

BILL ANALYSIS

Senate Research Center

S.B. 1229
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Business & Commerce
4/20/2015
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The use of paper checks by health plans to pay for services is dwindling and health plans have opted for other electronic payment methods. Health plans are increasingly using both electronic funds transfers (EFT) and more recently, virtual credit card (VCC) payments. Virtual credit card payments are a valid electronic alternative to paper checks but can come with unexpected hidden costs to the physician practice. Just like credit card payments, VCC payments are subject to interchange and transaction fees. However, those VCC interchange fees can run as high as five percent. In some cases, the physician or health care provider is unaware of the exposure to these fees until he or she is required to access and accept the VCC payment.

S.B. 1229 prohibits a licensee or a licensee's contracted vendor from using VCC payments to settle claims for health care services.

As proposed, S.B. 1229 amends current law relating to restrictions on the use of credit card payments to settle claims for health care services.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. (a) Provides that the legislature finds and declares that this Act is necessary to:

- (1) remove barriers that hinder physicians and other health care providers from exercising their right to receive payments, upon request, from health plans through Health Insurance Portability and Accountability Act-standard automated clearinghouse electronic fund transfers;
- (2) eliminate unnecessary and excessive fees imposed on physicians and other health care providers by certain licensees and their contracted vendors who use credit card payments, rather than automated clearinghouse electronic fund transfer payments, to settle claims for health care services; and
- (3) eliminate the unnecessary administrative hassle that licensee use of credit card payments in the settlement of claims for health care services imposes on physicians and other health care providers.

(b) Provides that the legislature finds and declares that:

- (1) despite the potential benefits associated with electronic funds transfer payments, many physicians and other health care providers are being subjected to fees associated with credit card payments that essentially reduce the contracted fee amounts of physicians and other health care providers and shift the costs of transferring money electronically from the licensee to the physician or other health care provider;

(2) physicians and other health care providers are often unaware of these high fees when accepting credit card payments from licensees and their contracted vendors;

(3) physicians and other health care providers also are often unaware of their right to receive, upon request, Health Insurance Portability and Accountability Act-standard automated clearinghouse electronic fund transfer payments from health plans, and that the only fee that should be assessed in association with an automated clearinghouse electronic fund transfer payment is a nominal banking fee;

(4) licensees often receive cash-back incentives from credit card companies for credit card payment transactions;

(5) the use of virtual credit cards for payment is an administrative hassle in that it requires the staff of physicians and other health care providers to manually enter payments into their own credit card processing system or devote staff time to write or call the licensee to assert the right to be paid by automated clearinghouse electronic fund transfer; and

(6) unlike payments made by patients using credit cards, credit card payments made by licensees or their contracted vendors do not offer significant risk reduction for physicians and other health care providers, but nonetheless carry increased processing charges.

SECTION 2. Amends Subtitle C, Title 5, Insurance Code, by adding Chapter 564, as follows:

CHAPTER 564. PROHIBITED PRACTICES RELATED TO PAYMENT FOR HEALTH CARE SERVICES

Sec. 564.001. CERTAIN CREDIT CARD PAYMENTS PROHIBITED. (a) Defines “administrator,” “credit card payment,” “health care provider,” “health care services,” “licensee,” “physician,” and “virtual credit card payment.”

(b) Prohibits a licensee or contracted vendor of a licensee from using a credit card payment to settle a claim for health care services with a health care provider.

(c) Prohibits the provisions in this section from being waived, voided, nullified, or modified by contract.

(d) Prohibits anything in this section from being construed to prohibit:

(1) the use of an automated clearinghouse electronic funds transfer to settle a claim for health care services with a health care provider;

(2) the use of a credit card to settle a claim for health care services with a health care provider, if the payment using a credit card is made directly by the patient or by an individual on behalf of the patient for the purpose of paying the patient's out-of-pocket responsibilities; or

(3) the use of a flexible spending account or health savings account, without regard to whether a credit card is issued to the patient under the account.

SECTION 3. Makes application of this Act prospective regarding charges for health care services.

SECTION 4. Effective date: September 1, 2015.