

1-1 By: Williams S.B. No. 1884
1-2 (In the Senate - Filed March 9, 2007; March 22, 2007, read
1-3 first time and referred to Committee on State Affairs;
1-4 April 30, 2007, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 9, Nays 0; April 30, 2007,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1884 By: Williams

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to liability for and calculation of underpayment penalties
1-11 under certain provisions regarding prompt payment of physicians and
1-12 providers under certain managed care plans.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Subsections (g) and (h), Section 843.342,
1-15 Insurance Code, are amended to read as follows:

1-16 (g) For the purposes of Subsections (d) and (e), the
1-17 underpaid amount is calculated on the ratio of the amount underpaid
1-18 on the contracted rate to the contracted rate as applied to an
1-19 amount equal to the billed charges as submitted on the claim minus
1-20 the contracted rate.

1-21 (h) A health maintenance organization is not liable for a
1-22 penalty under this section:

1-23 (1) if the failure to pay the claim in accordance with
1-24 this subchapter is a result of a catastrophic event that
1-25 substantially interferes with the normal business operations of the
1-26 health maintenance organization; or

1-27 (2) if the claim was paid in accordance with this
1-28 subchapter, but for less than the contracted rate, and:

1-29 (A) the physician or provider notifies the health
1-30 maintenance organization of the underpayment after the 270th
1-31 [~~180th~~] day after the date the underpayment was received; and

1-32 (B) the health maintenance organization pays the
1-33 balance of the claim on or before the 30th [~~45th~~] day after the date
1-34 the health maintenance organization receives the notice.

1-35 SECTION 2. Subsections (g) and (h), Section 1301.137,
1-36 Insurance Code, are amended to read as follows:

1-37 (g) For the purposes of Subsections (d) and (e), the
1-38 underpaid amount is computed on the ratio of the amount underpaid on
1-39 the contracted rate to the contracted rate as applied to an amount
1-40 equal to the billed charges as submitted on the claim minus the
1-41 contracted rate.

1-42 (h) An insurer is not liable for a penalty under this
1-43 section:

1-44 (1) if the failure to pay the claim in accordance with
1-45 Subchapter C is a result of a catastrophic event that substantially
1-46 interferes with the normal business operations of the insurer; or

1-47 (2) if the claim was paid in accordance with
1-48 Subchapter C, but for less than the contracted rate, and:

1-49 (A) the preferred provider notifies the insurer
1-50 of the underpayment after the 270th [~~180th~~] day after the date the
1-51 underpayment was received; and

1-52 (B) the insurer pays the balance of the claim on
1-53 or before the 30th [~~45th~~] day after the date the insurer receives
1-54 the notice.

1-55 SECTION 3. The change in law made by this Act applies to
1-56 payment of a claim submitted to a health maintenance organization
1-57 or insurer on or after the effective date of this Act. A claim
1-58 submitted before the effective date of this Act is governed by the
1-59 law in effect immediately before the effective date of this Act, and
1-60 that law is continued in effect for that purpose.

1-61 SECTION 4. This Act takes effect September 1, 2007.

1-62

* * * * *