

BILL ANALYSIS

S.B. 1884
By: Williams
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

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.

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. The bill increases the period of time that providers have to identify and notify health plans of underpayments from the current 180 days to 270 days. Finally, the bill decreases the amount of time that health plans have to correct an underpayment after notification without being penalized from the current 45 days to 30 days.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Amends Sections 843.342(g) and (h), Insurance Code, as follows:

(g) Provides 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 an amount equal to the billed charges as submitted on the claim minus the contracted rate.

(h) Provides that a health maintenance organization (HMO) is not liable for a penalty under this section if the claim was paid in accordance with this subchapter, but for less than the contracted rate, and the physician or provider notifies the HMO of the underpayment after the 270th, rather than 180th, day after the date the underpayment was received and the health maintenance organization pays the balance of the claim on or before the 30th, rather than 45th, day after the date the health maintenance organization receives the notice.

SECTION 2. Amends Sections 1301.137(g) and (h), Insurance Code, as follows:

(g) Provides 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 an amount equal to the billed charges as submitted on the claim minus the contracted rate.

(h) Provides that an insurer is not liable for a penalty under this section if the claim was paid in accordance with Subchapter C (Prompt Payment of Claims), but for less than the contracted rate, and the preferred provider notifies the insurer of the underpayment after the 270th, rather than the 180th day, after the date the underpayment was received, and the insurer pays the balance of the claims on or before the 30th, rather than the 45th, day after the date the insurer receives the notice.

SECTION 3. Makes application of this Act prospective. States that the change in law made by this Act applies to payment of a claim submitted to a health maintenance organization or insurer

on or after the effective date of this Act. A claim submitted before the effective date of this Act is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 4. Effective date: September 1, 2007.

EFFECTIVE DATE

September 1, 2007.