

BILL ANALYSIS

Senate Research Center

C.S.S.B. 130
By: Nelson
Economic Development
2/26/1999
Committee Report (Substituted)

DIGEST

Currently, health care providers may contract with health insurance plans to give a discounted rate on their services in exchange for being listed as a “preferred provider.” An insurer or independent agent may deliberately mislead providers and doctors by claiming to belong to an exclusive preferred provider arrangement to receive a discount. This bill would hold insurers in violation of an unfair act or deceptive practice under the Insurance Code, if the insurers knowingly mislead a provider into giving them discounts to which the insurers are not entitled.

PURPOSE

As proposed, C.S.S.B. 130 holds insurers in violation of an unfair act or deceptive practice under the Insurance Code, if the insurers knowingly mislead a provider into giving them discounts to which the insurers are not entitled.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 3.70-3C, Insurance Code, as added by Chapter 1024, Acts of the 75th Legislature, Regular Session, 1997, by adding Section 7A, as follows:

Sec.7A. MISREPRESENTATION REGARDING DISCOUNT PROHIBITED. (a) Provides that this section applies to an insurer, an agent of an insurer, an administrator regulated under Article 21.07-6 of this code, or a preferred provider organization.

(b) Prohibits a person to whom this section applies from reimbursing a physician, practitioner, hospital, institutional provider, or an organization of physicians and health care providers on a discounted fee basis for covered services rendered to an insured unless the insured is covered by a preferred provider benefit plan to which the providers have contracted and to which the person has agreed to provide coverage.

(c) Provides that no party to a preferred provider contract may buy, purchase, acquire, obtain, lease, rent, or otherwise transfer information concerning the payment or reimbursement terms of the contract without express authority and prior adequate notification to contracted parties.

(d) Provides that a person violating this section commits an unfair act or deceptive practice in violation of Articles 21.21 and 21.21-2 of this code.

SECTION 2. Emergency clause.

Effective date: upon passage.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Article 3.70-3C, Insurance Code, by adding Section 7A, to add a preferred provider organization to the list of entities to which this section applies. Prohibits a person to whom this section applies from reimbursing a physician, practitioner, hospital, institutional provider, or an

organization of physicians and health care providers, rather than only a physician or health care provider, on a discounted fee basis for covered services rendered to an insured unless the insured is covered by a preferred provider benefit plan to which the providers have contracted and to which the person has agreed to provide coverage. Provides that no party to a preferred provider contract may buy, purchase, acquire, obtain, lease, rent, or otherwise transfer information concerning the payment or reimbursement terms of the contract without express authority and prior adequate notification to contracted parties. Deletes text prohibiting this section from being waived by contract. Makes conforming changes.