



HOUSE BILL No. 5267

October 18, 1995, Introduced by Reps. Crissman, Gire, Berman, Johnson, Curtis, Schroer, Brater, Hill, Hammerstrom, McManus, Rocca, Bankes, Dolan, Cherry, Baird, Bodem, Dobb, Munsell, Willard, Kilpatrick, Varga, Dobronski, Yokich, Stallworth, Dalman, Horton, Voorhees, LeTarte, Bobier, Walberg, Middleton, Kukuk, Weeks, Law, DeLange, Gernaat, Middaugh, Geiger, Galloway, Green, Bryant and Perricone and referred to the Committee on Insurance.

A bill to amend section 21054 of Act No. 368 of the Public Acts of 1978, entitled as amended "Public health code," as amended by Act No. 284 of the Public Acts of 1988, being section 333.21054 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 21054 of Act No. 368 of the Public Acts
2 of 1978, as amended by Act No. 284 of the Public Acts of 1988,
3 being section 333.21054 of the Michigan Compiled Laws, is amended
4 to read as follows:

5 Sec. 21054. (1) A health maintenance organization may offer
6 prudent purchaser contracts to groups or individuals and in con-
7 junction with ~~such~~ THOSE contracts a health maintenance
8 organization may pay or may reimburse enrollees, or may contract
9 with another entity to pay or reimburse enrollees, for

1 unauthorized services or for services by nonaffiliated providers
2 in accordance with the terms of the contract and subject to
3 co-payments, deductibles, or other financial penalties designed
4 to encourage enrollees to obtain services from the organization's
5 providers.

6 (2) A prudent purchaser contract may cover all or only part
7 of the basic health services or any other health care services
8 the organization provides or covers. FOR A PRUDENT PURCHASER
9 CONTRACT THAT COVERS THE SUPPLYING AND FITTING OF PROSTHETIC
10 DEVICES TO MAINTAIN OR REPLACE THE BODY PARTS OF AN INDIVIDUAL
11 WHO HAS UNDERGONE A MASTECTOMY, A HEALTH MAINTENANCE ORGANIZATION
12 SHALL ACCEPT FOR MEMBERSHIP ON THE PANEL ALL HEALTH CARE PROVID-
13 ERS WHO APPLY FOR MEMBERSHIP AND MEET THE ORGANIZATION'S WRITTEN
14 STANDARDS.

15 (3) Prudent purchaser contracts and the rates charged
16 ~~therefore shall be~~ FOR THOSE CONTRACTS ARE subject to the same
17 regulatory requirements as health maintenance contracts. The
18 rates charged by an organization for coverage under contracts
19 issued under this section shall not be unreasonably lower than
20 what is necessary to meet the expenses of the organization for
21 providing this coverage and shall not have an anticompetitive
22 effect or result in predatory pricing in relation to prudent pur-
23 chaser agreement coverages offered by other organizations.

24 (4) A health maintenance organization shall not issue pru-
25 dent purchaser contracts unless it is in full compliance with the
26 requirements for adequate working capital, statutory deposits,
27 and reserves as provided in section 21034(a) and it is not

1 operating under any limitation to its license under section
2 21027.

3 (5) A health maintenance organization shall maintain finan-
4 cial records for its prudent purchaser contracts and activities
5 in a form separate or separable from the financial records of
6 other operations and activities carried on by the organization.

7 (6) A health maintenance organization ~~which~~ THAT enters
8 into prudent purchaser contracts with health care providers under
9 this section shall report with its annual statement, or on a date
10 set by the commissioner, on forms prescribed by the commissioner
11 the following information:

12 (a) The number of natural persons receiving health care ben-
13 efits under prudent purchaser contracts.

14 (b) The number of individual and group contracts providing
15 health care services pursuant to prudent purchaser contracts.

16 (c) The dollar volume of business conducted under prudent
17 purchaser contracts.

18 (7) Information received by the commissioner pursuant to
19 this section shall be made available to appropriate state agen-
20 cies for purposes of reviewing and evaluating this section. The
21 commissioner and state agencies shall ensure the confidentiality
22 of information containing data ~~which~~ THAT may be associated
23 with a particular organization. Information pertaining to the
24 diagnosis, treatment, or health of any person receiving health
25 care benefits under prudent purchaser contracts ~~shall be~~ IS
26 confidential and shall not be disclosed to any person, except
27 ~~to~~ IN 1 OR MORE OF THE FOLLOWING CIRCUMSTANCES:

1 (A) TO the extent that it may be necessary to carry out the
2 purposes of this section. ~~upon~~

3 (B) UPON the express consent of the person. ~~pursuant~~

4 (C) PURSUANT to statute or court order for the production of
5 evidence or FOR the discovery ~~thereof, or in~~ OF EVIDENCE.

6 (D) IN the event of claim or litigation between the person
7 and the organization, to the extent that the data or information
8 is pertinent.

9 **(8) Nothing in the 1984** amendatory act that added this sec-
10 tion ~~shall apply~~ APPLIES to any contract ~~which~~ THAT was in
11 existence before December 20, 1984, or the renewal of ~~such~~ THAT
12 contract.