

**SUBSTITUTE FOR  
SENATE BILL NO. 692**

A bill to amend 1984 PA 233, entitled  
"Prudent purchaser act,"  
by amending section 3 (MCL 550.53), as amended by 2009 PA 224.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 3. (1) An organization may enter into a prudent purchaser  
2 agreement with 1 or more health care providers of a specific  
3 service to control health care costs, assure appropriate  
4 utilization of health care services, and maintain quality of health  
5 care. The organization may limit the number of prudent purchaser  
6 agreements entered into ~~pursuant to~~ **UNDER** this section if the  
7 number of agreements is sufficient to assure reasonable levels of  
8 access to health care services for recipients of those services.  
9 The number of prudent purchaser agreements authorized by this  
10 section that are necessary to assure reasonable levels of access to

1 health care services for recipients shall be determined by the  
2 organization. However, the organization shall offer a prudent  
3 purchaser agreement, comparable to those agreements with other  
4 members of the provider panel, to at least 1 health care provider  
5 that provides the applicable health care services and is located  
6 within a reasonable distance from the recipients of those health  
7 care services, if a health care provider that provides the  
8 applicable health care services is located within that reasonable  
9 distance.

10 (2) An organization shall give all health care providers that  
11 provide the applicable health care services and are located in the  
12 geographic area served by the organization an opportunity to apply  
13 to the organization for membership on the provider panel.

14 (3) A prudent purchaser agreement shall be based upon the  
15 following written standards, which shall be filed by the  
16 organization with the commissioner on a form and in a manner that  
17 is uniformly developed and applied by the commissioner before the  
18 initial provider panel is formed:

19 (a) Standards for maintaining quality health care.

20 (b) Standards for controlling health care costs.

21 (c) Standards for assuring appropriate utilization of health  
22 care services.

23 (d) Standards for assuring reasonable levels of access to  
24 health care services.

25 (e) Other standards considered appropriate by the  
26 organization.

27 (4) An organization shall develop and institute procedures

1 that are designed to notify health care providers located in the  
2 geographic area served by the organization of the acceptance of  
3 applications for a provider panel. The procedures shall include the  
4 giving of notice to providers of the service upon request and shall  
5 include publication in a newspaper with general circulation in the  
6 geographic area served by the organization at least 30 days before  
7 the initial provider application period. An organization shall  
8 provide for an initial 60-day provider application period during  
9 which providers of the service may apply to the organization for  
10 membership on the provider panel. An organization that has entered  
11 into a prudent purchaser agreement concerning a particular health  
12 care service shall provide, at least once every 4 years, for a 60-  
13 day provider application period during which providers of that  
14 service may apply to the organization for membership on the  
15 provider panel. Notice of this provider application period shall be  
16 given to providers of the service upon request and shall be  
17 published in a newspaper with general circulation in the geographic  
18 area served by the organization at least 30 days before the  
19 commencement of the provider application period. The initial 60-day  
20 provider application period and procedures and the 4-year 60-day  
21 provider application periods and procedures required under this  
22 subsection do not apply to organizations whose provider panels are  
23 open to application for membership at any time. Upon receipt of a  
24 request by a health care provider, the organization shall provide  
25 the written standards described in subsection (3) to the health  
26 care provider. Within 90 days after the close of a provider  
27 application period, or within 30 days following the completion of

1 the applicable physician credentialing process, whichever is later,  
2 an organization shall notify an applicant in writing as to whether  
3 the applicant has been accepted or rejected for membership on the  
4 provider panel. If an applicant has been rejected, the organization  
5 shall state in writing the reasons for rejection, citing 1 or more  
6 of the standards.

7 (5) A health care provider whose membership on an  
8 organization's provider panel is terminated shall be provided upon  
9 request with a written explanation by the organization of the  
10 reasons for the termination.

11 (6) An organization that enters into a prudent purchaser  
12 agreement shall institute a program for the professional review of  
13 the quality of health care, performance of health care personnel,  
14 and utilization of services and facilities under the prudent  
15 purchaser agreement. At least every 2 years, the organization shall  
16 provide for an evaluation of its professional review program by a  
17 professionally recognized independent third party.

18 (7) If 2 or more classes of health care providers may legally  
19 provide the same health care service, the organization shall offer  
20 each class of health care providers the opportunity to apply to the  
21 organization for membership on the provider panel.

22 (8) Each prudent purchaser agreement shall state that the  
23 health care provider may be removed from the provider panel before  
24 the expiration of the agreement if the provider does not comply  
25 with the requirements of the contract.

26 (9) This act does not preclude a health care provider or  
27 health care facility from being a member of more than 1 provider

1 panel.

2 (10) A provider panel may include health care providers and  
3 facilities outside ~~Michigan~~ **THIS STATE** if necessary to assure  
4 reasonable levels of access to health care services under coverage  
5 authorized by this act.

6 (11) When coverage authorized by this act is offered to a  
7 person, the organization shall give or cause to be given to the  
8 person the following information:

9 (a) The identity of the organization contracting with the  
10 provider panel.

11 (b) The identity of the party sponsoring the coverage  
12 including, but not limited to, the employer.

13 (c) The identity of the collective bargaining agent if the  
14 coverage is offered pursuant to a collective bargaining agreement.

15 (12) If a person who has coverage authorized by this act is  
16 entitled to receive a health care service when rendered by a health  
17 care provider who is a member of the provider panel, the person is  
18 entitled to receive the health care service from a health care  
19 provider who is not a member of the provider panel for an emergency  
20 episode of illness or injury that requires immediate treatment  
21 before it can be obtained from a health care provider who is on the  
22 provider panel.

23 (13) Subsections (2) to (12) do not limit the authority of  
24 organizations to limit the number of prudent purchaser agreements.

25 (14) If coverage under a prudent purchaser agreement provides  
26 for benefits for services that are within the scope of practice of  
27 optometry, this act does not require that coverage or reimbursement

1 be provided for a practice of ~~optometric~~**OPTOMETRY** service unless  
2 that service was included in the definition of practice of  
3 optometry under section 17401 of the public health code, 1978 PA  
4 368, MCL 333.17401, as of May 20, 1992.

5 (15) If coverage under a prudent purchaser agreement provides  
6 for benefits for services that are within the scope of practice of  
7 chiropractic, this act does not require that coverage or  
8 reimbursement be provided for a practice of chiropractic service  
9 unless that service was included in the definition of practice of  
10 chiropractic under section 16401 of the public health code, 1978 PA  
11 368, MCL 333.16401, as of January 1, 2009.

12 **(16) IF COVERAGE UNDER A PRUDENT PURCHASER AGREEMENT PROVIDES**  
13 **FOR BENEFITS FOR SERVICES THAT ARE PROVIDED BY A LICENSED PHYSICAL**  
14 **THERAPIST OR PHYSICAL THERAPIST ASSISTANT UNDER THE SUPERVISION OF**  
15 **A LICENSED PHYSICAL THERAPIST, THIS ACT DOES NOT REQUIRE THAT**  
16 **COVERAGE OR REIMBURSEMENT BE PROVIDED FOR SERVICES PROVIDED BY A**  
17 **PHYSICAL THERAPIST OR A PHYSICAL THERAPIST ASSISTANT UNLESS THAT**  
18 **SERVICE WAS PROVIDED BY A LICENSED PHYSICAL THERAPIST OR PHYSICAL**  
19 **THERAPIST ASSISTANT UNDER THE SUPERVISION OF A LICENSED PHYSICAL**  
20 **THERAPIST PURSUANT TO A PRESCRIPTION FROM A HEALTH CARE**  
21 **PROFESSIONAL AS PROVIDED IN SECTION 17820 OF THE PUBLIC HEALTH**  
22 **CODE, 1978 PA 368, MCL 333.17820.**

23 Enacting section 1. This amendatory act does not take effect  
24 unless Senate Bill No. 690 of the 97th Legislature is enacted into  
25 law.