

**THE INSURANCE CODE OF 1956 (EXCERPT)**  
**Act 218 of 1956**

**500.3569 Assumption of financial risk.**

Sec. 3569.

(1) Except as provided in section 3515(2), a health maintenance organization shall assume full financial risk on a prospective basis for the provision of health services under a health maintenance organization contract. A health maintenance organization may do any of the following:

(a) Require an affiliated provider to assume financial risk under the terms of its contract.

(b) Obtain insurance.

(c) Make other arrangements for the cost of providing to an enrollee health services the aggregate value of which is more than \$5,000.00 in a year for that enrollee.

(2) If the health maintenance organization requires an affiliated provider to assume financial risk under the terms of its contract, the contract must require both of the following:

(a) The health maintenance organization to pay the affiliated provider, including a subcontracted provider, directly or through a licensed third party administrator for health services provided to its enrollees.

(b) The health maintenance organization to keep all pooled funds and withhold amounts and account for them on its financial books and records and reconcile them at year end pursuant to the contract.

(3) For purposes of this section, a health maintenance organization requires an affiliated provider to assume financial risk if it shares with the affiliated provider, in return for consideration, a portion of the chance of loss, including expenses incurred, related to the delivery of health services to enrollees. The type of transactions under which a health maintenance organization may require an affiliated provider to assume financial risk under this section include, but are not limited to, full or partial capitation agreements, withholds, risk corridors, and indemnity agreements.

**History:** Add. 2000, Act 252, Imd. Eff. June 29, 2000 ;-- Am. 2016, Act 276, Imd. Eff. July 1, 2016

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