



SENATE BILL No. 593

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

A bill to amend sections 3405, 3631, and 3709 of Act No. 218 of the Public Acts of 1956, entitled as amended "The insurance code of 1956," as amended by Act No. 137 of the Public Acts of 1989, being sections 500.3405, 500.3631, and 500.3709 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 3405, 3631, and 3709 of Act No. 218 of
2 the Public Acts of 1956, as amended by Act No. 137 of the Public
3 Acts of 1989, being sections 500.3405, 500.3631, and 500.3709 of
4 the Michigan Compiled Laws, are amended to read as follows:

5 Sec. 3405. (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, an insurer authorized in this state to

1 write disability insurance ~~which~~ THAT provides coverage for
2 hospital, nursing, medical, surgical, or sick-care benefits may
3 enter into prudent purchaser agreements with providers of hospi-
4 tal, nursing, medical, surgical, or sick-care services pursuant
5 to this section and Act No. 233 of the Public Acts of 1984.

6 (2) An insurer may offer disability insurance policies under
7 which the insured persons shall be required, as a condition of
8 coverage, to obtain hospital, nursing, medical, surgical, or
9 sick-care services exclusively from health care providers who
10 have entered into prudent purchaser agreements. A person to whom
11 such a policy is offered shall also be offered a policy ~~which~~
12 THAT:

13 (a) Does not, as a condition of coverage, require insured
14 persons to obtain services exclusively from health care providers
15 who have entered into prudent purchaser agreements.

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

20 (3) An insurer may offer disability insurance policies under
21 which insured persons who elect to obtain hospital, nursing, med-
22 ical, surgical, or sick-care services from health care providers
23 who have entered into prudent purchaser agreements shall realize
24 a financial advantage or other advantage by selecting such
25 providers. Policies offered pursuant to this subsection shall
26 not, as a condition of coverage, require insured persons to
27 obtain such services exclusively from health care providers who

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

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

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

11 (4) A POLICY ISSUED IN CONJUNCTION WITH A PRUDENT PURCHASER
12 AGREEMENT CONCERNING A PRESCRIPTION OR DURABLE MEDICAL EQUIPMENT
13 PROGRAM SHALL NOT PROVIDE AN INCENTIVE OR DISINCENTIVE TO USE 1
14 PHARMACY OR DURABLE MEDICAL EQUIPMENT PROVIDER WHO HAS ENROLLED
15 IN THE AGREEMENT OVER ANOTHER PHARMACY OR DURABLE MEDICAL EQUIP-
16 MENT PROVIDER WHO HAS ENROLLED IN THE AGREEMENT. AS USED IN THIS
17 SUBSECTION, "DURABLE MEDICAL EQUIPMENT" MEANS EQUIPMENT THAT IS
18 PRIMARILY AND CUSTOMARILY USED FOR MEDICAL PURPOSES, IS INTENDED
19 FOR REPEATED USE, AND IS NOT GENERALLY USEFUL TO A PERSON IN THE
20 ABSENCE OF ILLNESS OR INJURY.

21 (5) ~~(4)~~ The rates charged by an insurer for coverage under
22 policies issued under this section shall not be unreasonably
23 lower than what is necessary to meet the expenses of the insurer
24 for providing this coverage and shall not have an anticompetitive
25 effect or result in predatory pricing in relation to prudent pur-
26 chaser agreement coverages offered by other organizations.

1 (6) ~~-(5)-~~ An insurer shall not discriminate against a class
2 of health care providers when entering into prudent purchaser
3 agreements with health care providers for its provider panel.
4 This subsection shall not be construed to:

5 (a) Prohibit the formation of a provider panel consisting of
6 a single class of providers when a service provided for in the
7 specifications of a purchaser may legally be provided only by a
8 single class of providers.

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

14 (c) Require an organization ~~-which-~~ THAT has uniformly
15 applied the standards filed pursuant to section 3(3) of Act
16 No. 233 of the Public Acts of 1984, being section 550.53 of the
17 Michigan Compiled Laws, to contract with any individual
18 provider.

19 (7) ~~-(6)-~~ Nothing in this 1984 amendatory act shall apply to
20 any contract ~~-which-~~ THAT is in existence before December 20,
21 1984, or the renewal of ~~-such-~~ THAT contract.

22 Sec. 3631. (1) For the purpose of doing business as an
23 organization under the prudent purchaser act, Act No. 233 of the
24 Public Acts of 1984, being sections 550.51 to 550.63 of the
25 Michigan Compiled Laws, an insurer authorized to write group dis-
26 ability insurance or family expense insurance ~~-which-~~ THAT
27 provides coverage for hospital, nursing, medical, surgical, or

1 sick-care benefits may enter into prudent purchaser agreements
2 with providers of hospital, nursing, medical, surgical, or
3 sick-care services pursuant to this section and Act No. 233 of
4 the Public Acts of 1984.

5 (2) An insurer may offer group disability insurance policies
6 or family expense policies under which the insured persons shall
7 be required, as a condition of coverage, to obtain hospital,
8 nursing, medical, surgical, or sick-care services exclusively
9 from health care providers who have entered into prudent pur-
10 chaser agreements.

11 (3) An individual who is a member of a group who is offered
12 the option of being under a policy pursuant to subsection (2)
13 shall also be offered the option of being insured under a policy
14 pursuant to subsection (4). This subsection shall only apply if
15 the group to which the individual is a member has 25 or more mem-
16 bers or if the provider panel ~~which~~ THAT is providing the serv-
17 ices under the group policy is limited by the organization to a
18 specific number pursuant to section 3(1) of ~~the prudent pur-~~
19 ~~chaser act~~ ACT NO. 233 OF THE PUBLIC ACTS OF 1984, BEING
20 SECTION 550.53 OF THE MICHIGAN COMPILED LAWS.

21 (4) An insurer may offer group disability insurance policies
22 or family expense policies under which insured persons who elect
23 to obtain hospital, nursing, medical, surgical, or sick-care
24 services from health care providers who have entered into prudent
25 purchaser agreements shall realize a financial advantage or other
26 advantage by selecting such a provider. Policies offered
27 pursuant to this subsection shall not, as a condition of

1 coverage, require insured persons to obtain such services
2 exclusively from health care providers who have entered into pru-
3 dent purchaser agreements.

4 (5) An individual who is a member of a group who is offered
5 the option of being insured under a policy pursuant to subsection
6 (2) or (4) shall also be offered the option of being insured
7 under a policy ~~which~~ THAT:

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

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

15 (6) Subsection (5) shall only apply if the group to which
16 the individual is a member has 25 or more members and if the
17 group on the effective date of this section had health care cov-
18 erage through the group sponsor.

19 (7) A POLICY ISSUED IN CONJUNCTION WITH A PRUDENT PURCHASER
20 AGREEMENT CONCERNING A PRESCRIPTION OR DURABLE MEDICAL EQUIPMENT
21 PROGRAM SHALL NOT PROVIDE AN INCENTIVE OR DISINCENTIVE TO USE 1
22 PHARMACY OR DURABLE MEDICAL EQUIPMENT PROVIDER WHO HAS ENROLLED
23 IN THE AGREEMENT OVER ANOTHER PHARMACY OR DURABLE MEDICAL EQUIP-
24 MENT PROVIDER WHO HAS ENROLLED IN THE AGREEMENT. AS USED IN THIS
25 SUBSECTION, "DURABLE MEDICAL EQUIPMENT" MEANS EQUIPMENT THAT IS
26 PRIMARILY AND CUSTOMARILY USED FOR MEDICAL PURPOSES, IS INTENDED

1 FOR REPEATED USE, AND IS NOT GENERALLY USEFUL TO A PERSON IN THE
2 ABSENCE OF ILLNESS OR INJURY.

3 (8) ~~-(7)-~~ The rates charged by an insurer for coverage under
4 policies issued under this section shall not be unreasonably
5 lower than what is necessary to meet the expenses of the insurer
6 for providing this coverage and shall not have an anticompetitive
7 effect or result in predatory pricing in relation to prudent pur-
8 chaser agreement coverages offered by other organizations.

9 (9) ~~-(8)-~~ An insurer shall not discriminate against a class
10 of health care providers when entering into prudent purchaser
11 agreements with health care providers for its provider panel.
12 This subsection shall not be construed to:

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

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

22 (c) Require an organization ~~-which-~~ THAT has uniformly
23 applied the standards filed pursuant to section 3(3) of Act
24 No. 233 of the Public Acts of 1984, being section 550.53 of the
25 Michigan Compiled Laws, to contract with any individual
26 provider.

1 (10) ~~(9)~~ Nothing in this 1984 amendatory act shall apply
2 to any contract ~~which~~ THAT is in existence before December 20,
3 1984, or the renewal of ~~such~~ THAT contract.

4 Sec. 3709. (1) For the purpose of doing business as an
5 organization under the prudent purchaser act, Act No. 233 of the
6 Public Acts of 1984, being sections 550.51 to 550.63 of the
7 Michigan Compiled Laws, an insurer authorized under this chapter
8 to write health insurance ~~which~~ THAT provides coverage for hos-
9 pital, nursing, medical, surgical, or sick-care benefits may
10 enter into prudent purchaser agreements with providers of hospi-
11 tal, nursing, medical, surgical, or sick-care services pursuant
12 to this section and Act No. 233 of the Public Acts of 1984.

13 (2) An insurer may offer health insurance policies or family
14 expense policies under which the insured persons shall be
15 required, as a condition of coverage, to obtain hospital, nurs-
16 ing, medical, surgical, or sick-care services exclusively from
17 health care providers who have entered into prudent purchaser
18 agreements.

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

1 No. 233 of the Public Acts of 1984, being section 550.53 of the
2 Michigan Compiled Laws.

3 (4) An insurer may offer health insurance policies under
4 which insured persons who elect to obtain hospital, nursing, med-
5 ical, surgical, or sick-care services from health care providers
6 who have entered into prudent purchaser agreements shall realize
7 a financial advantage or other advantage by selecting such
8 providers. Policies offered pursuant to this subsection shall
9 not, as a condition of coverage, require insured persons to
10 obtain services exclusively from health care providers who have
11 entered into prudent purchaser agreements.

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

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

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

23 (6) Subsection (5) shall only apply if the group to which
24 the individual is a member has 25 or more members and if the
25 group on December 20, 1984 had health care coverage through the
26 group sponsor.

1 (7) A POLICY ISSUED IN CONJUNCTION WITH A PRUDENT PURCHASER
2 AGREEMENT CONCERNING A PRESCRIPTION OR DURABLE MEDICAL EQUIPMENT
3 PROGRAM SHALL NOT PROVIDE AN INCENTIVE OR DISINCENTIVE TO USE 1
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22 a single class of providers when a service provided for in the
23 specifications of a purchaser may legally be provided only by a
24 single class of providers.

25 (b) Prohibit the formation of a provider panel ~~—which—~~ THAT
26 conforms to the specifications of a purchaser of the coverage
27 authorized by this section so long as the specifications do not

1 exclude any class of health care providers who may legally
2 perform the services included in the coverage.

3 (c) Require an organization ~~which~~ THAT has uniformly
4 applied the standards filed pursuant to section 3(3) of Act
5 No. 233 of the Public Acts of 1984, being section 550.53 of the
6 Michigan Compiled Laws, to contract with any individual
7 provider.

8 (10) ~~(9)~~ Nothing in this 1984 amendatory act shall apply
9 to any contract ~~which~~ THAT is in existence before December 20,
10 1984, or the renewal of ~~such~~ THAT contract.