

SUBJECT: Prohibiting the use of extrapolation in provider claim audits

COMMITTEE: Insurance — favorable, without amendment

VOTE: 6 ayes — Oliverson, A. Johnson, Cain, Cortez, Julie Johnson, Perez
3 nays — Caroline Harris, Hull, Paul

WITNESSES: For — Paul Liechty, Texas Chiropractic Association (*Registered, but did not testify*; Kyle Frazier, Patient Choice Coalition of Texas; David Reynolds, Texas Chapter American College of Physicians Services; Ben Wright, Texas Medical Association; Tilden Childs)

Against — Jessica Lynch, Texas Association of Health Plans (*Registered, but did not testify*; Matt Abel, Texas Association of Business)

On — (*Registered, but did not testify*; Debra Diaz-Lara, Texas Department of Insurance)

BACKGROUND: Concerns have been raised that extrapolation techniques used by insurers to apply audit results across a large batch of health care claims may penalize providers for unconfirmed billing errors.

DIGEST: HB 895 would prohibit a health maintenance organization and preferred provider plan from using extrapolation to complete an audit of a participating or preferred provider. Extrapolation would be defined as a mathematical process or technique used in the audit of a provider to estimate audit results or findings for a large batch or group of claims that had not been reviewed by the health maintenance organization or insurer.

Health maintenance organizations and preferred provider plans would be prohibited from using extrapolation to complete an audit of a participating provider. Any additional payment due to a preferred or participating provider or any refund due to the insurer would need to be based on the actual overpayment or underpayment and could not be based on extrapolation.

The bill would take effect September 1, 2023 and would apply only to the audit of a physician or provider under contract with a preferred provider health plan or health maintenance organization entered into or renewed on or after the effective date.