

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 6, 2003

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2405 by Miller (Relating to the prompt payment of claims to physicians and providers by insurers and health maintenance organizations.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend various articles and chapters in the Insurance Code relating to the prompt payment of claims to physicians and other health care providers by insurers and health maintenance organizations (HMOs).

The bill would establish procedures for the timely submission of medical claims and subsequent additional information by health care providers to insurers and HMOs. Likewise, the bill would define and establish criteria for "clean claims" so submitted, and impose prompt processing and payment requirements on insurers and HMOs.

The bill would establish penalties, not to exceed \$200,000, that would be paid by insurers or HMOs to health care providers for violations of certain claim payment provisions. These penalties would be paid to the health care provider in addition to the amount owed on the claim.

The bill would amend the provisions relating to administrative penalties on insurers and HMOs such that they would not be imposed if the insurer or HMO had timely paid, denied, or audited 95 percent clean claims in a calendar year.

The bill would allow the Attorney General's Office to recover court costs and attorneys' fees and to seek administrative penalties of up to \$1,000 for each negligent violation and up to \$10,000 for each intentional violation of the bill's provisions.

This bill would take effect June 1, 2003, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003. The bill would require the Commissioner of Insurance to adopt rules as necessary to enforce the bill as soon as practicable, but no later than the 30th day after the bill's effective date.

Although both the Office of Attorney General and the Department of Insurance indicated there would be some costs associated with the bill, it is estimated that both agencies could implement the provisions of the bill within current resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: JK, JRO, RB, RT