

Legislative Analysis



PRUDENT PURCHASER AGREEMENTS: PHARMACEUTICAL PANELS AND NETWORKS

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House Bill 5254

Sponsor: Rep. Gary A. Newell

Committee: Health Policy

Complete to 11-7-05

A SUMMARY OF HOUSE BILL 5254 AS INTRODUCED 9-29-05

Under the Prudent Purchaser Act, an organization may enter into a prudent purchaser agreement with one or more health care providers of a specific service to control health care costs, assure appropriate utilization of health care services, and maintain quality of health care. The act defines "organization" to mean an insurance company, dental care corporation, hospital service corporation, medical care corporation, health care corporation, or third party administrator. A "provider panel" is a panel of health care providers that provide health care services under a prudent purchaser agreement.

House Bill 5254 would amend the act to prohibit an organization that establishes a provider panel of pharmacy providers from doing any of the following:

- Requiring a pharmacy provider to participate in a network, contract, or arrangement for pharmacy services as a condition for participation in any other network, contract, or arrangement providing pharmacy services.
- Prohibiting a pharmacy provider from participating in a network, contract, or arrangement for pharmacy benefit services because the provider already participates in another one.
- Terminating a pharmacy provider's contract to be on a panel or withhold compensation solely because the provider had communicated with or advocated on behalf of one or more prospective, current, or former panel patients concerning the terms of a payer's health benefit plan that related to the patient's needs or the method by which the provider was compensated for services provided.

A panel pharmacy provider's contract for pharmacy services could not be terminated by an organization without cause, without the right to appeal the decision to a qualified third-party arbitrator, and without written notice of the reasons for termination. The written notice would have to be provided at least 60 days before the effective termination date unless the termination was based on the loss of the pharmacy's license to practice pharmacy, loss of professional liability insurance, or conviction of fraud. Termination of the contract would not release the organization from the obligation to make any payment due to the pharmacy for services rendered. Reimbursements to a pharmacy provider for covered services would have to continue during the appeals process.

FISCAL IMPACT:

There is no fiscal impact on the State of Michigan or its local units of government.

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