

## **BILL ANALYSIS**

Senate Research Center

S.B. 1884  
By: Williams  
State Affairs  
3/27/2007  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In 2003, the 78th Legislature enacted S.B. 418, the Texas Prompt Pay Act, which created a new graduated penalty scale for late payments and underpayments. The most severe penalty for a late paid claim is a total of billed charges plus 18 percent interest on the penalty amount. The current formula for underpaid claims results in a penalty that is disproportionate to the underpayment and can result in payments exceeding billed charges in some cases.

As proposed, S.B. 1884 amends the Insurance Code by changing the calculation for underpaid claims. Under the amended formula, the penalty increases as the underpayment amount increases. The maximum penalty for underpayments would be the same as for late payments.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 843.342(g), Insurance Code, to provide that, for the purposes of Subsections (d) and (e), the underpaid amount is calculated on the ratio of the amount underpaid on the contracted rate to the contracted rate as applied to the billed charges as submitted on the claim less the contracted rate.

SECTION 2. Amends Section 1301.137(g), Insurance Code, to provide that, for the purposes of Subsections (d) and (e), the underpaid amount is calculated on the ratio of the amount underpaid on the contracted rate to the contracted rate as applied to the billed charges as submitted on the claim less the contracted rate.

SECTION 3. Effective date: September 1, 2007.