



# SENATE BILL No. 591

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 502a of Act No. 350 of the Public Acts of 1980, entitled as amended  
"The nonprofit health care corporation reform act,"  
as amended by Act No. 283 of the Public Acts of 1988, being section 550.1502a of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

5 Sec. 502a. (1) For the purpose of doing business as an  
6 organization under the prudent purchaser act, ACT NO. 233 OF THE  
7 PUBLIC ACTS OF 1984, BEING SECTIONS 550.51 TO 550.63 OF THE  
8 MICHIGAN COMPILED LAWS, a health care corporation may enter into  
9 prudent purchaser agreements with health care providers pursuant

1 to this section and ~~the prudent purchaser act~~ ACT NO. 233 OF  
2 THE PUBLIC ACTS OF 1984.

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

7 (3) An individual who is a member of a group who is offered  
8 the option of being a subscriber under a contract pursuant to  
9 subsection (2) shall also be offered the option of being a sub-  
10 scribe under a contract pursuant to subsection (4). This sub-  
11 section shall only apply if the group to which the individual is  
12 a member has 25 or more members or if the provider panel ~~which~~  
13 THAT is providing the services under the contract is limited by  
14 the organization to a specific number pursuant to section 3(1) of  
15 the prudent purchaser act, ACT NO. 233 OF THE PUBLIC ACTS OF  
16 1984, BEING SECTION 550.53 OF THE MICHIGAN COMPILED LAWS.

17 (4) A health care corporation may offer group contracts  
18 under which subscribers who elect to obtain services from health  
19 care providers who have entered into prudent purchaser agreements  
20 ~~shall~~ realize a financial advantage or other advantage by  
21 selecting ~~such~~ THOSE providers. Contracts offered pursuant to  
22 this subsection shall not, as a condition of coverage, require  
23 subscribers to obtain services exclusively from health care pro-  
24 viders who have entered into prudent purchaser agreements.

25 (5) An individual who is a member of a group who is offered  
26 the option of being a subscriber under a contract pursuant to

1 subsection (2) or (4) shall also be offered the option of being a  
2 subscriber under a contract ~~which~~ THAT:

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

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

9 (6) Subsection (5) ~~shall~~ only ~~apply~~ APPLIES if the group  
10 to which the individual is a member has 25 or more members and if  
11 the group on ~~the effective date of this section~~ DECEMBER 20,  
12 1984 had health care coverage through the group sponsor.

13 (7) A health care corporation may offer individual contracts  
14 under which subscribers shall be required, as a condition of cov-  
15 erage, to obtain services exclusively from health care providers  
16 who have entered into prudent purchaser agreements. A person to  
17 whom such a contract is offered shall also be offered a contract  
18 ~~which~~ THAT:

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

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

25 (8) A health care corporation may offer individual contracts  
26 under which subscribers who elect to obtain services from health  
27 care providers who have entered into prudent purchaser agreements

1 shall realize a financial advantage or other advantage by  
2 selecting ~~such~~ THOSE providers. Contracts offered pursuant to  
3 this subsection shall not, as a condition of coverage, require  
4 subscribers to obtain services exclusively from health care pro-  
5 viders who have entered into prudent purchaser agreements. A  
6 person to whom such a contract is offered shall also be offered a  
7 contract ~~which~~ THAT:

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

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

14       (9) A GROUP OR INDIVIDUAL CONTRACT OR CERTIFICATE ISSUED IN  
15 CONJUNCTION WITH A PRUDENT PURCHASER AGREEMENT CONCERNING A PRE-  
16 SCRIPTED OR DURABLE MEDICAL EQUIPMENT PROGRAM SHALL NOT PROVIDE  
17 AN INCENTIVE OR DISINCENTIVE TO USE 1 PHARMACY OR DURABLE MEDICAL  
18 EQUIPMENT PROVIDER WHO HAS ENROLLED IN THE AGREEMENT OVER ANOTHER  
19 PHARMACY OR DURABLE MEDICAL EQUIPMENT PROVIDER WHO HAS ENROLLED  
20 IN THE AGREEMENT. AS USED IN THIS SUBSECTION, "DURABLE MEDICAL  
21 EQUIPMENT" MEANS EQUIPMENT THAT IS PRIMARILY AND CUSTOMARILY USED  
22 FOR MEDICAL PURPOSES, IS INTENDED FOR REPEATED USE, AND IS NOT  
23 GENERALLY USEFUL TO A PERSON IN THE ABSENCE OF ILLNESS OR INJURY.

24       (10) ~~(9)~~ The rates charged by a corporation for coverage  
25 under contracts issued under this section shall not be unreason-  
26 ably lower than what is necessary to meet the expenses of the  
27 corporation for providing this coverage and shall not have an

1 anticompetitive effect or result in predatory pricing in relation  
2 to prudent purchaser agreement coverages offered by other  
3 organizations.

4 (11) ~~(10)~~ Contracts entered into under this section shall  
5 not be subject to the provisions of sections 504 to 518.

6 (12) ~~(11)~~ A corporation shall not discriminate against a  
7 class of health care providers when entering into prudent pur-  
8 chaser agreements with health care providers for its provider  
9 panel. This subsection shall not be construed to:

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

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

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

23 (13) ~~(12)~~ Nothing in the 1984 amendatory act that added  
24 this section shall apply to any contract ~~which~~ THAT was in  
25 existence before December 20, 1984, or the renewal of ~~such~~ THAT  
26 contract.