

# SENATE BILL No. 1150

April 20, 2004, Introduced by Senators HARDIMAN, KUIPERS, BARCIA, BIRKHOLZ, HAMMERSTROM, SIKKEMA and GOSCHKA and referred to the Committee on Health Policy.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 3501, 3515, and 3519 (MCL 500.3501,  
500.3515, and 500.3519), section 3501 as added by 2000 PA 252 and  
sections 3515 and 3519 as amended by 2002 PA 621.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 3501. As used in this chapter:

2       (a) "Affiliated provider" means a health professional,  
3       licensed hospital, licensed pharmacy, or any other institution,  
4       organization, or person having a contract with a health  
5       maintenance organization to render 1 or more health maintenance  
6       services to an enrollee.

7       (b) "Basic health services" means:

8       (i) Physician services including consultant and referral  
9       services by a physician, but not including psychiatric services.

(ii) Ambulatory services.

(iii) Inpatient hospital services, other than those for the treatment of mental illness.

(iv) Emergency health services.

(v) Outpatient mental health services, not fewer than 20 visits per year.

(vi) Intermediate and outpatient care for substance abuse as follows:

(A) For group contracts, if the fees for a group contract would be increased by 3% or more because of the provision of services under this subparagraph, the group subscriber may decline the services. For individual contracts, if the total fees for all individual contracts would be increased by 3% or more because of the provision of the services required under this subparagraph in all of those contracts, the named subscriber of each contract may decline the services.

(B) Charges, terms, and conditions for the services required to be provided under this subparagraph shall not be less favorable than the maximum prescribed for any other comparable service.

(C) The services required to be provided under this subparagraph shall not be reduced by terms or conditions that apply to other services in a group or individual contract. This sub-subparagraph shall not be construed to prohibit contracts that provide for deductibles and copayment provisions for services for intermediate and outpatient care for substance abuse.

1 (D) The services required to be provided under this  
 2 subparagraph shall, at a minimum, provide for up to \$2,968.00 in  
 3 services for intermediate and outpatient care for substance abuse  
 4 per individual per year. This minimum shall be adjusted annually  
 5 by March 31 each year in accordance with the annual average  
 6 percentage increase or decrease in the United States consumer  
 7 price index for the 12-month period ending the preceding December  
 8 31.

9 (E) As used in this subparagraph, "intermediate care",  
 10 "outpatient care", and "substance abuse" ~~have those meanings~~  
 11 ~~ascribed to them~~ **mean those terms as defined** in section 3425.

12 (vii) Diagnostic laboratory and diagnostic and therapeutic  
 13 radiological services.

14 (viii) Home health services.

15 ~~(ix) Preventive health services.~~

16 (c) "Credentialing verification" means the process of  
 17 obtaining and verifying information about a health professional  
 18 and evaluating that health professional when that health  
 19 professional applies to become a participating provider with a  
 20 health maintenance organization.

21 (d) "Enrollee" means an individual who is entitled to receive  
 22 health maintenance services under a health maintenance contract.

23 (e) "Health maintenance contract" means a contract between a  
 24 health maintenance organization and a subscriber or group of  
 25 subscribers, to provide, when medically indicated, designated  
 26 health maintenance services, as described in and pursuant to the  
 27 terms of the contract, including ~~—, at a minimum, basic health~~

1 ~~maintenance services~~ **preventive health care services as defined**  
2 **in section 3515.** Health maintenance contract includes a prudent  
3 purchaser contract.

4 (f) "Health maintenance organization" means an entity that  
5 does the following:

6 (i) Delivers health maintenance services that are medically  
7 indicated to enrollees under the terms of its health maintenance  
8 contract, directly or through contracts with affiliated  
9 providers, in exchange for a fixed prepaid sum or per capita  
10 prepayment, without regard to the frequency, extent, or kind of  
11 health services.

12 (ii) Is responsible for the availability, accessibility, and  
13 quality of the health maintenance services provided.

14 (g) "Health maintenance services" means services provided to  
15 enrollees of a health maintenance organization under their health  
16 maintenance contract.

17 (h) "Health professional" means an individual licensed,  
18 certified, or authorized in accordance with state law to practice  
19 a health profession in his or her respective state.

20 (i) "Primary verification" means verification by the health  
21 maintenance organization of a health professional's credentials  
22 based upon evidence obtained from the issuing source of the  
23 credential.

24 (j) "Prudent purchaser contract" means a contract offered by  
25 a health maintenance organization to groups or to individuals  
26 under which enrollees who select to obtain health care services  
27 directly from the organization or through its affiliated

1 providers receive a financial advantage or other advantage by  
2 selecting those providers.

3 (k) "Secondary verification" means verification by the health  
4 maintenance organization of a health professional's credentials  
5 based upon evidence obtained by means other than direct contact  
6 with the issuing source of the credential.

7 (l) "Service area" means a defined geographical area in which  
8 health maintenance services are generally available and readily  
9 accessible to enrollees and where health maintenance  
10 organizations may market their contracts.

11 (m) "Subscriber" means an individual who enters into a health  
12 maintenance contract, or on whose behalf a health maintenance  
13 contract is entered into, with a health maintenance organization  
14 that has received a certificate of authority under this chapter  
15 and to whom a health maintenance contract is issued.

16 Sec. 3515. (1) A health maintenance organization may  
17 provide additional health maintenance services or any other  
18 related health care service or treatment not required under this  
19 chapter.

20 (2) A health maintenance organization may have health  
21 maintenance contracts with deductibles. A health maintenance  
22 organization may have health maintenance contracts with  
23 copayments that are required for specific health maintenance  
24 services. Copayments for services required under section  
25 ~~3501(b)~~ **3519(4)**, excluding deductibles, shall be nominal, shall  
26 not exceed 50% of a health maintenance organization's  
27 reimbursement to an affiliated provider for providing the service

1 to an enrollee, and shall not be based on the provider's standard  
2 charge for the service. A health maintenance organization shall  
3 not require contributions be made to a deductible for  
4 ~~preventative~~ **preventive** health care services. As used in this  
5 subsection, ~~"preventative"~~ **"preventive"** health care services"  
6 means ~~services~~ **all of the following:**

7       **(a) Services** designated to maintain an individual in optimum  
8 health and to prevent unnecessary injury, illness, or disability,  
9 **but does not include services that are specifically excluded by**  
10 **terms of a health maintenance contract.**

11       **(b) Age-specific, periodic health examinations and screenings**  
12 **as recommended by the United States preventive services task**  
13 **force or its successor.**

14       **(c) All routine, age-specific immunizations as recommended by**  
15 **the advisory committee on immunization practices or its**  
16 **successor. This subdivision does not require immunizations**  
17 **recommended or required as a result of employment or**  
18 **international travel or by other third parties.**

19       (3) A health maintenance organization may accept from  
20 governmental agencies and from private persons payments covering  
21 any part of the cost of health maintenance contracts.

22       Sec. 3519. (1) A health maintenance ~~organization~~ contract  
23 and the contract's rates, including any deductibles and  
24 copayments, between the organization and its subscribers shall be  
25 fair, sound, and reasonable in relation to the services provided,  
26 and the procedures for offering and terminating contracts shall  
27 not be unfairly discriminatory.

1       (2) A health maintenance ~~organization~~ contract and the  
2 contract's rates shall not discriminate on the basis of race,  
3 color, creed, national origin, residence within the approved  
4 service area of the health maintenance organization, lawful  
5 occupation, sex, handicap, or marital status, except that marital  
6 status may be used to classify individuals or risks for the  
7 purpose of insuring family units. The commissioner may approve a  
8 rate differential based on sex, age, residence, disability,  
9 marital status, or lawful occupation, if the differential is  
10 supported by sound actuarial principles, a reasonable  
11 classification system, and is related to the actual and credible  
12 loss statistics or reasonably anticipated experience for new  
13 coverages.

14       (3) All health maintenance ~~organization~~ contracts shall  
15 include ~~at a minimum, basic health services~~ **preventive health**  
16 **care services as defined in section 3515.**

17       (4) **A health maintenance organization shall market and offer**  
18 **a set of health maintenance contracts that include basic health**  
19 **services.**