

# MAINE STATE LEGISLATURE

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# 118th MAINE LEGISLATURE

## SECOND REGULAR SESSION-1998

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Legislative Document

No. 2251

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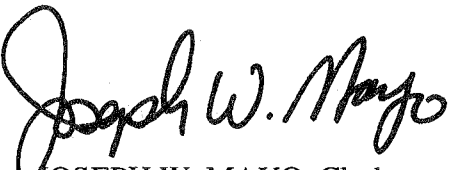
House of Representatives, March 4, 1998

**An Act to Permit Direct Contracting with State Governmental Entities  
for the Provision of Services to Eligible Participants in Government  
Health Programs.**

(EMERGENCY)

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Reference to the Committee on Health and Human Services suggested and ordered printed.

  
JOSEPH W. MAYO, Clerk

Presented by Representative DAVIDSON of Brunswick. (GOVERNOR'S BILL)

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the State administers state and federally sponsored health programs; and

Whereas, it is in the best interests of the people of the State for the State to encourage maximum participation by managed care entities in these programs; and

Whereas, it is in the best interests of the people of the State for the State to manage the health care of program recipients and clients while offering reasonable choice within a competitive and cost-effective environment; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 22 MRSA §3173, as amended by PL 1997, c. 530, Pt. A, §34, is further amended by adding at the end a new paragraph to read:

The department may enter into contracts with health care servicing entities for the provision, financing, management and oversight of the delivery of health care services in order to carry out these programs. For the purposes of this section, "health care servicing entity" means a partnership, association, corporation, limited liability company or other legal entity that enters into a contract to provide or arrange for the provision of a defined set of health care services; to assume responsibility for some aspects of quality assurance, utilization review, provider credentialing and provider relations or other related network management functions; and to assume financial risk for provision of such services to recipients through capitation reimbursement or other risk-sharing arrangements. "Health care servicing entity" does not include insurers or health maintenance organizations. In all contracts with health care servicing entities, the department shall include standards, developed in consultation with the Superintendent of Insurance, to be met by the contracting entity in the areas of financial solvency, quality assurance, utilization review, network sufficiency, network performance, complaint and grievance procedures and records maintenance. Prior to contracting with any health care servicing entity, the department must have in place a memorandum

2 of understanding with the Superintendent of Insurance for the  
3 provision of technical assistance, which must provide for the  
4 sharing of information between the department and the  
5 superintendent and the analysis of that information by the  
6 superintendent as it relates to the fiscal integrity of the  
7 contracting entity. The department may require periodic  
8 reporting by the health care servicing entity as to activities  
9 and operations of the entity, including the entity's activities  
10 undertaken pursuant to commercial contracts with licensed  
11 insurers and health maintenance organizations. The department  
12 may share with the Superintendent of Insurance all documents  
13 filed by the health care servicing entity, including documents  
14 subject to confidential treatment if that information is treated  
15 with the same degree of confidentiality as is required of the  
16 department.

17 **Sec. 2. 24-A MRSA §10, sub-§2, as amended by PL 1997, c. 457,**  
18 **§8, is further amended to read:**

19 2. Fraternal benefit societies, except as stated in chapter  
20 55; or

21 **Sec. 3. 24-A MRSA §10, sub-§4, as amended by PL 1985, c. 399,**  
22 **§1, is further amended to read:**

23 4. Unless otherwise expressly provided by this Title, a  
24 domestic insurer heretofore formed under a special Act of the  
25 Legislature, where when inconsistent with such special Act as  
26 heretofore amended;

27 **Sec. 4. 24-A MRSA §10, sub-§§5 and 6 are enacted to read:**

28 5. The government contracting activities of a health care  
29 servicing entity, as defined in Title 22, section 3173,  
30 contracting, whether directly or as a subcontractor, with the  
31 Department of Human Services, unless otherwise expressly provided  
32 by this Title. This Title may apply to other insurance or  
33 managed care activities of a health care servicing entity; or

34 6. The government contracting activities of a health care  
35 servicing entity, as defined in Title 34-B, section 1204,  
36 contracting, whether directly or as a subcontractor, with the  
37 Department of Mental Health, Mental Retardation and Substance  
38 Abuse Services, unless otherwise expressly provided by this  
39 Title. This Title may apply to any other insurance or managed  
40 care activities of a health care servicing entity.

41 **Sec. 5. 34-B MRSA §1204, sub-§9 is enacted to read:**

2        9. Contracts with health care servicing entities. The  
4        commissioner may enter into contracts with health care servicing  
6        entities for the financing, management and oversight of the  
8        delivery of mental health, mental retardation and substance abuse  
10       services to clients pursuant to a state or federally sponsored  
12       health program in which the department participates or  
14       administers. For the purposes of this subsection, "health care  
16       servicing entity" means a partnership, association, corporation,  
18       limited liability company or other legal entity that enters into  
20       a contract with the State to provide or arrange for the provision  
      of a defined set of health care services; to assume  
      responsibility for some aspects of quality assurance, utilization  
      review, provider credentialing and provider relations or other  
      related network management functions; and to assume financial  
      risk for provision of such services to clients through capitation  
      reimbursement or other risk-sharing arrangements. "Health care  
      servicing entity" does not include insurers or health maintenance  
      organizations. In contracting with health care servicing  
      entities, the commissioner:

22        A. Shall include in all contracts with the health care  
24        servicing entities standards, developed in consultation with  
26        the Superintendent of Insurance, to be met by the  
      contracting entity in the areas of financial solvency,  
      quality assurance, utilization review, network sufficiency,  
      network performance, complaint and grievance procedures and  
      records maintenance;

28        B. Prior to contracting with any health care servicing  
30        entity, must have in place a memorandum of understanding  
32        with the Superintendent of Insurance for the provision of  
34        technical assistance, which must provide for the sharing of  
36        information between the department and the superintendent  
      and the analysis of that information by the superintendent  
      as it relates to the fiscal integrity of the contracting  
      entity;

38        C. May require periodic reporting by the health care  
40        servicing entity as to activities and operations of the  
42        entity, including the entity's activities undertaken  
      pursuant to commercial contracts with licensed insurers and  
      health maintenance organizations;

44        D. May share with the Superintendent of Insurance all  
46        documents filed by the health care servicing entity,  
48        including documents subject to confidential treatment if the  
      information is treated with the same degree of  
      confidentiality as is required of the department; and

E. May make all necessary rules for the administration of contracts with health care servicing entities. All rules adopted pursuant to this paragraph are routine technical rules as defined in Title 5, chapter 375, subchapter II-A.

**Emergency clause.** In view of the emergency cited in the preamble, this Act takes effect when approved.

## SUMMARY

This bill authorizes the Department of Human Services to contract with health care servicing entities, as defined in the bill. It requires the Department of Human Services to establish standards for the conduct of the health care servicing entity. Those standards must be included in any contract between the department and the entity. The department is required to enter into a memorandum of understanding with the Superintendent of Insurance in order to obtain technical assistance and advice regarding the fiscal integrity of contracting entities. The department may require reporting by the health care servicing entity, provide the Superintendent of Insurance with access to documents filed by the entity and adopt such rules as are necessary for the administration of contracts with health care servicing entities.

This bill also grants the Commissioner of Mental Health, Mental Retardation and Substance Abuse Services the same authority regarding health care servicing entities as that granted the Department of Human Services.

This bill exempts health care servicing entities from licensure and other requirements of the Maine Insurance Code for those activities undertaken in conjunction with any contract between the entity and the Department of Human Services or between the entity and the Department of Mental Health, Mental Retardation and Substance Abuse Services.