

Act No. 515
Public Acts of 1996
Approved by the Governor
January 12, 1997
Filed with the Secretary of State
January 13, 1997

**STATE OF MICHIGAN
88TH LEGISLATURE
REGULAR SESSION OF 1996**

Introduced by Reps. Gire, Gubow, Rocca, Profit, DeHart, Baird, Cherry, Harder, Pitoniak, Yokich, Weeks, LeTarte, Green, Horton, Rhead, Fitzgerald, Law, Lowe, Brater, Gustafson, Baade, Jamian, McManus, Alley, Schroer, Bankes, Wetters, Walberg, Middleton, Bodem, Hertel, Gernaat and Galloway
Reps. Agee, Anthony, Bennane, Berman, Brackenridge, Brewer, Bush, Byl, Ciaramitaro, Clack, Crissman, Cropsey, Curtis, Dalman, DeLange, DeMars, Dobb, Dobronski, Dolan, Emerson, Freeman, Gagliardi, Geiger, Gilmer, Gnodtke, Goschka, Griffin, Hammerstrom, Hanley, Hill, Jellema, Jersevic, Kelly, Kilpatrick, Kukuk, LaForge, London, Martinez, Mathieu, McBryde, McNutt, Middaugh, Murphy, Nye, Olshove, Owen, Oxender, Palamara, Parks, Perricone, Porreca, Price, Prusi, Randall, Ryan, Scott, Sikkema, Tesanovich, Varga, Vaughn, Voorhees, Wallace, Whyman and Willard named co-sponsors

ENROLLED HOUSE BILL No. 5570

AN ACT to amend Act No. 368 of the Public Acts of 1978, entitled as amended "An act to protect and promote the public health; to codify, revise, consolidate, classify, and add to the laws relating to public health; to provide for the prevention and control of diseases and disabilities; to provide for the classification, administration, regulation, financing, and maintenance of personal, environmental, and other health services and activities; to create or continue, and prescribe the powers and duties of, departments, boards, commissions, councils, committees, task forces, and other agencies; to prescribe the powers and duties of governmental entities and officials; to regulate occupations, facilities, and agencies affecting the public health; to regulate health maintenance organizations and certain third party administrators and insurers; to provide for the imposition of a regulatory fee; to promote the efficient and economical delivery of health care services, to provide for the appropriate utilization of health care facilities and services, and to provide for the closure of hospitals or consolidation of hospitals or services; to provide for the collection and use of data and information; to provide for the transfer of property; to provide certain immunity from liability; to regulate and prohibit the sale and offering for sale of drug paraphernalia under certain circumstances; to provide for penalties and remedies; to provide for sanctions for violations of this act and local ordinances; to repeal certain acts and parts of acts; to repeal certain parts of this act; and to repeal certain parts of this act on specific dates," as amended, being sections 333.1101 to 333.25211 of the Michigan Compiled Laws, by adding section 21053c.

The People of the State of Michigan enact:

Section 1. Act No. 368 of the Public Acts of 1978, as amended, being sections 333.1101 to 333.25211 of the Michigan Compiled Laws, is amended by adding section 21053c to read as follows:

Sec. 21053c. (1) This section applies if a health maintenance organization contracts with health care providers to become affiliated providers or offers a prudent purchaser contract.

(2) A health maintenance organization may enter into a contract with 1 or more health care providers to control health care costs, assure appropriate utilization of health maintenance services, and maintain quality of health care. The health maintenance organization may limit the number of contracts entered into pursuant to this section if the number of contracts is sufficient to assure reasonable levels of access to health maintenance services for recipients of those services. The number of contracts authorized by this section that are necessary to assure reasonable levels of access to health maintenance services for recipients shall be determined by the health maintenance organization as approved by the department pursuant to this part. However, the health maintenance organization shall offer a contract, comparable to those contracts entered into with other affiliated providers, to at least 1 health care provider that provides the applicable health maintenance services and is located within a reasonable distance from the recipients of those health

maintenance services, if a health care provider that provides the applicable health maintenance services is located within that reasonable distance.

(3) A health maintenance organization shall give all health care providers that provide the applicable health maintenance services and are located in the geographic area served by the health maintenance organization an opportunity to apply to the health maintenance organization to become an affiliated provider.

(4) A contract shall be based upon the following written standards which shall be filed by the health maintenance organization with the department or commissioner on a form and in a manner that is uniformly developed and applied by the department or commissioner:

- (a) Standards for maintaining quality health care.
- (b) Standards for controlling health care costs.
- (c) Standards for assuring appropriate utilization of health care services.
- (d) Standards for assuring reasonable levels of access to health care services.
- (e) Other standards considered appropriate by the health maintenance organization.

(5) If the department or commissioner determines that standards under subsection (4) are duplicative of standards already filed by the health maintenance organization, those duplicative standards need not be filed under subsection (4).

(6) A health maintenance organization shall develop and institute procedures that are designed to notify health care providers that provide the applicable health maintenance services and are located in the geographic area served by the organization of the acceptance of applications for a provider panel. The procedures shall include the giving of notice to those providers upon request and shall include publication in a newspaper with general circulation in the geographic area served by the organization at least 30 days before the initial provider application period. A health maintenance organization shall provide for an initial 60-day provider application period during which providers may apply to the health maintenance organization to become affiliated providers. A health maintenance organization that has entered into a contract with an affiliated provider shall provide, at least once every 4 years, for a 60-day provider application period during which a provider may apply to the organization to become an affiliated provider. Notice of this provider application period shall be given to providers upon request and shall be published in a newspaper with general circulation in the geographic area served by the organization at least 30 days before the commencement of the provider application period. Upon receipt of a request by a health care provider, the organization shall provide the written standards required under this act to the health care provider. Within 90 days after the close of a provider application period, or within 30 days following the completion of the applicable physician credentialing process, whichever is later, a health maintenance organization shall notify an applicant in writing as to whether the application to become an affiliated provider has been accepted or rejected. If an applicant has been rejected, the health maintenance organization shall state in writing the reasons for rejection, citing 1 or more of the standards.

(7) A health care provider whose contract as an affiliated provider is terminated shall be provided upon request with a written explanation by the organization of the reasons for the termination.

(8) A health maintenance organization that is providing prudent purchaser agreement services to an insurer shall provide the insurer on a timely basis with information requested by the insurer that the organization has and that the insurer needs to comply with section 2212 of the insurance code of 1956, Act No. 218 of the Public Acts of 1956, being section 500.2212 of the Michigan Compiled Laws.

Section 2. This amendatory act shall take effect October 1, 1997.

This act is ordered to take immediate effect.

Clerk of the House of Representatives.

Secretary of the Senate.

Approved -----

Governor.