

AN ACT

relating to liability for and calculation of underpayment penalties under certain provisions regarding prompt payment of physicians and providers under certain managed care plans.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subsections (g) and (h), Section 843.342, Insurance Code, are amended to read as follows:

(g) 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) A health maintenance organization is not liable for a penalty under this section:

(1) if the failure to pay the claim in accordance with this subchapter is a result of a catastrophic event that substantially interferes with the normal business operations of the health maintenance organization; or

(2) if the claim was paid in accordance with this subchapter, but for less than the contracted rate, and:

(A) the physician or provider notifies the health maintenance organization of the underpayment after the 270th [~~180th~~] day after the date the underpayment was received; and

(B) the health maintenance organization pays the

1 balance of the claim on or before the 30th [~~45th~~] day after the date
2 the health maintenance organization receives the notice.

3 SECTION 2. Subsections (g) and (h), Section 1301.137,
4 Insurance Code, are amended to read as follows:

5 (g) For the purposes of Subsections (d) and (e), the
6 underpaid amount is computed on the ratio of the amount underpaid on
7 the contracted rate to the contracted rate as applied to an amount
8 equal to the billed charges as submitted on the claim minus the
9 contracted rate.

10 (h) An insurer is not liable for a penalty under this
11 section:

12 (1) if the failure to pay the claim in accordance with
13 Subchapter C is a result of a catastrophic event that substantially
14 interferes with the normal business operations of the insurer; or

15 (2) if the claim was paid in accordance with
16 Subchapter C, but for less than the contracted rate, and:

17 (A) the preferred provider notifies the insurer
18 of the underpayment after the 270th [~~180th~~] day after the date the
19 underpayment was received; and

20 (B) the insurer pays the balance of the claim on
21 or before the 30th [~~45th~~] day after the date the insurer receives
22 the notice.

23 SECTION 3. The change in law made by this Act applies to
24 payment of a claim submitted to a health maintenance organization
25 or insurer on or after the effective date of this Act. A claim
26 submitted before the effective date of this Act is governed by the
27 law in effect immediately before the effective date of this Act, and

1 that law is continued in effect for that purpose.

2 SECTION 4. This Act takes effect September 1, 2007.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1884 passed the Senate on May 8, 2007, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1884 passed the House on May 17, 2007, by the following vote: Yeas 143, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor