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BILL ANALYSIS

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House Bill 5570 (Substitute S-3 as reported)  
Sponsor: Representative Sharon Gire  
House Committee: Health Policy  
Senate Committee: Health Policy and Senior Citizens

### **CONTENT**

The bill would amend the Public Health Code to allow a health maintenance organization (HMO), with the approval of the Department of Community Health, to limit the number of contracts it entered into with health care providers; require an HMO to give all health care providers within its area a chance to apply to become an affiliated provider; specify procedures that an HMO would have to follow in the application process; and require an HMO, that was providing prudent purchaser agreement services to an insurer, to provide information requested by the insurer that the insurer needed to comply with certain provisions of the Insurance Code. The bill would apply only if an HMO contracted with health care providers to become affiliated providers or offered a prudent purchaser contract. The bill would take effect October 1, 1997.

The bill provides that an HMO could enter into a contract with one or more health care providers to control health care costs, assure appropriate utilization of health maintenance services, and maintain quality of health care. The HMO could limit the number of contracts entered into if the number were sufficient to assure reasonable levels of access to health services for recipients. The HMO would have to offer a contract, comparable to those contracts entered into with other affiliated providers, to at least one health care professional who provided the applicable care and was located within a reasonable distance from the recipients of those services, if a health care provider were located within reasonable distance.

An HMO would have to give all interested health care providers located in the geographic area served by the HMO an opportunity to apply to it to become an affiliated provider. The HMO would have to file a contract with the Department or Insurance Commissioner. The contract would have to be based upon written standards for maintaining quality health care; controlling health care costs; assuring appropriate utilization of health care services; assuring reasonable levels of access to health care services; and other standards considered appropriate by the HMO.

Proposed MCL 333.21053c

Legislative Analyst: G. Towne

### **FISCAL IMPACT**

House Bills 5570 (S-3), 5571 (S-3), 5573 (S-3), and 5574 (S-4) would have an indeterminate fiscal impact. Numerous studies have indicated that one of the major components underlying the savings attributed to managed health care organizations is in their ability to selectively negotiate contracts with various health care providers. These bills appear to limit that ability and as such, should theoretically result in these organizations not being able to achieve maximal savings. However, it also appears that the current managed care industry in this State believes that, pragmatically, the bills would not materially change current operating procedures.

On the issue of codifying grievances procedures, the SFA estimates a nominal impact on State spending as the Insurance Commission already handles grievances of this nature.

Date Completed: 12-6-96

Fiscal Analyst: J. Walker

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.