

# HOUSE BILL No. 6028

September 13, 1990, Introduced by Rep. Bennane and referred to the Committee on Public Health.

A bill to amend sections 401 and 414a of Act No. 350 of the Public Acts of 1980, entitled "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~~ 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, ACT  
18 NO. 64 OF THE PUBLIC ACTS OF 1984, BEING SECTIONS 550.251 TO  
19 550.255 OF THE MICHIGAN COMPILED LAWS.

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

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

4 (8) A health care corporation shall not limit or deny cover-  
5 age to a subscriber or limit or deny reimbursement to a provider  
6 on the ground that services were rendered while the subscriber  
7 was in a health care facility operated by this state or a politi-  
8 cal subdivision of this state. A health care corporation shall  
9 not limit or deny participation status to a health care facility  
10 on the ground that the health care facility is operated by this  
11 state or a political subdivision of this state, if the facility  
12 meets the standards set by the corporation for all other facili-  
13 ties of that type, government-operated or otherwise. To qualify  
14 for participation and reimbursement, a facility NEED NOT BE  
15 ACCREDITED BY THE JOINT COMMISSION ON ACCREDITATION OF HOSPITALS  
16 BUT shall, at a minimum, meet all of the following requirements,  
17 which shall apply to all similar facilities:

18 ~~(a) Be accredited by the joint commission on accreditation~~  
19 ~~of hospitals.~~

20 (A) ~~(b)~~ Meet the certification standards of the medicare  
21 program and the medicaid program.

22 (B) ~~(c)~~ Meet all statutory requirements for certificate of  
23 need.

24 (C) ~~(d)~~ Follow generally accepted accounting principles  
25 and practices.

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

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

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

5 Sec. 414a. (1) A health care corporation shall offer bene-  
6 fits for the inpatient treatment of substance abuse by a licensed  
7 allopathic physician or a licensed osteopathic physician in a  
8 health care facility operated by this state or approved by the  
9 department of public health for the hospitalization for, or  
10 treatment of, substance abuse.

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

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

22 (4) A health care corporation shall provide coverage for  
23 intermediate and outpatient care for substance abuse, upon issu-  
24 ance or renewal, in all group and nongroup certificates other  
25 than service-specific certificates, such as certificates provid-  
26 ing coverage solely for 1 of the following: dental care; hearing  
27 care; vision care; prescription drugs; or another type of health

1 care benefit. Subject to subsections (5) and (7), a health care  
2 corporation may enter into contracts with providers for the  
3 rendering of intermediate care, outpatient care, or both types of  
4 care, for the treatment of substance abuse.

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

13 (a) Is accredited by the joint commission on accreditation  
14 of hospitals, the council on accreditation for families and chil-  
15 dren, the commission on accreditation of rehabilitation facili-  
16 ties, or the American osteopathic association. THE REQUIREMENT  
17 UNDER THIS SUBDIVISION APPLIES ONLY TO THE RENDERING OF INPA-  
18 TIENT, INTERMEDIATE, AND OUTPATIENT CARE TO ADOLESCENT SUBSTANCE  
19 ABUSE PATIENTS.

20 (b) If applicable, has obtained a certificate of need under  
21 part ~~221~~ 222 of the public health code, Act No. 368 of the  
22 Public Acts of 1978, being sections ~~333.22101 to 333.22181~~  
23 333.22201 TO 333.22260 of the Michigan Compiled Laws.

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

1 (d) Is licensed by the department of social services as a  
2 child caring institution under Act No. 116 of the Public Acts of  
3 1973, being sections 722.111 to 722.128 of the Michigan Compiled  
4 Laws.

5 (e) Agrees to follow generally accepted accounting princi-  
6 ples and practices.

7 (f) Agrees to supply all data required to fulfill the objec-  
8 tives of the demonstration program.

9 (g) Agrees to work with the substance abuse advisory commit-  
10 tee and the health care corporation in conducting the evaluation  
11 of the demonstration program.

12 (6) The substance abuse advisory committee is established,  
13 with the cooperation of the office of substance abuse services,  
14 under the direction of the office of health and medical affairs.  
15 The committee shall consist of 7 members to include the director  
16 of the office of health and medical affairs or his or her desig-  
17 nee, the administrator of the office of substance abuse services  
18 or his or her designee, a representative of the department of  
19 public health, 2 designees of the chief executive officer of a  
20 health care corporation contracting for a demonstration project  
21 under subsection (5), a member of the family of an adolescent  
22 substance abuser to be appointed by the office of health and med-  
23 ical affairs, and a service provider of an adolescent substance  
24 abuse treatment program to be appointed by the office of health  
25 and medical affairs. The substance abuse advisory committee  
26 shall evaluate each demonstration project and shall report at the  
27 conclusion of each demonstration project to the senate and house

1 standing committees responsible for public health issues. A  
2 final report of all the demonstration projects shall be issued by  
3 not later than December 31, 1994, and shall include evaluations  
4 of and recommendations concerning all of the following:

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

8 (b) The cost and effectiveness of the different levels of  
9 adolescent substance abuse treatment, including inpatient, inter-  
10 mediate, and outpatient care and aftercare programs.

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

21 (8) A health care corporation shall reimburse providers for  
22 the rendering of inpatient, intermediate, and outpatient care to  
23 adolescent substance abuse patients at a rate that shall be com-  
24 mensurate with reimbursement rates for other similar providers  
25 rendering inpatient, intermediate, and outpatient care to adoles-  
26 cent substance abuse patients.



1       (9) In the case of group certificates, if the amount due for  
2 a group certificate would be increased by 3% or more because of  
3 the provision of the coverage required under subsection (4), the  
4 master policyholder shall have the option to decline the coverage  
5 required to be provided under subsection (4). In the case of  
6 nongroup certificates, if the total amount due for all nongroup  
7 certificates of the health care corporation would be increased by  
8 3% or more because of the provision of the coverage required  
9 under subsection (4), the subscriber for each such certificate  
10 shall have the option to decline the coverage required to be pro-  
11 vided under subsection (4).

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

16       (11) The coverage for intermediate and outpatient care for  
17 substance abuse required to be provided under subsection (4)  
18 shall not be reduced by terms or conditions which apply to other  
19 items of coverage in a certificate, group or nongroup. This sub-  
20 section shall not be construed to prohibit certificates that pro-  
21 vide for deductibles and copayment provisions for coverage for  
22 intermediate and outpatient care for substance abuse, as approved  
23 by the commissioner.

24       (12) The coverage for intermediate and outpatient care for  
25 substance abuse required to be provided under subsection (4)  
26 shall PROVIDE, at a minimum, ~~provide~~ for up to \$1,500.00 in  
27 health care benefits for intermediate and outpatient care for

1 substance abuse per member per year. This minimum shall be  
2 adjusted by March 31, 1982 and by March 31 each year thereafter  
3 in accordance with the annual average percentage increase or  
4 decrease in the United States consumer price index for the  
5 12-month period ending the preceding December 31.

6 (13) As used in this section:

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

9 (b) "Intermediate care" means the use, in a full 24-hour  
10 residential therapy setting, or in a partial, less than 24-hour,  
11 residential therapy setting, of any or all of the following ther-  
12 apeutic techniques, as identified in a treatment plan for indi-  
13 viduals physiologically or psychologically dependent upon or  
14 abusing alcohol or drugs:

15 (i) Chemotherapy.

16 (ii) Counseling.

17 (iii) Detoxification services.

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

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

26 (i) Chemotherapy.

1       (ii) Counseling.

2       (iii) Detoxification services.

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

6       (d) "Substance abuse" means that term as defined in section  
7 6107 of the public health code, Act No. 368 of the Public Acts of  
8 1978, being section 333.6107 of the Michigan Compiled Laws.