Amend **SB 1742** (house committee printing) on third reading by adding the following appropriately numbered SECTIONS to the bill and renumbering SECTIONS of the bill accordingly:

SECTION _____. Section 843.010, Insurance Code, is amended to read as follows:

Sec. 843.010. APPLICABILITY OF CERTAIN PROVISIONS TO GOVERNMENTAL HEALTH BENEFIT PLANS. Sections 843.306(f), 843.322, and 843.363(a)(4) do not apply to coverage under:

(1) the child health plan program under Chapter 62, Health and Safety Code, or the health benefits plan for children under Chapter 63, Health and Safety Code; or

(2) a Medicaid program, including a Medicaid managed care program operated under Chapter 533, Government Code.

SECTION _____. Subchapter I, Chapter 843, Insurance Code, is amended by adding Section 843.322 to read as follows:

Sec. 843.322. USE OF EXTRAPOLATION PROHIBITED. (a) In this section, "extrapolation" means a mathematical process or technique used by a health maintenance organization in the audit of a participating physician or provider to estimate audit results or findings for a larger batch or group of claims not reviewed by the health maintenance organization.

(b) A health maintenance organization may not use extrapolation to complete an audit of a participating physician or provider. Any additional payment due a participating physician or provider or any refund due the health maintenance organization must be based on the actual overpayment or underpayment and may not be based on an extrapolation.

SECTION _____. Subchapter B, Chapter 1301, Insurance Code, is amended by adding Section 1301.0642 to read as follows:

Sec. 1301.0642. USE OF EXTRAPOLATION PROHIBITED. (a) In this section, "extrapolation" means a mathematical process or technique used by an insurer in the audit of a preferred or nonpreferred provider to estimate audit results or findings for a larger batch or group of claims not reviewed by the insurer.

(b) An insurer may not use extrapolation to complete an audit of a preferred or nonpreferred provider. Any additional payment due a preferred or nonpreferred provider or any refund due

the insurer must be based on the actual overpayment or underpayment and may not be based on an extrapolation.

(c) If a payment for which a patient has signed an agreement to pay is due a preferred or nonpreferred provider, the patient is considered to have assumed full financial responsibility for the payment, and the payment may not be used as a basis for a claim of nonpayment against the insurer.

SECTION ____. Section 843.010, Insurance Code, as amended by this Act, and Sections 843.322 and 1301.0642, Insurance Code, as added by this Act, apply only to the audit of a physician or provider under a contract with an insurer or health maintenance organization entered into or renewed on or after the effective date of this Act.