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| BILL ANALYSIS |

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| H.B. 3196 |
| By: Johnson, Ann |
| Insurance |
| Committee Report (Unamended) |

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| **BACKGROUND AND PURPOSE** In 2003, the Texas Department of Insurance (TDI) adopted a rule requiring health plans and providers to notify the agency within 5 days of a catastrophic event and within 10 days of resuming normal business operations. Upon an entity meeting these requirements, TDI suspends the claim submission and payment deadlines. Under current regulations, "catastrophic event" is defined as an event that cannot be reasonably controlled or avoided and that interrupts an entity's claims submission or processing activities for a period longer than two consecutive business days. In March 2020, Governor Abbott suspended select claim-handling deadlines and TDI extended claim-handling deadlines for a total of 15 additional days in response to the COVID-19 pandemic. Effective September 2021, Governor Abbott rescinded the insurance-related statute and rule suspensions, canceling the temporary claim-handling deadline extension.Many health plans have asserted that this rule is opaque and restricts their right to relief and asserted their need to bypass these prompt payment deadlines as a consequence of the "catastrophic event" beyond the expiration of these deadlines' statutory suspension. Due to this, some entities are avoiding paying large penalties to both providers and the state. H.B. 3196 seeks to rectify any uncertainty and clarify standards for health plans and providers seeking relief from claims submission and payment deadlines amid catastrophic events.  |
| **CRIMINAL JUSTICE IMPACT**It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY** It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTIONS 1 and 3 of this bill. |
| **ANALYSIS** H.B. 3196 amends the Insurance Code to remove the exemption applicable to the mandatory forfeiture of the right to payment of a health benefit plan claim that is triggered when a physician or health care provider fails to submit the claim in accordance with prompt payment deadlines, applicable to a failure to submit claims to a health maintenance organization (HMO) or preferred provider benefit plan issuer as a result of a catastrophic event that substantially interferes with the normal business operations of the physician or provider. While the bill retains mandatory forfeiture of the right to payment for failure to meet prompt payment deadlines without the explicit exemption and retains the authorization under current law for the period for submitting any claim to be extended by contract, it provides for the discretionary extension of prompt payment deadlines due to a catastrophic event as follows:* by notice published by the commissioner of insurance allowing an extension of prompt payment deadlines to a later date chosen by the commissioner due to a catastrophic event; or
* approval by the Texas Department of Insurance (TDI) of a physician's or provider's request for an extension of prompt payment deadlines due to a catastrophic event that substantially interferes with the normal business operations of the physician or provider.

The bill authorizes the commissioner of insurance to adopt rules to implement these provisions, including rules establishing requirements for a request made to TDI by a physician or provider for an extension. H.B. 3196 changes the condition providing that an HMO and the issuer are not liable for a penalty if a failure to pay a claim promptly is a result of a catastrophic event to provide that one of the following also must have occurred:* the commissioner must have published a notice allowing an extension of the applicable prompt payment deadlines due to the event; or
* TDI must have approved the HMO's or issuer's request for an extension due to the substantial interference of the catastrophic event with the normal business operations of the HMO or insurer.

H.B. 3196 applies only to a claim submitted on or after the bill's effective date. |
| **EFFECTIVE DATE** September 1, 2023. |