



# HOUSE BILL No. 5574

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

A bill to amend section 3 of Act No. 233 of the Public Acts of 1984, entitled

"Prudent purchaser act,"

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, 3b, and 3c.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 3 of Act No. 233 of the Public Acts of  
2 1984, as amended by Act No. 439 of the Public Acts of 1994, being  
3 section 550.53 of the Michigan Compiled Laws, is amended and  
4 sections 3a, 3b, and 3c are added to read as follows:

5 Sec. 3. (1) An organization may enter into A prudent pur-  
6 chaser ~~agreements~~ AGREEMENT with 1 or more health care  
7 providers of a specific service to control health care costs,  
8 assure appropriate utilization of health care services, and

1 maintain quality of health care. The organization may limit the  
2 number of prudent purchaser agreements entered into pursuant to  
3 this section ~~—~~ if the number of ~~such~~ agreements is sufficient  
4 to assure reasonable levels of access to health care services for  
5 recipients of those services. The number of prudent purchaser  
6 agreements authorized by this section that are necessary to  
7 assure reasonable levels of access to health care services for  
8 recipients shall be determined by the organization. However, the  
9 organization shall offer a prudent purchaser agreement, com-  
10 parable to those agreements with other members of the provider  
11 panel, to a health care provider located within a reasonable dis-  
12 tance from the recipients of ~~such~~ THOSE health care services,  
13 if a health care provider is located within that reasonable  
14 distance.

15 (2) An organization shall give ALL interested health care  
16 providers located in the geographic area served by the organiza-  
17 tion an opportunity to apply to the organization for membership  
18 on the provider panel.

19 (3) ~~Prudent~~ A PRUDENT purchaser ~~agreements~~ AGREEMENT  
20 shall be based upon the following written standards which shall  
21 be filed by the organization with the commissioner on a form and  
22 in a manner that is uniformly developed and applied by the com-  
23 missioner before the initial provider panel is formed:

24 (a) Standards for maintaining quality health care.

25 (b) Standards for controlling health care costs.

26 (c) Standards for assuring appropriate utilization of health  
27 care services.

1 (d) Standards for assuring reasonable levels of access to  
2 health care services.

3 (e) Other standards considered appropriate by the  
4 organization.

5 (4) An organization shall develop and institute procedures  
6 that are designed to notify health care providers located in the  
7 geographic area served by the organization of the formation of a  
8 provider panel. THE PROCEDURES SHALL INCLUDE THE GIVING OF  
9 NOTICE TO ALL STATEWIDE ASSOCIATIONS REPRESENTING PROVIDERS OF  
10 THE HEALTH CARE SERVICE OF THE PANEL BEING FORMED AND PUBLICATION  
11 IN A NEWSPAPER WITH GENERAL CIRCULATION IN THE GEOGRAPHIC AREA  
12 SERVED BY THE ORGANIZATION AT LEAST 30 DAYS BEFORE THE INITIAL  
13 ENROLLMENT PERIOD. AN ORGANIZATION SHALL PROVIDE FOR AN INITIAL  
14 60-DAY OPEN ENROLLMENT PERIOD DURING WHICH PROVIDERS OF THE SERV-  
15 ICE MAY APPLY TO THE ORGANIZATION FOR MEMBERSHIP ON THE PROVIDER  
16 PANEL. AN ORGANIZATION THAT HAS ENTERED INTO A PRUDENT PURCHASER  
17 AGREEMENT CONCERNING A PARTICULAR HEALTH CARE SERVICE SHALL PRO-  
18 VIDE, AT LEAST ONCE EVERY 2 YEARS, FOR A 60-DAY OPEN ENROLLMENT  
19 PERIOD DURING WHICH PROVIDERS OF THAT SERVICE MAY APPLY TO THE  
20 ORGANIZATION FOR MEMBERSHIP ON THE PROVIDER PANEL. NOTICE OF  
21 THIS OPEN ENROLLMENT PERIOD SHALL BE GIVEN TO ALL STATEWIDE ASSO-  
22 CIATIONS REPRESENTING PROVIDERS OF THAT SERVICE AND SHALL BE PUB-  
23 LISHED IN A NEWSPAPER WITH GENERAL CIRCULATION IN THE GEOGRAPHIC  
24 AREA SERVED BY THE ORGANIZATION AT LEAST 30 DAYS BEFORE THE COM-  
25 MENCEMENT OF THE OPEN ENROLLMENT PERIOD. Upon receipt of a  
26 request by a health care provider, the organization shall provide  
27 the written standards described in subsection (3) to the health

1 care provider. WITHIN 60 DAYS AFTER THE CLOSE OF AN OPEN  
2 ENROLLMENT PERIOD, AN ORGANIZATION SHALL NOTIFY AN APPLICANT IN  
3 WRITING AS TO WHETHER THE APPLICANT HAS BEEN ACCEPTED OR REJECTED  
4 FOR MEMBERSHIP ON THE PROVIDER PANEL. IF AN APPLICANT HAS BEEN  
5 REJECTED, THE ORGANIZATION SHALL STATE IN WRITING THE REASONS FOR  
6 REJECTION, CITING 1 OR MORE OF THE STANDARDS.

7 (5) An organization that enters into A prudent purchaser  
8 ~~agreements with health care providers under this act~~ AGREEMENT  
9 shall institute a program for the professional review of the  
10 quality of health care, performance of health care personnel, and  
11 utilization of services and facilities under ~~a~~ THE prudent pur-  
12 chaser agreement. At least every 2 years, the organization shall  
13 provide for an evaluation of its professional review program by a  
14 professionally recognized independent third party.

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

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

24 (8) ~~Nothing in this act shall~~ THIS ACT DOES NOT preclude a  
25 health care provider or health care facility from being a member  
26 of more than 1 provider panel.

1       (9) ~~Provider panels~~ A PROVIDER PANEL may include health  
2 care providers and facilities outside Michigan if necessary to  
3 assure reasonable levels of access to health care services under  
4 coverage authorized by this act.

5       (10) ~~At the time~~ WHEN coverage authorized by this act is  
6 offered to a person, the organization shall give or cause to be  
7 given to the person the following information:

8       (a) The identity of the organization contracting with the  
9 provider panel.

10       (b) The identity of the party sponsoring the coverage  
11 including, but not limited to, the employer.

12       (c) The identity of the collective bargaining agent if the  
13 coverage is offered pursuant to a collective bargaining  
14 agreement.

15       (11) If a person who has coverage authorized by this act is  
16 entitled to receive a health care service when rendered by a  
17 health care provider who is a member of the provider panel, the  
18 person is entitled to receive the health care service from a  
19 health care provider who is not a member of the provider panel  
20 for an emergency episode of illness or injury that requires imme-  
21 diate treatment before it can be obtained from a health care pro-  
22 vider who is on the provider panel.

23       (12) Subsections (2) to (11) do not limit the authority of  
24 organizations to limit the number of prudent purchaser  
25 agreements.

26       (13) If coverage under a prudent purchaser agreement  
27 provides for benefits for services that are within the scope of

1 practice of optometry, this act does not require that coverage or  
2 reimbursement be provided for a practice of optometric service  
3 unless that service was included in the definition of practice of  
4 optometry under section 17401 of the public health code, Act  
5 No. 368 of the Public Acts of 1978, being section 333.17401 of  
6 the Michigan Compiled Laws, as of May 20, 1992.

7 ~~(+4) If coverage under a prudent purchaser agreement pro-~~  
8 ~~vides for benefits for services that are within the scope of~~  
9 ~~practice of chiropractic, this act does not require that coverage~~  
10 ~~or reimbursement be provided for the use of therapeutic sound or~~  
11 ~~electricity, or both, for the reduction or correction of spinal~~  
12 ~~subluxations in a chiropractic service. This subsection shall~~  
13 ~~not take effect unless Senate Bill No. 493 of the 87th~~  
14 ~~Legislature is enacted into law.~~

15 SEC. 3A. (1) A PRUDENT PURCHASER AGREEMENT SHALL NOT USE  
16 FINANCIAL INCENTIVES TO ENCOURAGE A HEALTH CARE PROVIDER TO REFER  
17 A PATIENT MEMBER TO ANOTHER HEALTH CARE PROVIDER AND SHALL NOT  
18 USE FINANCIAL INCENTIVES TO DISCOURAGE A HEALTH CARE PROVIDER  
19 FROM REFERRING A PATIENT MEMBER TO ANOTHER HEALTH CARE PROVIDER.

20 (2) A PRUDENT PURCHASER AGREEMENT SHALL REIMBURSE ALL PRO-  
21 VIDERS, REGARDLESS OF SETTING OR PROVIDER RELATIONSHIPS, THE SAME  
22 AMOUNT FOR ANY GIVEN MEDICAL SERVICE.

23 (3) IF A PRUDENT PURCHASER AGREEMENT USES A MEDICAL FEE  
24 SCHEDULE TO DETERMINE PROVIDER REIMBURSEMENT, THE SCHEDULE SHALL  
25 BE BASED UPON REASONABLE AND CUSTOMARY CHARGES FOR THE GEOGRAPHIC  
26 AREA IN WHICH IT IS APPLIED.

1 (4) AS USED IN THIS SECTION, "REASONABLE AND CUSTOMARY  
2 CHARGE" MEANS THE PREVAILING CHARGE WITHIN ANY GEOGRAPHIC AREA,  
3 NOT SMALLER THAN A STANDARD METROPOLITAN STATISTICAL AREA, FOR  
4 ANY GIVEN MEDICAL PROCEDURE.

5 SEC. 3B. A PRUDENT PURCHASER AGREEMENT THAT, AGAINST THE  
6 ADVICE AND JUDGMENT OF THE TREATING PHYSICIAN, LIMITS OR  
7 RESTRICTS A COVERED SERVICE OR A COURSE OF TREATMENT THAT FALLS  
8 WITHIN ITS BENEFITS OR COVERAGES AND EITHER ALTERS THE COURSE OF  
9 MEDICAL TREATMENT OR DENIES ACCESS TO SERVICES OR CONTINUED  
10 TREATMENT SHALL INDEMNIFY ANY TREATING HEALTH CARE PROVIDERS WHO  
11 SUBSEQUENTLY BECOME LIABLE TO THE PATIENT MEMBER FOR DAMAGES  
12 CAUSED BY THE LIMITATION OR RESTRICTION FOR THE FULL EXTENT OF  
13 EACH PROVIDER'S LIABILITY FOR MONETARY DAMAGES.

14 SEC. 3C. AN ORGANIZATION THAT ESTABLISHES A PRUDENT PUR-  
15 CHASER AGREEMENT SHALL DISCLOSE TO ALL PURCHASERS OF ITS COVERAGE  
16 AND TO ALL COVERED MEMBERS OF ITS PLANS THE SIGNIFICANT GENERAL  
17 TERMS OF FINANCIAL RELATIONSHIPS BETWEEN THE PREFERRED PROVIDER  
18 ARRANGEMENT AND ANY PROVIDER OR PROVIDER GROUP, FACILITY, OR  
19 OTHER ENTITY, INCLUDING ANY AGREEMENTS OR ARRANGEMENTS OR OWNER-  
20 SHIP RELATIONSHIPS.