participating provider certifies to the health care corporation:

10 (a) That the provider will accept payment from the corpora-
11 tion as payment in full for services rendered for the specified
12 claim for the member indicated.

13 (b) That the provider will accept payment from the corpora-
14 tion as payment in full for all cases involving the procedure
15 specified, for the duration of the calendar year. ~~Until~~
16 ~~January 1, 1993, as used in this subdivision, provider does not~~
17 ~~include a person licensed as a dentist under part 166 of the~~
18 ~~public health code, Act No. 368 of the Public Acts of 1978, being~~
19 ~~sections 333.16601 to 333.16648 of the Michigan Compiled Laws.~~

20 (c) That the provider will not determine whether to partici-
21 pate on a claim on the basis of the race, color, creed, marital
22 status, sex, national origin, residence, age, handicap, or lawful
23 occupation of the member entitled to health care benefits.

24 (2) A contract entered into pursuant to subsection (1) shall
25 provide that the private provider-patient relationship shall be
26 maintained to the extent provided for by law. ~~A~~ EXCEPT AS
27 OTHERWISE PROVIDED IN THIS SUBSECTION, A health care corporation

1 shall continue to offer a reimbursement arrangement to any class
2 of providers with which it has contracted prior to August 27,
3 1985 and which continues to meet the standards set by the corpo-
4 ration for that class of providers. THIS SUBSECTION DOES NOT
5 REQUIRE A HEALTH CARE CORPORATION TO DO EITHER OF THE FOLLOWING:

6 (A) OFFER A REIMBURSEMENT ARRANGEMENT FOR A PRACTICE OF CHI-
7 ROPRACTIC SERVICE UNLESS THAT SERVICE WAS INCLUDED IN THE DEFINI-
8 TION OF PRACTICE OF CHIROPRACTIC UNDER SECTION 16401 OF ACT
9 NO. 368 OF THE PUBLIC ACTS OF 1978, BEING SECTION 333.16401 OF
10 THE MICHIGAN COMPILED LAWS, AS OF MAY 20, 1992.

11 (B) OFFER A REIMBURSEMENT ARRANGEMENT FOR A PRACTICE OF
12 OPTOMETRIC SERVICE UNLESS THAT SERVICE WAS INCLUDED IN THE DEFINI-
13 TION OF PRACTICE OF OPTOMETRY UNDER SECTION 17401 OF ACT
14 NO. 368 OF THE PUBLIC ACTS OF 1978, BEING SECTION 333.17401 OF
15 THE MICHIGAN COMPILED LAWS, AS OF MAY 20, 1992.

16 (3) A health care corporation shall not restrict the methods
17 of diagnosis or treatment of professional health care providers
18 who treat members. Except as otherwise provided in section 502a,
19 each member of the health care corporation shall at all times
20 have a choice of professional health care providers. This sub-
21 section shall not apply to limitations in benefits contained in
22 certificates, to the reimbursement provisions of a provider con-
23 tract or reimbursement arrangement, ~~nor~~ OR to standards set by
24 the corporation for all contracting providers. A health care
25 corporation may refuse to reimburse a health care provider for
26 health care services ~~which~~ THAT are overutilized, including

1 those services rendered, ordered, or prescribed to an extent
2 ~~which~~ THAT is greater than reasonably necessary.

3 (4) A health care corporation may provide to a member, upon
4 request, a list of providers with whom the corporation contracts,
5 for the purpose of assisting a member in obtaining a type of
6 health care service. However, except as otherwise provided in
7 section 502a, an employee, agent, or officer of the corporation,
8 or an individual on the board of directors of the corporation,
9 shall not make recommendations on behalf of the corporation with
10 respect to the choice of a specific health care provider. Except
11 as otherwise provided in section 502a, an employee, agent, or
12 officer of the corporation, or a person on the board of directors
13 of the corporation who influences or attempts to influence a
14 person in the choice or selection of a specific professional
15 health care provider on behalf of the corporation, is guilty of a
16 misdemeanor.

17 (5) A health care corporation shall provide a symbol of par-
18 ticipation, which can be publicly displayed, to providers who
19 participate on all claims for covered health care services
20 rendered to subscribers.

21 (6) This section shall not be construed to impede the lawful
22 operation of, or lawful promotion of, a health maintenance orga-
23 nization owned by a health care corporation.

24 (7) Contracts entered into under this section shall be
25 subject to the provisions of sections 504 to 518.

26 (8) A health care corporation shall not deny participation
27 to a freestanding medical or surgical outpatient facility on the

1 basis of ownership if the facility meets the reasonable standards
2 set by the health care corporation for similar facilities, is
3 licensed under part 208 of the public health code, Act No. 368 of
4 the Public Acts of 1978, being sections 333.20801 to 333.20821 of
5 the Michigan Compiled Laws, and complies with part ~~221~~ 222 of
6 the public health code, Act No. 368 of the Public Acts of 1978,
7 as amended, being sections ~~333.22101 to 333.22181~~ 333.22201 TO
8 333.22260 of the Michigan Compiled Laws.

9 Sec. 502a. (1) For the purpose of doing business as an
10 organization under the prudent purchaser act, ACT NO. 233 OF THE
11 PUBLIC ACTS OF 1984, BEING SECTIONS 550.51 TO 550.63 OF THE
12 MICHIGAN COMPILED LAWS, a health care corporation may enter into
13 prudent purchaser agreements with health care providers pursuant
14 to this section and ~~the prudent purchaser act~~ ACT NO. 233 OF
15 THE PUBLIC ACTS OF 1984.

16 (2) A health care corporation may offer group contracts
17 under which subscribers shall be required, as a condition of cov-
18 erage, to obtain services exclusively from health care providers
19 who have entered into prudent purchaser agreements.

20 (3) An individual who is a member of a group who is offered
21 the option of being a subscriber under a contract pursuant to
22 subsection (2) shall also be offered the option of being a sub-
23 scriber under a contract pursuant to subsection (4). This sub-
24 section shall only apply if the group to which the individual is
25 a member has 25 or more members or if the provider panel ~~which~~
26 THAT is providing the services under the contract is limited by
27 the organization to a specific number pursuant to section 3(1) of

1 ~~the prudent purchaser act~~ ACT NO. 233 OF THE PUBLIC ACTS OF
2 1984, BEING SECTION 550.53 OF THE MICHIGAN COMPILED LAWS.

3 (4) A health care corporation may offer group contracts
4 under which subscribers who elect to obtain services from health
5 care providers who have entered into prudent purchaser agreements
6 shall realize a financial advantage or other advantage by select-
7 ing such providers. Contracts offered pursuant to this subsec-
8 tion shall not, as a condition of coverage, require subscribers
9 to obtain services exclusively from health care providers who
10 have entered into prudent purchaser agreements.

11 (5) An individual who is a member of a group who is offered
12 the option of being a subscriber under a contract pursuant to
13 subsection (2) or (4) shall also be offered the option of being a
14 subscriber under a contract ~~which~~ THAT:

15 (a) Does not, as a condition of coverage, require subscrib-
16 ers to obtain services exclusively from health care providers who
17 have entered into prudent purchaser agreements.

18 (b) Does not give a financial advantage or other advantage
19 to a subscriber who elects to obtain services from health care
20 providers who have entered into prudent purchaser agreements.

21 (6) Subsection (5) shall only apply if the group to which
22 the individual is a member has 25 or more members and if the
23 group ~~on the effective date of this section~~ DECEMBER 20, 1984
24 had health care coverage through the group sponsor.

25 (7) A health care corporation may offer individual contracts
26 under which subscribers shall be required, as a condition of
27 coverage, to obtain services exclusively from health care

1 providers who have entered into prudent purchaser agreements. A
2 person to whom such a contract is offered shall also be offered a
3 contract ~~which~~ THAT:

4 (a) Does not, as a condition of coverage, require subscrib-
5 ers to obtain services exclusively from health care providers who
6 have entered into prudent purchaser agreements.

7 (b) Does not give a financial advantage or other advantage
8 to a subscriber who elects to obtain services from health care
9 providers who have entered into prudent purchaser agreements.

10 (8) A health care corporation may offer individual contracts
11 under which subscribers who elect to obtain services from health
12 care providers who have entered into prudent purchaser agreements
13 shall realize a financial advantage or other advantage by select-
14 ing such providers. Contracts offered pursuant to this subsec-
15 tion shall not, as a condition of coverage, require subscribers
16 to obtain services exclusively from health care providers who
17 have entered into prudent purchaser agreements. A person to whom
18 such a contract is offered shall also be offered a contract
19 ~~which~~ THAT:

20 (a) Does not, as a condition of coverage, require subscrib-
21 ers to obtain services exclusively from health care providers who
22 have entered into prudent purchaser agreements.

23 (b) Does not give a financial advantage or other advantage
24 to a subscriber who elects to obtain services from health care
25 providers who have entered into prudent purchaser agreements.

26 (9) The rates charged by a corporation for coverage under
27 contracts issued under this section shall not be unreasonably

1 lower than what is necessary to meet the expenses of the
 2 corporation for providing this coverage and shall not have an
 3 anticompetitive effect or result in predatory pricing in relation
 4 to prudent purchaser agreement coverages offered by other
 5 organizations.

6 (10) Contracts entered into under this section shall not be
 7 subject to the provisions of sections 504 to 518.

8 (11) A corporation shall not discriminate against a class of
 9 health care providers when entering into prudent purchaser agree-
 10 ments with health care providers for its provider panel. This
 11 subsection shall not be construed to:

12 (a) Prohibit the formation of a provider panel consisting of
 13 a single class of providers when a service provided for in the
 14 specifications of a purchaser may be legally provided only by a
 15 single class of providers.

16 (b) Prohibit the formation of a provider panel ~~which~~ THAT
 17 conforms to the specifications of a purchaser of the coverage
 18 authorized by this section so long as the specifications do not
 19 exclude any class of health care providers who may legally per-
 20 form the services included in the coverage.

21 (c) Require an organization ~~which~~ THAT has uniformly
 22 applied the standards filed pursuant to section 3(3) of ~~the pru-~~
 23 ~~dent purchaser act~~ ACT NO. 233 OF THE PUBLIC ACTS OF 1984 to
 24 contract with any individual provider.

25 (D) REQUIRE COVERAGE OR REIMBURSEMENT FOR A PRACTICE OF CHI-
 26 ROPRACTIC SERVICE UNLESS THAT SERVICE WAS INCLUDED IN THE
 27 DEFINITION OF PRACTICE OF CHIROPRACTIC UNDER SECTION 16401 OF THE

1 PUBLIC HEALTH CODE, ACT NO. 368 OF THE PUBLIC ACTS OF 1978, BEING
2 SECTION 333.16401 OF THE MICHIGAN COMPILED LAWS, AS OF MAY 20,
3 1992.

4 (E) REQUIRE COVERAGE OR REIMBURSEMENT FOR A PRACTICE OF
5 OPTOMETRIC SERVICE UNLESS THAT SERVICE WAS INCLUDED IN THE DEFI-
6 NITION OF PRACTICE OF OPTOMETRY UNDER SECTION 17401 OF ACT
7 NO. 368 OF THE PUBLIC ACTS OF 1978, BEING SECTION 333.17401 OF
8 THE MICHIGAN COMPILED LAWS, AS OF MAY 20, 1992.

9 (12) Nothing in the 1984 amendatory act that added this sec-
10 tion shall apply to any contract ~~which~~ THAT was in existence
11 before December 20, 1984, or the renewal of such contract.