



HOUSE BILL No. 5253

October 12, 1995, Introduced by Reps. Crissman, Green, Middleton, Hammerstrom, Rhead, McManus, Hill, Voorhees, Gustafson, LeTarte, Bodem, Perricone, Walberg, Law, Geiger, Johnson, Bobier, Kukuk, Rocca and Galloway and referred to the Committee on Insurance.

A bill to amend section 21054 of Act No. 368 of the Public Acts of 1978, entitled as amended

"Public health code,"

as amended by Act No. 284 of the Public Acts of 1988, being section 333.21054 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 21054 of Act No. 368 of the Public Acts
2 of 1978, as amended by Act No. 284 of the Public Acts of 1988,
3 being section 333.21054 of the Michigan Compiled Laws, is amended
4 to read as follows:

5 Sec. 21054. (1) A health maintenance organization may offer
6 prudent purchaser contracts to groups or individuals and in con-
7 junction with ~~such~~ THOSE contracts a health maintenance
8 organization may pay or may reimburse enrollees, or may contract
9 with another entity to pay or reimburse enrollees, for

1 unauthorized services or for services by nonaffiliated providers
2 in accordance with the terms of the contract and subject to
3 co-payments, deductibles, or other financial penalties designed
4 to encourage enrollees to obtain services from the organization's
5 providers.

6 (2) A prudent purchaser contract may cover all or only part
7 of the basic health services or any other health care services
8 the organization provides or covers.

9 (3) Prudent purchaser contracts and the rates charged there-
10 fore shall be subject to the same regulatory requirements as
11 health maintenance contracts. The rates charged by an organiza-
12 tion for coverage under contracts issued under this section shall
13 not be unreasonably lower than what is necessary to meet the
14 expenses of the organization for providing this coverage and
15 shall not have an anticompetitive effect or result in predatory
16 pricing in relation to prudent purchaser agreement coverages
17 offered by other organizations.

18 (4) A health maintenance organization shall not issue pru-
19 dent purchaser contracts unless it is in full compliance with the
20 requirements for adequate working capital, statutory deposits,
21 and reserves as provided in section 21034(a) and it is not oper-
22 ating under any limitation to its license under section 21027.

23 (5) A health maintenance organization shall maintain finan-
24 cial records for its prudent purchaser contracts and activities
25 in a form separate or separable from the financial records of
26 other operations and activities carried on by the organization.

1 (6) A health maintenance organization ~~which~~ THAT enters
2 into prudent purchaser contracts with health care providers under
3 this section shall report with its annual statement, or on a date
4 set by the commissioner, on forms prescribed by the commissioner
5 the following information:

6 (a) The number of natural persons receiving health care ben-
7 efits under prudent purchaser contracts.

8 (b) The number of individual and group contracts providing
9 health care services pursuant to prudent purchaser contracts.

10 (c) The dollar volume of business conducted under prudent
11 purchaser contracts.

12 (7) Information received by the commissioner pursuant to
13 this section shall be made available to appropriate state agen-
14 cies for purposes of reviewing and evaluating this section. The
15 commissioner and state agencies shall ensure the confidentiality
16 of information containing data ~~which~~ THAT may be associated
17 with a particular organization. Information pertaining to the
18 diagnosis, treatment, or health of any person receiving health
19 care benefits under prudent purchaser contracts shall be confi-
20 dential and shall not be disclosed to any person, except to the
21 extent that it may be necessary to carry out the purposes of this
22 section; upon the express consent of the person; pursuant to
23 statute or court order for the production of evidence or the dis-
24 covery thereof; or in the event of claim or litigation between
25 the person and the organization, to the extent that the data or
26 information is pertinent.

1 (8) Nothing in the 1984 amendatory act that added this
2 section ~~shall apply~~ APPLIES to any contract ~~which~~ THAT was in
3 existence before December 20, 1984, or the renewal of ~~such~~ THAT
4 contract.

5 (9) A HEALTH MAINTENANCE ORGANIZATION SHALL NOT LIMIT THE
6 NUMBER OF PRUDENT PURCHASER AGREEMENTS THAT IT WILL ENTER INTO
7 WITH PHARMACIES WHEN ESTABLISHING OR RENEWING A PRUDENT PURCHASER
8 AGREEMENT INVOLVING A PRESCRIPTION PROGRAM.