

Act No. 518
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. Law, Gubow, Hill, Profit, Horton, Dolan, Rocca, Kukuk, Baird, Jamian, Jellema, Goschka, Crissman, Freeman, Harder, Curtis, Gire, DeHart, Pitoniak, Yokich, LeTarte, Green, Baade, Rhead, Fitzgerald, McManus, Alley, Schroer, Bankes, Cherry, Middleton, Gustafson, Lowe, Wetters, Brater, Galloway, Walberg, Hertel, Bodem, Llewellyn and Gernaat
Reps. Agee, Anthony, Bennane, Berman, Brackenridge, Brewer, Bush, Byl, Ciaramitaro, Clack, Cropsey, Dalman, DeLange, DeMars, Dobb, Dobronski, Emerson, Gagliardi, Geiger, Gilmer, Gnodtke, Griffin, Hammerstrom, Hanley, Jersevic, Kelly, Kilpatrick, 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, Weeks, Whyman and Willard named co-sponsors

ENROLLED HOUSE BILL No. 5574

AN ACT to amend section 3 of Act No. 233 of the Public Acts of 1984, entitled "An act to authorize certain organizations to enter into prudent purchaser agreements with health care providers; to control health care costs, assure appropriate utilization of health care services, and maintain quality of health care; to provide for the regulation of certain organizations, health care providers, health care facilities, and prudent purchaser arrangements; to establish a joint legislative committee to investigate the degree of competition in the health care coverage market in this state; and to provide for the powers and duties of certain state officers and agencies," as amended by Act No. 439 of the Public Acts of 1994, being section 550.53 of the Michigan Compiled Laws; and to add sections 3a and 3b.

The People of the State of Michigan enact:

Section 1. Section 3 of Act No. 233 of the Public Acts of 1984, as amended by Act No. 439 of the Public Acts of 1994, being section 550.53 of the Michigan Compiled Laws, is amended and sections 3a and 3b are added to read as follows:

Sec. 3. (1) An organization may enter into a prudent purchaser agreement with 1 or more health care providers of a specific service to control health care costs, assure appropriate utilization of health care services, and maintain quality of health care. The organization may limit the number of prudent purchaser agreements entered into pursuant to this section if the number of agreements is sufficient to assure reasonable levels of access to health care services for recipients of those services. The number of prudent purchaser agreements authorized by this section that are necessary to assure reasonable levels of access to health care services for recipients shall be determined by the organization. However, the organization shall offer a prudent purchaser agreement, comparable to those agreements with other members of the provider panel, to at least 1 health care provider that provides the applicable health care services and is located within a reasonable distance from the recipients of those health care services, if a health care provider that provides the applicable health care services is located within that reasonable distance.

(2) An organization shall give all health care providers that provide the applicable health care services and are located in the geographic area served by the organization an opportunity to apply to the organization for membership on the provider panel.

(3) A prudent purchaser agreement shall be based upon the following written standards which shall be filed by the organization with the commissioner on a form and in a manner that is uniformly developed and applied by the commissioner before the initial provider panel is formed:

- (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 organization.

(4) An organization shall develop and institute procedures that are designed to notify health care providers 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 providers of the service 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. An organization shall provide for an initial 60-day provider application period during which providers of the service may apply to the organization for membership on the provider panel. An organization that has entered into a prudent purchaser agreement concerning a particular health care service shall provide, at least once every 4 years, for a 60-day provider application period during which providers of that service may apply to the organization for membership on the provider panel. Notice of this provider application period shall be given to providers of the service 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. The initial 60-day provider application period and procedures and the 4-year 60-day provider application periods and procedures required under this subsection do not apply to organizations whose provider panels are open to application for membership at any time. Upon receipt of a request by a health care provider, the organization shall provide the written standards described in subsection (3) 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, an organization shall notify an applicant in writing as to whether the applicant has been accepted or rejected for membership on the provider panel. If an applicant has been rejected, the organization shall state in writing the reasons for rejection, citing 1 or more of the standards.

(5) A health care provider whose membership on an organization's provider panel is terminated shall be provided upon request with a written explanation by the organization of the reasons for the termination.

(6) An organization that enters into a prudent purchaser agreement shall institute a program for the professional review of the quality of health care, performance of health care personnel, and utilization of services and facilities under the prudent purchaser agreement. At least every 2 years, the organization shall provide for an evaluation of its professional review program by a professionally recognized independent third party.

(7) If 2 or more classes of health care providers may legally provide the same health care service, the organization shall offer each class of health care providers the opportunity to apply to the organization for membership on the provider panel.

(8) Each prudent purchaser agreement shall state that the health care provider may be removed from the provider panel before the expiration of the agreement if the provider does not comply with the requirements of the contract.

(9) This act does not preclude a health care provider or health care facility from being a member of more than 1 provider panel.

(10) A provider panel may include health care providers and facilities outside Michigan if necessary to assure reasonable levels of access to health care services under coverage authorized by this act.

(11) When coverage authorized by this act is offered to a person, the organization shall give or cause to be given to the person the following information:

- (a) The identity of the organization contracting with the provider panel.
- (b) The identity of the party sponsoring the coverage including, but not limited to, the employer.
- (c) The identity of the collective bargaining agent if the coverage is offered pursuant to a collective bargaining agreement.

(12) If a person who has coverage authorized by this act is entitled to receive a health care service when rendered by a health care provider who is a member of the provider panel, the person is entitled to receive the health care service from a health care provider who is not a member of the provider panel for an emergency episode of illness or injury that requires immediate treatment before it can be obtained from a health care provider who is on the provider panel.

(13) Subsections (2) to (12) do not limit the authority of organizations to limit the number of prudent purchaser agreements.

(14) If coverage under a prudent purchaser agreement provides for benefits for services that are within the scope of practice of optometry, this act does not require that coverage or reimbursement be provided for a practice of

optometric service unless that service was included in the definition of practice of optometry under section 17401 of the public health code, Act No. 368 of the Public Acts of 1978, being section 333.17401 of the Michigan Compiled Laws, as of May 20, 1992.

Sec. 3a. An organization that establishes a prudent purchaser agreement shall disclose in writing to all purchasers of its coverage and to all covered members of its plans upon request the financial relationships between the organization and its participating health care providers, health care facilities, or other similar entities, including all of the following as applicable:

(a) Whether a fee-for-service arrangement exists, under which the provider is paid a specified fee for each particular covered service rendered to each covered individual.

(b) Whether a capitation arrangement exists, under which a fixed amount is paid to the provider for all covered services rendered to each covered individual.

(c) Whether payments to providers are made according to how well the provider meets criteria regarding costs, quality, patient satisfaction, or other criteria.

Sec. 3b. An 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.