

SUBJECT: Reimbursing health-care providers through discounted fee schedules

COMMITTEE: Insurance — committee substitute recommended

VOTE: 6 ayes — Smithee, Eiland, Burnam, Olivo, Seaman, Thompson
0 nays
3 absent — G. Lewis, J. Moreno, Wise

SENATE VOTE: On final passage, March 23 — 30-0

WITNESSES: For — Mike Pollard, Texas Association of Life and Health Insurers
Against — None

BACKGROUND: Preferred-provider benefit plans involve contracts between health-care providers and insurers in which the providers agree to charge discounted fees in exchange for preferred status in the insurers' health plans. Insurers encourage plan members to consult preferred providers by covering more of the costs than when a plan member consults any other provider. Some insurers who use these plans exclusively are known as preferred provider organizations (PPOs).

Some providers and insurers use third-party administrators to arrange their PPO plans. Third-party administrators handle negotiations for all hospitals and insurers in a region to set the standards for PPO plans. These corporations also can handle reimbursement to providers by the insurers.

Insurance Code, art. 21.21-2 empowers the Texas Department of Insurance (TDI) to issue cease-and-desist orders and to revoke or suspend the license of an insurer who uses unfair practices to settle claims. Under art. 1.10 and 1.10E, TDI may issue administrative penalties of up to \$25,000.

DIGEST: CSSB 130 would prohibit an insurer or third-party administrator from reimbursing a provider on a discounted fee schedule unless:

! the insurer or third-party administrator had contracted with the provider or

- with a PPO that had contracted with the provider;
- ! the provider had agreed to the contract; and
 - ! the insurer or third-party administrator had agreed to provide coverage for the benefits under the policy.

CSSB 130 would prohibit parties to a preferred-provider contract from transferring information about reimbursement under the contract without the express authority and prior adequate notification of the other parties to the contract.

An insurer or third-party administrator who violated these conditions would commit an unfair claim-settlement practice and would be subject to administrative penalties under the Insurance Code.

**SUPPORTERS
SAY:**

Some insurers and third-party administrators have used deceptive tactics to persuade health-care providers to agree to preferred-provider contracts without fully explaining the discounted fee schedules that would apply. Some affiliates and subsidiaries of insurers and third-party administrators have tried to reimburse providers according to discounted fee schedules that the providers originally negotiated with their parent companies. CSSB 130 would ensure that a provider would be reimbursed on a discounted fee schedule only if the provider had agreed to the schedule.

The committee substitute would allow reimbursement on a discounted fee schedule if the provider had contracted with a PPO and the PPO had contracted with the insurer or third-party administrator. This is necessary because some providers contract with a PPO but not with the third-party administrator or insurer who handles billing for the PPO. This change has satisfied critics of the introduced version of the bill, and CSSB 130 now enjoys the support of both providers and insurers.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The original bill did not include provisions for PPO contracts with providers.