

# SENATE BILL No. 1090

February 6, 2002, Introduced by Senators HAMMERSTROM, GARCIA, MC COTTER,  
SIKKEMA and GOSCHKA and referred to the Committee on Health Policy.

A bill to amend 1984 PA 233, entitled  
"Prudent purchaser act,"  
by amending section 3 (MCL 550.53), as amended by 1996 PA 518.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 3. (1) An organization may enter into a prudent pur-  
2 chaser agreement with 1 or more health care providers of a spe-  
3 cific service to control health care costs, assure appropriate  
4 utilization of health care services, and maintain quality of  
5 health care. The organization may limit the number of prudent  
6 purchaser agreements entered into pursuant to this section if the  
7 number of agreements is sufficient to assure reasonable levels of  
8 access to health care services for recipients of those services.  
9 The number of prudent purchaser agreements authorized by this  
10 section that are necessary to assure reasonable levels of access  
11 to health care services for recipients shall be determined by the

1 organization. However, the organization shall offer a prudent  
2 purchaser agreement, comparable to those agreements with other  
3 members of the provider panel, to at least 1 health care provider  
4 that provides the applicable health care services and is located  
5 within a reasonable distance from the recipients of those health  
6 care services, if a health care provider that provides the appli-  
7 cable health care services is located within that reasonable  
8 distance.

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

14 (3) A prudent purchaser agreement shall be based upon the  
15 following written standards which shall be filed by the organiza-  
16 tion with the commissioner on a form and in a manner that is uni-  
17 formly developed and applied by the commissioner before the ini-  
18 tial provider panel is formed:

19 (a) Standards for maintaining quality health care.

20 (b) Standards for controlling health care costs.

21 (c) Standards for assuring appropriate utilization of health  
22 care services.

23 (d) Standards for assuring reasonable levels of access to  
24 health care services.

25 (e) Other standards considered appropriate by the  
26 organization.

1       (4) An organization shall develop and institute procedures  
2 that are designed to notify health care providers located in the  
3 geographic area served by the organization of the acceptance of  
4 applications for a provider panel. The procedures shall include  
5 the giving of notice to providers of the service upon request and  
6 shall include publication in a newspaper with general circulation  
7 in the geographic area served by the organization at least 30  
8 days before the initial provider application period. An organi-  
9 zation shall provide for an initial 60-day provider application  
10 period during which providers of the service may apply to the  
11 organization for membership on the provider panel. An organiza-  
12 tion that has entered into a prudent purchaser agreement concern-  
13 ing a particular health care service shall provide, at least once  
14 every 4 years, for a 60-day provider application period during  
15 which providers of that service may apply to the organization for  
16 membership on the provider panel. Notice of this provider appli-  
17 cation period shall be given to providers of the service upon  
18 request and shall be published in a newspaper with general circu-  
19 lation in the geographic area served by the organization at least  
20 30 days before the commencement of the provider application  
21 period. The initial 60-day provider application period and pro-  
22 cedures and the 4-year 60-day provider application periods and  
23 procedures required under this subsection do not apply to organi-  
24 zations whose provider panels are open to application for member-  
25 ship at any time. Upon receipt of a request by a health care  
26 provider, the organization shall provide the written standards  
27 described in subsection (3) to the health care provider. Within

1 90 days after the close of a provider application period, or  
2 within 30 days following the completion of the applicable physi-  
3 cian credentialing process, whichever is later, an organization  
4 shall notify an applicant in writing as to whether the applicant  
5 has been accepted or rejected for membership on the provider  
6 panel. If an applicant has been rejected, the organization shall  
7 state in writing the reasons for rejection, citing 1 or more of  
8 the standards.

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

13 (6) An organization that enters into a prudent purchaser  
14 agreement shall institute a program for the professional review  
15 of the quality of health care, performance of health care person-  
16 nel, and utilization of services and facilities under the prudent  
17 purchaser agreement. At least every 2 years, the organization  
18 shall provide for an evaluation of its professional review pro-  
19 gram by a professionally recognized independent third party.

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

25 (8) Each prudent purchaser agreement shall state that the  
26 health care provider may be removed from the provider panel

1 before the expiration of the agreement if the provider does not  
2 comply with the requirements of the contract.

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

6 (10) A provider panel may include health care providers and  
7 facilities outside Michigan if necessary to assure reasonable  
8 levels of access to health care services under coverage autho-  
9 rized by this act.

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

13 (a) The identity of the organization contracting with the  
14 provider panel.

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

17 (c) The identity of the collective bargaining agent if the  
18 coverage is offered pursuant to a collective bargaining  
19 agreement.

20 (12) If a person who has coverage authorized by this act is  
21 entitled to receive a health care service when rendered by a  
22 health care provider who is a member of the provider panel, the  
23 person is entitled to receive the health care service from a  
24 health care provider who is not a member of the provider panel  
25 for an emergency episode of illness or injury that requires imme-  
26 diate treatment before it can be obtained from a health care  
27 provider who is on the provider panel.

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

4       ~~(14) If coverage under a prudent purchaser agreement pro-~~  
5 ~~vides for benefits for services that are within the scope of~~  
6 ~~practice of optometry, this act does not require that coverage or~~  
7 ~~reimbursement be provided for a practice of optometric service~~  
8 ~~unless that service was included in the definition of practice of~~  
9 ~~optometry under section 17401 of the public health code, Act~~  
10 ~~No. 368 of the Public Acts of 1978, being section 333.17401 of~~  
11 ~~the Michigan Compiled Laws, as of May 20, 1992.~~

12       Enacting section 1. This amendatory act does not take  
13 effect unless all of the following bills of the 91st Legislature  
14 are enacted into law:

15       (a) Senate Bill No. 1088.

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17       (b) Senate Bill No. 1089.

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19       (c) Senate Bill No. 1091.

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