



HOUSE BILL No. 5570

February 13, 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 and referred to the Committee on Health Policy.

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 HEALTH MAINTENANCE ORGANIZATION MAY ENTER INTO A PRU-
7 DENT PURCHASER AGREEMENT WITH 1 OR MORE HEALTH CARE PROVIDERS TO
8 CONTROL HEALTH CARE COSTS, ASSURE APPROPRIATE UTILIZATION OF
9 HEALTH CARE SERVICES, AND MAINTAIN QUALITY OF HEALTH CARE. THE
10 HEALTH MAINTENANCE ORGANIZATION MAY LIMIT THE NUMBER OF PRUDENT
11 PURCHASER AGREEMENTS ENTERED INTO PURSUANT TO THIS SECTION IF THE
12 NUMBER OF PRUDENT PURCHASER AGREEMENTS IS SUFFICIENT TO ASSURE
13 REASONABLE LEVELS OF ACCESS TO HEALTH CARE SERVICES FOR RECIP-
14 IENTS OF THOSE SERVICES. THE NUMBER OF PRUDENT PURCHASER AGREE-
15 MENTS AUTHORIZED BY THIS SECTION THAT ARE NECESSARY TO ASSURE
16 REASONABLE LEVELS OF ACCESS TO HEALTH CARE SERVICES FOR RECIP-
17 IENTS SHALL BE DETERMINED BY THE HEALTH MAINTENANCE
18 ORGANIZATION. HOWEVER, THE HEALTH MAINTENANCE ORGANIZATION SHALL
19 OFFER A PRUDENT PURCHASER AGREEMENT, COMPARABLE TO THOSE AGREE-
20 MENTS WITH OTHER MEMBERS OF THE PROVIDER PANEL, TO A HEALTH CARE
21 PROVIDER LOCATED WITHIN A REASONABLE DISTANCE FROM THE RECIPIENTS
22 OF THOSE HEALTH CARE SERVICES, IF A HEALTH CARE PROVIDER IS
23 LOCATED WITHIN THAT REASONABLE DISTANCE.

24 (3) A HEALTH MAINTENANCE ORGANIZATION SHALL GIVE ALL INTER-
25 ESTED HEALTH CARE PROVIDERS LOCATED IN THE GEOGRAPHIC AREA SERVED
26 BY THE HEALTH MAINTENANCE ORGANIZATION AN OPPORTUNITY TO APPLY TO

1 THE HEALTH MAINTENANCE ORGANIZATION FOR MEMBERSHIP ON THE
2 PROVIDER PANEL.

3 (4) A PRUDENT PURCHASER AGREEMENT SHALL BE BASED UPON THE
4 FOLLOWING WRITTEN STANDARDS WHICH SHALL BE FILED BY THE HEALTH
5 MAINTENANCE ORGANIZATION WITH THE COMMISSIONER ON A FORM AND IN A
6 MANNER THAT IS UNIFORMLY DEVELOPED AND APPLIED BY THE COMMIS-
7 SIONER BEFORE THE INITIAL PROVIDER PANEL IS FORMED:

8 (A) STANDARDS FOR MAINTAINING QUALITY HEALTH CARE.

9 (B) STANDARDS FOR CONTROLLING HEALTH CARE COSTS.

10 (C) STANDARDS FOR ASSURING APPROPRIATE UTILIZATION OF HEALTH
11 CARE SERVICES.

12 (D) STANDARDS FOR ASSURING REASONABLE LEVELS OF ACCESS TO
13 HEALTH CARE SERVICES.

14 (E) OTHER STANDARDS CONSIDERED APPROPRIATE BY THE HEALTH
15 MAINTENANCE ORGANIZATION.

16 (5) A HEALTH MAINTENANCE ORGANIZATION SHALL DEVELOP AND
17 INSTITUTE PROCEDURES THAT ARE DESIGNED TO NOTIFY HEALTH CARE PRO-
18 VIDERS LOCATED IN THE GEOGRAPHIC AREA SERVED BY THE ORGANIZATION
19 OF THE FORMATION OF A PROVIDER PANEL. THE PROCEDURES SHALL
20 INCLUDE THE GIVING OF NOTICE TO ALL STATEWIDE ASSOCIATIONS REPRE-
21 SENTING PROVIDERS OF THE HEALTH CARE SERVICE OF THE PANEL BEING
22 FORMED AND PUBLICATION IN A NEWSPAPER WITH GENERAL CIRCULATION IN
23 THE GEOGRAPHIC AREA SERVED BY THE ORGANIZATION AT LEAST 30 DAYS
24 BEFORE THE INITIAL ENROLLMENT PERIOD. A HEALTH MAINTENANCE
25 ORGANIZATION SHALL PROVIDE FOR AN INITIAL 60-DAY OPEN ENROLLMENT
26 PERIOD DURING WHICH PROVIDERS OF THE SERVICE MAY APPLY TO THE
27 HEALTH MAINTENANCE ORGANIZATION FOR MEMBERSHIP ON THE PROVIDER

1 PANEL. A HEALTH MAINTENANCE ORGANIZATION THAT HAS ENTERED INTO A
2 PRUDENT PURCHASER AGREEMENT CONCERNING A PARTICULAR HEALTH CARE
3 SERVICE SHALL PROVIDE, AT LEAST ONCE EVERY 2 YEARS, FOR A 60-DAY
4 OPEN ENROLLMENT PERIOD DURING WHICH PROVIDERS OF THAT SERVICE MAY
5 APPLY TO THE ORGANIZATION FOR MEMBERSHIP ON THE PROVIDER PANEL.
6 NOTICE OF THIS OPEN ENROLLMENT PERIOD SHALL BE GIVEN TO ALL
7 STATEWIDE ASSOCIATIONS REPRESENTING PROVIDERS OF THAT SERVICE AND
8 SHALL BE PUBLISHED IN A NEWSPAPER WITH GENERAL CIRCULATION IN THE
9 GEOGRAPHIC AREA SERVED BY THE ORGANIZATION AT LEAST 30 DAYS
10 BEFORE THE COMMENCEMENT OF THE OPEN ENROLLMENT PERIOD. UPON
11 RECEIPT OF A REQUEST BY A HEALTH CARE PROVIDER, THE ORGANIZATION
12 SHALL PROVIDE THE WRITTEN STANDARDS DESCRIBED IN SUBSECTION (4)
13 TO THE HEALTH CARE PROVIDER. WITHIN 60 DAYS AFTER THE CLOSE OF AN
14 OPEN ENROLLMENT PERIOD, A HEALTH MAINTENANCE ORGANIZATION SHALL
15 NOTIFY AN APPLICANT IN WRITING AS TO WHETHER THE APPLICANT HAS
16 BEEN ACCEPTED OR REJECTED FOR MEMBERSHIP ON THE PROVIDER PANEL.
17 IF AN APPLICANT HAS BEEN REJECTED, THE HEALTH MAINTENANCE ORGANI-
18 ZATION SHALL STATE IN WRITING THE REASONS FOR REJECTION, CITING 1
19 OR MORE OF THE STANDARDS.

20 (6) ~~(2)~~ A prudent purchaser contract may cover all or only
21 part of the basic health services or any other health care serv-
22 ices the organization provides or covers.

23 (7) ~~(3)~~ Prudent purchaser contracts and the rates charged
24 therefore shall be subject to the same regulatory requirements as
25 health maintenance contracts. The rates charged by an organiza-
26 tion for coverage under contracts issued under this section shall
27 not be unreasonably lower than what is necessary to meet the

1 expenses of the organization for providing this coverage and
2 shall not have an anticompetitive effect or result in predatory
3 pricing in relation to prudent purchaser agreement coverages
4 offered by other organizations.

5 (8) ~~(4)~~ A health maintenance organization shall not issue
6 prudent purchaser contracts unless it is in full compliance with
7 the requirements for adequate working capital, statutory depos-
8 its, and reserves as provided in section 21034(a) and it is not
9 operating under any limitation to its license under section
10 21027.

11 (9) ~~(5)~~ A health maintenance organization shall maintain
12 financial records for its prudent purchaser contracts and activi-
13 ties in a form separate or separable from the financial records
14 of other operations and activities carried on by the
15 organization.

16 (10) ~~(6)~~ A health maintenance organization ~~which~~ THAT
17 enters into prudent purchaser contracts with health care provid-
18 ers under this section shall report with its annual statement, or
19 on a date set by the commissioner, on forms prescribed by the
20 commissioner, the following information:

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

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

25 (c) The dollar volume of business conducted under prudent
26 purchaser contracts.

1 (11) ~~(7)~~ Information received by the commissioner pursuant
2 to this section shall be made available to appropriate state
3 agencies for purposes of reviewing and evaluating this section.
4 The commissioner and state agencies shall ensure the confiden-
5 tiality of information containing data ~~which~~ THAT may be asso-
6 ciated with a particular organization. Information pertaining to
7 the diagnosis, treatment, or health of any person receiving
8 health care benefits under prudent purchaser contracts shall be
9 confidential and shall not be disclosed to any person, except to
10 the extent that it may be necessary to carry out the purposes of
11 this section; upon the express consent of the person; pursuant to
12 statute or court order for the production of evidence or the dis-
13 covery thereof; or in the event of claim or litigation between
14 the person and the organization, to the extent that the data or
15 information is pertinent.

16 (12) ~~(8)~~ Nothing in the 1984 amendatory act that added
17 this section shall apply to any contract ~~which~~ THAT was in
18 existence before December 20, 1984, or the renewal of ~~such~~ THAT
19 contract.