

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1337**

A bill to amend 1974 PA 258, entitled  
"Mental health code,"  
(MCL 330.1001 to 330.2106) by adding section 232b.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1        SEC. 232B. (1) THE DEPARTMENT SHALL ESTABLISH STANDARDS FOR  
2        COMMUNITY MENTAL HEALTH SERVICES PROGRAMS DESIGNATED AS SPECIALTY  
3        PREPAID HEALTH PLANS UNDER THE MEDICAID MANAGED CARE PROGRAM  
4        DESCRIBED IN SECTION 109F OF THE SOCIAL WELFARE ACT, 1939 PA 280,  
5        MCL 400.109F. THE STANDARDS ESTABLISHED UNDER THIS SECTION SHALL  
6        REFERENCE APPLICABLE FEDERAL REGULATIONS RELATED TO MEDICAID MAN-  
7        AGED CARE PROGRAMS AND SPECIFY ADDITIONAL STATE REQUIREMENTS FOR  
8        SPECIALTY PREPAID HEALTH PLANS. THE STANDARDS ESTABLISHED UNDER  
9        THIS SECTION SHALL BE PUBLISHED IN A DEPARTMENTAL BULLETIN OR BY  
10       AN UPDATING INSERT TO A DEPARTMENTAL MANUAL.

**SB1337, As Passed House, November 12, 2002**

Senate Bill No. 1337

2

1           (2) AS A CONDITION FOR CONTRACTING AND FOR RECEIVING PAYMENT  
2 UNDER THE MEDICAID MANAGED CARE PROGRAM, A COMMUNITY MENTAL  
3 HEALTH SERVICES PROGRAM DESIGNATED AS A SPECIALTY PREPAID HEALTH  
4 PLAN SHALL CERTIFY BOTH OF THE FOLLOWING:

5           (A) THAT THE PROGRAM IS IN SUBSTANTIAL COMPLIANCE WITH THE  
6 STANDARDS PROMULGATED BY THE DEPARTMENT AND WITH APPLICABLE FED-  
7 ERAL REGULATIONS.

8           (B) THAT THE PROGRAM HAS ESTABLISHED POLICIES AND PROCEDURES  
9 TO MONITOR COMPLIANCE WITH THE STANDARDS PROMULGATED BY THE  
10 DEPARTMENT AND WITH APPLICABLE FEDERAL REGULATIONS AND TO ENSURE  
11 PROGRAM INTEGRITY.

12           (3) THE DEPARTMENT SHALL CONDUCT AN ANNUAL REVIEW OF ALL  
13 COMMUNITY MENTAL HEALTH SERVICES PROGRAMS DESIGNATED AS SPECIALTY  
14 PREPAID HEALTH PLANS TO VERIFY THE DECLARATIONS MADE BY THE COM-  
15 MUNITY MENTAL HEALTH SERVICES PROGRAM AND TO MONITOR COMPLIANCE  
16 WITH THE STANDARDS PROMULGATED FOR SPECIALTY PREPAID HEALTH PLANS  
17 AND WITH APPLICABLE FEDERAL REGULATIONS. THE ANNUAL REVIEW PRO-  
18 CESS ESTABLISHED UNDER THIS SECTION SHALL BE PUBLISHED IN A  
19 DEPARTMENTAL BULLETIN OR BY AN UPDATING INSERT TO A DEPARTMENTAL  
20 MANUAL.

21           (4) THE DEPARTMENT MAY CONDUCT SEPARATE REVIEWS OF A SPE-  
22 CIALTY PREPAID HEALTH PLAN IN RESPONSE TO BENEFICIARY COMPLAINTS,  
23 FINANCIAL STATUS CONSIDERATIONS, OR HEALTH AND SAFETY CONCERNS.

24           (5) CONTRACTS WITH SPECIALTY PREPAID HEALTH PLANS SHALL  
25 INDICATE THE SANCTIONS THAT THE DEPARTMENT MAY INVOKE IF IT MAKES  
26 A DETERMINATION THAT A SPECIALTY PREPAID HEALTH PLAN IS NOT IN  
27 SUBSTANTIAL COMPLIANCE WITH PROMULGATED STANDARDS AND WITH

**SB1337, As Passed House, November 12, 2002**

Senate Bill No. 1337

3

1 ESTABLISHED FEDERAL REGULATIONS, THAT THE SPECIALTY PREPAID  
2 HEALTH PLAN HAS MISREPRESENTED OR FALSIFIED INFORMATION REPORTED  
3 TO THE STATE OR TO THE FEDERAL GOVERNMENT, OR THAT THE SPECIALTY  
4 PREPAID HEALTH PLAN HAS FAILED SUBSTANTIALLY TO PROVIDE NECESSARY  
5 COVERED SERVICES TO RECIPIENTS UNDER THE TERMS OF THE CONTRACT.  
6 SANCTIONS MAY INCLUDE INTERMEDIATE ACTIONS INCLUDING, BUT NOT  
7 LIMITED TO, A MONETARY PENALTY IMPOSED ON THE ADMINISTRATIVE AND  
8 MANAGEMENT OPERATION OF THE SPECIALTY PREPAID HEALTH PLAN, IMPO-  
9 SITION OF TEMPORARY STATE MANAGEMENT OF A COMMUNITY MENTAL HEALTH  
10 SERVICES PROGRAM OPERATING AS A SPECIALTY PREPAID HEALTH PLAN, OR  
11 TERMINATION OF THE DEPARTMENT'S MEDICAID MANAGED CARE CONTRACT  
12 WITH THE COMMUNITY MENTAL HEALTH SERVICES PROGRAM.

13 (6) BEFORE IMPOSING A SANCTION ON A COMMUNITY MENTAL HEALTH  
14 SERVICES PROGRAM THAT IS OPERATING AS A SPECIALTY PREPAID HEALTH  
15 PLAN, THE DEPARTMENT SHALL PROVIDE THAT SPECIALTY PREPAID HEALTH  
16 PLAN WITH TIMELY WRITTEN NOTICE THAT EXPLAINS BOTH OF THE  
17 FOLLOWING:

18 (A) THE BASIS AND NATURE OF THE SANCTION.

19 (B) THE OPPORTUNITY FOR A HEARING TO CONTEST OR DISPUTE THE  
20 DEPARTMENT'S FINDINGS AND INTENDED SANCTION, PRIOR TO THE IMPOSI-  
21 TION OF THE SANCTION. A HEARING UNDER THIS SECTION IS SUBJECT TO  
22 THE PROVISIONS GOVERNING A CONTESTED CASE UNDER THE ADMINISTRA-  
23 TIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.201 TO 24.328,  
24 UNLESS OTHERWISE AGREED TO IN THE SPECIALTY PREPAID HEALTH PLAN  
25 CONTRACT.