



SENATE BILL No. 590

April 29, 1993, Introduced by Senators DUNASKISS, EMMONS, KOIVISTO, HOFFMAN, SCHWARZ, DE GROW, FAUST, EHLERS, BERRYMAN and HONIGMAN and referred to the Committee on Health Policy.

A bill to amend section 3 of Act No. 233 of the Public Acts of 1984, entitled "Prudent purchaser act," being section 550.53 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 3 of Act No. 233 of the Public Acts of
2 1984, being section 550.53 of the Michigan Compiled Laws, is
3 amended to read as follows:

4 Sec. 3. (1) An organization may enter into A prudent pur-
5 chaser ~~agreements~~ AGREEMENT with 1 or more health care provid-
6 ers of a specific service to control health care costs, assure
7 appropriate utilization of health care services, and maintain
8 quality of health care. The organization may limit the number of
9 prudent purchaser agreements entered into pursuant to this
10 section ~~if~~ if the number of ~~such~~ agreements is sufficient to

1 assure reasonable levels of access to health care services for
2 recipients of those services. The number of prudent purchaser
3 agreements authorized by this section ~~which~~ THAT are necessary
4 to assure reasonable levels of access to health care services for
5 recipients shall be determined by the organization. However, the
6 organization shall offer a prudent purchaser agreement, com-
7 parable to those agreements with other members of the provider
8 panel, to a health care provider located within a reasonable dis-
9 tance from the recipients of ~~such~~ THOSE health care services
10 ~~if~~ if a health care provider is located within that reasonable
11 distance.

12 (2) An organization shall give interested health care pro-
13 viders located in the geographic area served by the organization
14 an opportunity to apply to the organization for membership on the
15 provider panel.

16 (3) ~~Prudent~~ A PRUDENT purchaser ~~agreements~~ AGREEMENT
17 shall be based upon the following written standards which shall
18 be filed by the organization with the commissioner on a form and
19 in a manner that is uniformly developed and applied by the com-
20 missioner before the initial provider panel is formed:

21 (a) Standards for maintaining quality health care.

22 (b) Standards for controlling health care costs.

23 (c) Standards for assuring appropriate utilization of health
24 care services.

25 (d) Standards for assuring reasonable levels of access to
26 health care services.

1 (e) Other standards ~~deemed~~ CONSIDERED appropriate by the
2 organization.

3 (4) A PRUDENT PURCHASER AGREEMENT CONCERNING A PRESCRIPTION
4 PROGRAM SHALL NOT BE INSTITUTED, BE RENEWED, HAVE A CHANGE IN
5 REIMBURSEMENT, OR BE OTHERWISE MODIFIED IN THIS STATE AFTER THE
6 EFFECTIVE DATE OF THIS SUBSECTION UNTIL WRITTEN NOTICE OF THE
7 PROVISIONS OF THE AGREEMENT HAS BEEN GIVEN TO EACH PHARMACY THAT
8 IS LOCATED WITHIN A COUNTY COVERED BY THE AGREEMENT AT LEAST 30
9 DAYS BEFORE THE COMMENCEMENT OR MODIFICATION OF THE AGREEMENT.
10 NOTICE TO A CHAIN OR BRANCH PHARMACY SHALL BE GIVEN TO ITS PRIN-
11 CIPAL PLACE OF BUSINESS OR HEADQUARTERS. A PHARMACY HAS 30 DAYS
12 FROM THE DATE OF THE NOTICE TO ENROLL IN THE AGREEMENT.

13 (5) A PRUDENT PURCHASER AGREEMENT CONCERNING A DURABLE MEDI-
14 CAL EQUIPMENT PROGRAM SHALL NOT BE INSTITUTED, BE RENEWED, HAVE A
15 CHANGE IN REIMBURSEMENT, OR BE OTHERWISE MODIFIED IN THIS STATE
16 AFTER THE EFFECTIVE DATE OF THIS SUBSECTION UNTIL WRITTEN NOTICE
17 OF THE PROVISIONS OF THE AGREEMENT HAS BEEN GIVEN TO EACH DURABLE
18 MEDICAL EQUIPMENT PROVIDER THAT IS LOCATED WITHIN A COUNTY COV-
19 ERED BY THE AGREEMENT AT LEAST 30 DAYS BEFORE THE COMMENCEMENT OR
20 MODIFICATION OF THE AGREEMENT. NOTICE TO A CHAIN OR BRANCH DURA-
21 BLE MEDICAL EQUIPMENT PROVIDER SHALL BE GIVEN TO ITS PRINCIPAL
22 PLACE OF BUSINESS OR HEADQUARTERS. A DURABLE MEDICAL EQUIPMENT
23 PROVIDER HAS 30 DAYS FROM THE DATE OF THE NOTICE TO ENROLL IN THE
24 AGREEMENT. AS USED IN THIS SUBSECTION, "DURABLE MEDICAL
25 EQUIPMENT" MEANS EQUIPMENT THAT IS PRIMARILY AND CUSTOMARILY USED
26 FOR MEDICAL PURPOSES, IS INTENDED FOR REPEATED USE, AND IS NOT
27 GENERALLY USEFUL TO A PERSON IN THE ABSENCE OF ILLNESS OR INJURY.

1 (6) ~~(4)~~ An organization shall develop and institute
2 procedures ~~which~~ THAT are designed to notify health care pro-
3 viders located in the geographic area served by the organization
4 of the formation of a provider panel. Upon receipt of a request
5 by a health care provider, the organization shall provide the
6 written standards described in subsection (3) AND THE REQUIRE-
7 MENTS OF SUBSECTIONS (4) AND (5) to the health care provider.

8 (7) ~~(5)~~ An organization ~~which~~ THAT enters into 1 OR MORE
9 prudent purchaser agreements with health care providers under
10 this act shall institute a program for the professional review of
11 the quality of health care, performance of health care personnel,
12 and utilization of services and facilities under a prudent pur-
13 chaser agreement. At least every 2 years, the organization shall
14 provide for an evaluation of its professional review program by a
15 professionally recognized independent third party.

16 (8) ~~(6)~~ If 2 or more classes of health care providers may
17 legally provide the same health care service, the organization
18 shall offer each class of health care providers the opportunity
19 to apply to the organization for membership on the provider
20 panel.

21 (9) ~~(7)~~ Each prudent purchaser agreement shall state that
22 the health care provider may be removed from the provider panel
23 before the expiration of the agreement if the provider does not
24 comply with the requirements of the contract.

25 (10) ~~(8) Nothing in this~~ THIS act ~~shall~~ DOES NOT pre-
26 clude a health care provider or health care facility from being a
27 member of more than 1 provider panel.

1 (11) ~~(9) Provider panels~~ A PROVIDER PANEL may include
2 health care providers and facilities outside Michigan when neces-
3 sary to assure reasonable levels of access to health care serv-
4 ices under coverage authorized by this act.

5 (12) ~~(10)~~ At the time coverage authorized by this act is
6 offered to a person, the organization shall give or cause to be
7 given to the person the following information:

8 (a) The identity of the organization contracting with the
9 provider panel.

10 (b) The identity of the party sponsoring the coverage
11 including, but not limited to, the employer.

12 (c) The identity of the collective bargaining agent if the
13 coverage is offered pursuant to a collective bargaining
14 agreement.

15 (13) ~~(11)~~ If a person who has coverage authorized by this
16 act is entitled to receive a health care service when rendered by
17 a health care provider who is a member of the provider panel, the
18 person ~~shall be~~ IS entitled to receive the health care service
19 from a health care provider who is not a member of the provider
20 panel for an emergency episode of illness or injury ~~which~~ THAT
21 requires immediate treatment before it can be obtained from a
22 health care provider who is on the provider panel.

23 (14) ~~(12)~~ Subsections (2) to ~~(11)~~ (13) ~~shall~~ DO not
24 limit the authority of ~~organizations~~ AN ORGANIZATION to limit
25 the number of prudent purchaser agreements.