

**THE NONPROFIT HEALTH CARE CORPORATION REFORM ACT (EXCERPT)**  
**Act 350 of 1980**

**550.1414a Treatment of substance abuse; contracts; qualifications of provider; coverage for intermediate and outpatient care for substance abuse required; demonstration projects; substance abuse advisory committee; report; contracts based on final report; reimbursement; group and nongroup certificates; exceptions; option to decline coverage; charges, terms, and conditions; reduction of coverage; deductibles and copayment provision; minimum coverage; adjustment; definitions; effective date of section.**

Sec. 414a. (1) A health care corporation shall offer benefits for the inpatient treatment of substance abuse by a licensed allopathic physician or a licensed osteopathic physician in a health care facility operated by this state or approved by the department of public health for the hospitalization for, or treatment of, substance abuse.

(2) Subject to subsections (3), (5), and (7), a health care corporation may enter into contracts with providers for the rendering of inpatient substance abuse treatment by those providers.

(3) A contracting provider rendering inpatient substance abuse treatment for patients other than adolescent patients shall be a licensed hospital or a substance abuse service program licensed under article 6 of the public health code, Act No. 368 of the Public Acts of 1978, being sections 333.6101 to 333.6523 of the Michigan Compiled Laws, and shall meet the standards set by the corporation for contracting health care facilities.

(4) A health care corporation shall provide coverage for intermediate and outpatient care for substance abuse, upon issuance or renewal, in all group and nongroup certificates other than service-specific certificates, such as certificates providing coverage solely for 1 of the following: dental care; hearing care; vision care; prescription drugs; or another type of health care benefit. Subject to subsections (5) and (7), a health care corporation may enter into contracts with providers for the rendering of intermediate care, outpatient care, or both types of care, for the treatment of substance abuse.

(5) A health care corporation shall enter into and maintain 5-year contracts with not less than 5 providers in this state, as demonstration projects pursuant to section 207(1)(b), for the rendering of inpatient, intermediate, and outpatient care to adolescent substance abuse patients. A provider who contracts with a health care corporation for the rendering of inpatient, intermediate, and outpatient care to adolescent substance abuse patients shall meet all of the following requirements:

(a) Is accredited by the joint commission on accreditation of hospitals, the council on accreditation for families and children, the commission on accreditation of rehabilitation facilities, or the American osteopathic association.

(b) If applicable, has obtained a certificate of need under part 221 of the public health code, Act No. 368 of the Public Acts of 1978, being sections 333.22101 to 333.22181 of the Michigan Compiled Laws.

(c) Is licensed by the office of substance abuse services under article 6 of the public health code, Act No. 368 of the Public Acts of 1978.

(d) Is licensed by the department of social services as a child caring institution under Act No. 116 of the Public Acts of 1973, being sections 722.111 to 722.128 of the Michigan Compiled Laws.

(e) Agrees to follow generally accepted accounting principles and practices.

(f) Agrees to supply all data required to fulfill the objectives of the demonstration program.

(g) Agrees to work with the substance abuse advisory committee and the health care corporation in conducting the evaluation of the demonstration program.

(6) The substance abuse advisory committee is established, with the cooperation of the office of substance abuse services, under the direction of the office of health and medical affairs. The committee shall consist of 7 members to include the director of the office of health and medical affairs or his or her designee, the administrator of the office of substance abuse services or his or her designee, a representative of the department of public health, 2 designees of the chief executive officer of a health care corporation contracting for a demonstration project under subsection (5), a member of the family of an adolescent substance abuser to be appointed by the office of health and medical affairs, and a service provider of an adolescent substance abuse treatment program to be appointed by the office of health and medical affairs. The substance abuse advisory committee shall evaluate each demonstration project and shall report at the conclusion of each demonstration project to the senate and house standing committees responsible for public health issues. A final report of all the demonstration projects shall be issued by not later than December 31, 1994, and shall include evaluations of and recommendations concerning all of the following:

(a) The cost of specialized adolescent substance abuse treatment compared with the effectiveness of adolescent substance abuse treatment.

(b) The cost and effectiveness of the different levels of adolescent substance abuse treatment, including inpatient, intermediate, and outpatient care and aftercare programs.

(7) Based on the final report submitted pursuant to subsection (6), beginning December 31, 1994, a health care corporation shall continue to enter into and maintain contracts with not less than 5 providers in this state, and may enter into additional contracts for the rendering of inpatient, intermediate, and outpatient care to adolescent substance abuse patients if the provider meets the requirements of subsection (5)(a) to (e). Contracts entered into under this subsection shall be based upon the recommendations of the final report submitted pursuant to subsection (6).

(8) A health care corporation shall reimburse providers for the rendering of inpatient, intermediate, and outpatient care to adolescent substance abuse patients at a rate that shall be commensurate with reimbursement rates for other similar providers rendering inpatient, intermediate, and outpatient care to adolescent substance abuse patients.

(9) In the case of group certificates, if the amount due for a group certificate would be increased by 3% or more because of the provision of the coverage required under subsection (4), the master policyholder shall have the option to decline the coverage required to be provided under subsection (4). In the case of nongroup certificates, if the total amount due for all nongroup certificates of the health care corporation would be increased by 3% or more because of the provision of the coverage required under subsection (4), the subscriber for each such certificate shall have the option to decline the coverage required to be provided under subsection (4).

(10) Charges, terms, and conditions for the coverage for intermediate and outpatient care for substance abuse required to be provided under subsection (4) shall not be less favorable than the maximum prescribed for any other comparable service.

(11) The coverage for intermediate and outpatient care for substance abuse required to be provided under subsection (4) shall not be reduced by terms or conditions which apply to other items of coverage in a certificate, group or nongroup. This subsection shall not be construed to prohibit certificates that provide for deductibles and copayment provisions for coverage for intermediate and outpatient care for substance abuse, as approved by the commissioner.

(12) The coverage for intermediate and outpatient care for substance abuse required to be provided under subsection (4) shall, at a minimum, provide for up to \$1,500.00 in health care benefits for intermediate and outpatient care for substance abuse per member per year. This minimum shall be adjusted by March 31, 1982 and by March 31 each year thereafter in accordance with the annual average percentage increase or decrease in the United States consumer price index for the 12-month period ending the preceding December 31.

(13) As used in this section:

(a) "Adolescent" means an individual who is less than 18 years of age, but more than 11 years of age.

(b) "Intermediate care" means the use, in a full 24-hour residential therapy setting, or in a partial, less than 24-hour, residential therapy setting, of any or all of the following therapeutic techniques, as identified in a treatment plan for individuals physiologically or psychologically dependent upon or abusing alcohol or drugs:

(i) Chemotherapy.

(ii) Counseling.

(iii) Detoxification services.

(iv) Other ancillary services, such as medical testing, diagnostic evaluation, and referral to other services identified in a treatment plan.

(c) "Outpatient care" means the use, on both a scheduled and a nonscheduled basis, of any or all of the following therapeutic techniques, as identified in a treatment plan for individuals physiologically or psychologically dependent upon or abusing alcohol or drugs:

(i) Chemotherapy.

(ii) Counseling.

(iii) Detoxification services.

(iv) Other ancillary services, such as medical testing, diagnostic evaluation, and referral to other services identified in a treatment plan.

(d) "Substance abuse" means that term as defined in section 6107 of the public health code, Act No. 368 of the Public Acts of 1978, being section 333.6107 of the Michigan Compiled Laws.

**History:** Add. 1980, Act 430, Eff. Jan. 1, 1982;—Am. 1988, Act 345, Imd. Eff. Oct. 25, 1988.

**Constitutionality:** This act is unconstitutional in the following three particulars:

(1) The act's provision for an actuary panel to resolve risk factor disputes is an unconstitutional delegation of legislative authority in that it lacks adequate standards (MCL 550.1205(6)).

(2) The statutory restrictions on administrative services only (ASO) contracts violate equal protection of the laws insofar as they result in arbitrary and discriminatory treatment of health care corporations vis-a-vis commercial insurers (MCL 550.1104(3), 550.1211,

550.1414a, 550.1415, and 550.1607(1)).

(3) The commissioner's authority to issue a cease and desist order based on probable cause against a health care corporation for noncompliance with the act establishes an improper burden of proof (MCL 550.1402(7)).

The Supreme Court ruling on these three areas of this act does not affect the constitutionality of the remainder of the act. Where, as here, the unconstitutional provisions are easily severable, the remainder of the act need not be affected. Blue Cross and Blue Shield of Michigan v Governor, 422 Mich 1; 367 NW2d 1 (1985).

**Popular name:** Blue Cross-Blue Shield

**Popular name:** Act 350