



SENATE BILL No. 808

January 17, 1996, Introduced by Senators SHUGARS and
STEIL and referred to the Committee on Health Policy
and Senior Citizens.

A bill to amend sections 401 and 414a of Act No. 350 of the
Public Acts of 1980, entitled as amended

"The nonprofit health care corporation reform act,"

section 401 as amended by Act No. 66 of the Public Acts of 1984
and section 414a as amended by Act No. 345 of the Public Acts of
1988, being sections 550.1401 and 550.1414a of the Michigan
Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 401 and 414a of Act No. 350 of the
2 Public Acts of 1980, section 401 as amended by Act No. 66 of the
3 Public Acts of 1984 and section 414a as amended by Act No. 345 of
4 the Public Acts of 1988, being sections 550.1401 and 550.1414a of
5 the Michigan Compiled Laws, are amended to read as follows:

6 Sec. 401. (1) A health care corporation established,
7 maintained, or operating in this state shall offer health care

1 benefits to all residents of this state, and may offer other
2 health care benefits as the corporation specifies with the
3 approval of the commissioner.

4 (2) A health care corporation may limit the health care ben-
5 efits that it will furnish, except as provided in this act, and
6 may divide the health care benefits which it elects to furnish
7 into classes or kinds.

8 (3) A health care corporation shall not do any of the
9 following:

10 (a) Refuse to issue or continue a certificate to 1 or more
11 residents of this state, except while the individual, based on a
12 transaction or occurrence involving a health care corporation, is
13 serving a sentence arising out of a charge of fraud, is satisfy-
14 ing a civil judgment, or is making restitution pursuant to a vol-
15 untary payment agreement between the corporation and the
16 individual.

17 (b) Refuse to continue in effect a certificate with 1 or
18 more residents of this state, other than for failure to pay
19 amounts due for a certificate, except as allowed for refusal to
20 issue a certificate under subdivision (a).

21 (c) Limit the coverage available under a certificate, with-
22 out the prior approval of the commissioner, unless the limitation
23 is as a result of: an agreement with the person paying for the
24 coverage; an agreement with the individual designated by the per-
25 sons paying for or contracting for the coverage; or a collective
26 bargaining agreement.

1 (4) Nothing in subsection (3) shall prevent a health care
2 corporation from denying to a resident of this state coverage
3 under a certificate for any of the following grounds:

4 (a) That the individual was not a member of a group which
5 had contracted for coverage under this certificate.

6 (b) That the individual is not a member of a group with a
7 size greater than a minimum size established for a certificate
8 pursuant to sound underwriting requirements.

9 (c) That the individual does not meet requirements for cov-
10 erage contained in a certificate.

11 (5) A certificate may provide for the coordination of bene-
12 fits, subrogation, and the nonduplication of benefits. Savings
13 realized by the coordination of benefits, subrogation, and nondu-
14 plication of benefits shall be reflected in the rates for those
15 certificates. If a group certificate issued by the corporation
16 contains a coordination of benefits provision, the benefits shall
17 be payable pursuant to the coordination of benefits act.

18 (6) A health care corporation shall have the right to status
19 as a party in interest, whether by intervention or otherwise, in
20 any judicial, quasi-judicial, or administrative agency proceeding
21 in this state for the purpose of enforcing any rights it may have
22 for reimbursement of payments made or advanced for health care
23 services on behalf of 1 or more of its subscribers or members.

24 (7) A health care corporation shall not directly reimburse a
25 provider in this state who has not entered into a participating
26 contract with the corporation.

1 (8) A health care corporation shall not limit or deny
2 coverage to a subscriber or limit or deny reimbursement to a
3 provider on the ground that services were rendered while the sub-
4 scribe was in a health care facility operated by this state or a
5 political subdivision of this state. A health care corporation
6 shall not limit or deny participation status to a health care
7 facility on the ground that the health care facility is operated
8 by this state or a political subdivision of this state, if the
9 HEALTH CARE facility meets the standards set by the corporation
10 for all other HEALTH CARE facilities of that type,
11 government-operated or otherwise. To qualify for participation
12 and reimbursement, a HEALTH CARE facility shall, at a minimum,
13 meet all of the following requirements, which shall apply to all
14 similar HEALTH CARE facilities:

15 (a) Be accredited by the joint commission on accreditation
16 of hospitals.

17 (b) Meet the certification standards of the medicare program
18 and the medicaid program.

19 ~~(c) Meet all statutory requirements for certificate of~~
20 ~~need.~~

21 (C) ~~(d)~~ Follow generally accepted accounting principles
22 and practices.

23 (D) ~~(e)~~ Have a community advisory board.

24 (E) ~~(f)~~ Have a program of utilization and peer review to
25 assure that patient care is appropriate and at an acute level.

26 (F) ~~(g)~~ Designate that portion of the facility ~~which~~
27 THAT is to be used for acute care.

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

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

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

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

1 (5) A health care corporation shall enter into and maintain
2 5-year contracts with not less than 5 providers in this state, as
3 demonstration projects pursuant to section 207(1)(b), for the
4 rendering of inpatient, intermediate, and outpatient care to ado-
5 lescent substance abuse patients. A provider who contracts with
6 a health care corporation for the rendering of inpatient, inter-
7 mediate, and outpatient care to adolescent substance abuse
8 patients shall meet all of the following requirements:

9 (a) Is accredited by the joint commission on accreditation
10 of hospitals, the council on accreditation for families and chil-
11 dren, the commission on accreditation of rehabilitation facili-
12 ties, or the American osteopathic association.

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

17 (B) ~~(c)~~ Is licensed by the office of substance abuse serv-
18 ices under article 6 of the public health code, Act No. 368 of
19 the Public Acts of 1978.

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

24 (D) ~~(e)~~ Agrees to follow generally accepted accounting
25 principles and practices.

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

1 (F) ~~(g)~~ Agrees to work with the substance abuse advisory
2 committee and the health care corporation in conducting the eval-
3 uation of the demonstration program.

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

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

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

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

14 (8) A health care corporation shall reimburse providers for
15 the rendering of inpatient, intermediate, and outpatient care to
16 adolescent substance abuse patients at a rate that shall be com-
17 mensurate with reimbursement rates for other similar providers
18 rendering inpatient, intermediate, and outpatient care to adoles-
19 cent substance abuse patients.

20 (9) In the case of group certificates, if the amount due for
21 a group certificate would be increased by 3% or more because of
22 the provision of the coverage required under subsection (4), the
23 master policyholder shall have the option to decline the coverage
24 required to be provided under subsection (4). In the case of
25 nongroup certificates, if the total amount due for all nongroup
26 certificates of the health care corporation would be increased by
27 3% or more because of the provision of the coverage required

1 under subsection (4), the subscriber for each such certificate
2 shall have the option to decline the coverage required to be pro-
3 vided under subsection (4).

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

8 (11) The coverage for intermediate and outpatient care for
9 substance abuse required to be provided under subsection (4)
10 shall not be reduced by terms or conditions which apply to other
11 items of coverage in a certificate, group or nongroup. This sub-
12 section shall not be construed to prohibit certificates that pro-
13 vide for deductibles and copayment provisions for coverage for
14 intermediate and outpatient care for substance abuse, as approved
15 by the commissioner.

16 (12) The coverage for intermediate and outpatient care for
17 substance abuse required to be provided under subsection (4)
18 shall, at a minimum, provide for up to \$1,500.00 in health care
19 benefits for intermediate and outpatient care for substance abuse
20 per member per year. This minimum shall be adjusted by March 31,
21 1982 and by March 31 each year thereafter in accordance with the
22 annual average percentage increase or decrease in the United
23 States consumer price index for the 12-month period ending the
24 preceding December 31.

25 (13) As used in this section:

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

1 (b) "Intermediate care" means the use, in a full 24-hour
2 residential therapy setting, or in a partial, less than 24-hour,
3 residential therapy setting, of any or all of the following ther-
4 apeutic techniques, as identified in a treatment plan for indi-
5 viduals physiologically or psychologically dependent upon or
6 abusing alcohol or drugs:

7 (i) Chemotherapy.

8 (ii) Counseling.

9 (iii) Detoxification services.

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

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

18 (i) Chemotherapy.

19 (ii) Counseling.

20 (iii) Detoxification services.

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

24 (d) "Substance abuse" means that term as defined in section
25 6107 of the public health code, Act No. 368 of the Public Acts of
26 1978, being section 333.6107 of the Michigan Compiled Laws.

1 Section 2. This amendatory act shall not take effect unless
2 Senate Bill No. 807
3 of the 88th Legislature is enacted into law.