



LEGISLATURE OF PUERTO RICO

Office of Legislative Services

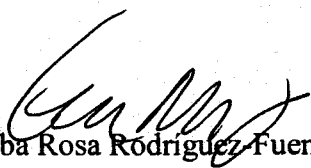
CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 334 (H.B. 4255) (Conference) of the 6th Session of the 14th Legislature of Puerto Rico:

AN ACT to amend Section 2 and Section 7(d) of Article VI; add new Sections 2 and 3, and renumber Sections 2 and 3 as 4 and 5, respectively; and add a new Section 6 to Article IX of Act No. 72 of September 7, 1993, as amended, known as the "Puerto Rico Health Insurance Administration Act," to designate a public official in charge of evaluating and contracting health services directly with the providers, pursuant to Act No. 105 of July 19, 2002; and set forth the procedures for the direct contracting process, and for other purposes,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 27th of October of 2004.


Elba Rosa Rodríguez-Fuentes
Director

(H. B. 4155)
(Conference)

(No. 334)

(Approved December 29, 2003)

AN ACT

To amend Section 2 and Section 7(d) of Article VI; add new Sections 2 and 3, and renumber Sections 2 and 3 as 4 and 5, respectively; and add a new Section 6 to Article IX of Act No. 72 of September 7, 1993, as amended, known as the "Puerto Rico Health Insurance Administration Act," to designate a public official in charge of evaluating and contracting health services directly with the providers, pursuant to Act No. 105 of July 19, 2002; and set forth the procedures for the direct contracting process, and for other purposes.

STATEMENT OF MOTIVES

The Health Insurance Administration was created in 1993 to provide health services to the indigent sectors of our country. However, such laudable purpose was tinged by the lack of circumspection and diligence in public administration. Large economic interests became ankylosed structures interposed between the health of Puerto Ricans and the purpose of the creation of said reform. After 1993, attempts have been made through several amendments to said Act to rectify past mistakes without identifying the true limitations that interfere with the efforts of the Government of the Commonwealth to offer health services. Truly, one of the determining factors in the implementation of the health reform is the dilution of funds through various structures. The lessening of the power structure of the government agencies through the privatizing efforts of former years has manifested its own failure.

Pursuant thereto, this Legislature approved Act No. 105 of July 19, 2002, with the firm purpose of guaranteeing and offering an option to the uncertain outcome of the health reform as it was first implemented. However, urgency and the present conditions of the health reform require that the contracting processes be carried out with greater diligence and speed, offering the medical groups greater confidence in the direct contracting project.

With a population that is truly representative of the body of patients enjoying the benefits of health reform in Puerto Rico, the implementation of said direct contracting project may be standardized; for which the necessary adjustments in the current code of laws must be made, thus providing the necessary tools for its implementation.

Therefore, the Commonwealth of Puerto Rico definitely intends to initiate and continue direct contracting models, and in turn, offer the necessary security to all providers who wish to contract directly with the Administration.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Article VI of Act No. 72 of September 7, 1993, as amended, is hereby amended to establish that the Executive Director shall be the person designated to evaluate and contract the medical groups that wish to contract directly with the Administration and eliminate the exclusion of medical groups that have indirect interests with other health services organizations.

“Section 2.- Contracting

The Administration shall contract health insurance for the area or areas, established with one or more insurers authorized to do health insurance business in Puerto Rico by the Insurance Commissioner, or by

special laws approved for such purposes. Likewise, the Executive Director shall be the person designated to evaluate and to contract with health service providers as defined in this Act. Provided, that the health service organizations that contract with the Administration for the services they render to the beneficiaries represented by the Administration shall not be subject to the jurisdiction nor to regulation of the Commissioner pursuant to Article 19.031 of the Insurance Code. The Administration shall be responsible for supervising and seeing to the scope and effectiveness of the compliance of these organizations, and may contract the services of third parties to such ends.

Section 3.- ...

Section 4.- ...

Section 5.- ...

Section 6.- ...

Section 7.- Models for Rendering Services

The Administration shall establish through regulations the different models for the rendering of services which may be used in offering the health plans created by this Act.

The models for the rendering of services that are used shall have the following in common:

(a) ...

(b) ...

(c) ...

(d) The Administration shall not contract with health service organizations that have financial interests directly with other health service organizations, except with those primary medical groups or medical-support groups that have radiological

resources in their facilities.

(e) ...

(f) ...

(g) ...”

Section 2.- Article IX of Act No. 72 of September 7, 1993, as amended, is hereby amended by adding new Sections (2) and (3), and renumbering Sections (2) and (3) as (4) and (5), respectively; and amending Section (5) in order establish to safety measures:

“Section 1.- Contracts

In those contracts executed by the Administration when contracting health service providers directly, the Administration may contract with insurers for them to adjudicate the processing of payments for services in those contracts between the Administration and the participating providers.

Section 2.- Contracting Process

All direct contracting procedures with health services providers shall be executed pursuant to the provisions of this Article. Every medical group or provider that wishes to contract directly, pursuant to the provisions of Act No. 105 of July 19, 2002, shall submit a written application that shall include the following:

- (a) Cover Letter: An official letter that shall include the name and address of the proponent organization, the date of submission of the proposal, and the signature and title of the corporate officer that authorizes the proposal.
- (b) Cover Page: The artistic rendering of the cover page shall be determined by the proponent organization and shall include the name of the organization.

- (c) Title Page: This page shall include the letterhead of the organization.

The title of the Proposal shall be the following:

**PROPOSAL FOR THE DEMONSTRATION PROJECT OF
THE RENDERING OF HEALTH SERVICES THROUGH AN
AGREEMENT FOR DIRECT CONTRACTING OF PROVIDERS**

- (d) Executive Summary: Description of the coordinated care model under an organizational structure similar to that of Health Care Organizations (HCOs), which includes all the components of an integrated health system, the proposed services, and the benefits they represent for beneficiaries and participating providers.

Specific activities to be held to comply with the proposed objectives. Areas in the main body of the proposal shall be itemized in such a way to make the analysis of the areas of greatest impact easier for the Evaluation Committees.

- (e) Table of Contents: Itemized list of the main topics and the pages in which they are found.
- (f) Contents of the Proposal: Clear and brief information on each item specified in each chapter.

Chapter 1: Organization

Chapter 2: Financial Information

Chapter 3: Model for Rendering of Services

Chapter 4: Information Systems

Chapter 5: Quality Improvement

Chapter 6: Customer Service

Glossary of Terms

Attachments

- (g) **Binding:** The proposal shall be submitted in the original and 3 copies in 2 inch wide, 3 - ring binders. The content shall be written in double-spaced 13 CG Times New Roman.

Every proposal duly submitted to the Administration shall be studied and analyzed for contracting purposes within a strictly unpostponable term of thirty-five (35) working days.

Section (3).- Evaluation Criteria

The evaluation process performed by the Administration shall be determined taking into consideration the regional area for which direct contracting is requested, the number of persons for whom the rendering of services is requested, physical facilities, financial capacity, capital for the financing of services, and the ability to provide risk management services.

The following elements shall be considered in the evaluation process:

- (a) Capacity, efficiency and pertinence of the information system used to register appointments and to process claims electronically.
- (b) Availability and efficiency of cost control programs, including the review of use and quality control programs.
- (c) Administrative and financial capacity of the proponent organization, including the network of coordinated care providers.
- (d) Availability of preventive medicine programs.
- (e) Availability of primary physicians and specialists.
- (f) Availability of emergency rooms.

- (g) Availability of beneficiary complaints and grievances programs, and compliance plan pursuant to applicable local and federal statutes.

Section (4).- Demonstration Model; Authorization ...

Section (5).- Payments

Pursuant to the provisions of the above Section 2, the Administration shall consider transferring to the health services provider the premium dollar percent appropriated to the medical sub-fund; without prejudice to same for invoices and/or charges related to the other items of the medical fund, such as ancillary services for emergency room and hospital visits, laboratories, X-rays, pharmacies, support physicians, and other health services providers.

The Administration shall also consider taking charge of the Catastrophic Illness Fund, the Institutional Fund and the ancillary services mentioned above. With regard to the safety measures taken by the Administration, they shall be limited exclusively to reserves that are proportional to the actuarial risk assumed in the contracting.

Likewise, the Administration shall consider the negotiation of fees with individual support physicians, based on methods of payment for services rendered, or per capita payments having administration and reserve funds to its credit to lessen fluctuations of payments.

Section 6.- Medications

The Administration is hereby authorized to call for bids as necessary, pursuant to its own regulations, for the purchase of medications and medical products. Medications and medical products shall be those published in the forms as established by the Administration. Such bidding shall be held as soon as the direct contracting project includes fifty (50) percent of the total number of lives in the health reform.”

Section 3.- Effectiveness

This Act shall take effect thirty (30) days after its approval.