HOUSE BILL 2303

By Lundberg

AN ACT to amend Tennessee Code Annotated, Title 56, Chapter 7, relative to the predictability of payments by third-party payers.

WHEREAS, the stability of the health care delivery system is threatened and patient access to care is jeopardized if there is a lack of predictability and accountability concerning allowed amounts from and reimbursement mechanisms utilized by third-party payers; and

WHEREAS, third-party payers utilize a complex system of claim adjudication edits, rules, methodologies, and processes to determine provider reimbursement and are able to change any of these components and correspondingly reduce provider reimbursement; and

WHEREAS, to help ensure the financial stability of health care organizations, health care providers must be able to predict the amount of revenue that they can reasonably expect to receive from services delivered to subscribers of health plans underwritten or administered by third-party payers; and

WHEREAS, in order to make such predictions, health care providers must be given sufficient detail, prior to entering into, during, and upon renewal of a contract with a third party payer, to understand fully the rules and logic utilized by the third party payer that will ultimately determine the maximum amount that the provider will be permitted to receive for each item, or service, or combination of services they will be or are obligated to provide under the contract; and

WHEREAS, to ensure predictability, it is also essential that medical claim adjudication edits, rules, methodologies, and processes used to determine provider reimbursement amounts remain constant for specific periods of time and not subject to unilateral changes not otherwise mandated by law; now, therefore:

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 56, Chapter 7, is amended by adding the following new part:

56-7-3401. This part shall be known and may be cited as the "Health Care Provider Stability Act."

56-7-3402. As used in this part, unless the context otherwise requires:

(1) "Health care provider" has the same meaning as in § 56-7-3301;

(2)

(A) "Material change" means a change in fees or payment methodologies that a reasonable person would attach importance in determining the action to be taken upon the change. "Material change" includes, but is not limited to, a change to fee schedules, coding guidelines, edits, payment rules, including but not limited to a multiple procedure payment reduction rules, claim payment procedures, or any other elements that the third-party payer utilizes to determine payment or reimbursement amounts;

(B) "Material change" does not include any revision to the enrollee's benefit package; and

(3) "Third-party payer" means a health insurer, third-party administrator, or other person that is obligated pursuant to health insurance coverage or a health benefits plan, to pay for covered health care services rendered to beneficiaries.

56-7-3403.

(a) A third-party payer may not effect a material change to a contract under which a health care provider is paid for providing items or services during either the first year of the contract or the initial term of the contract, whichever is longer.

(b) After the initial term or first year of the contract in which a health care provider is paid, the third-party payer may only effect a material change on the stipulated

renewal date of the contract or the anniversary of the effective date of the contract, whichever is longer.

(c) Pursuant to subsection (b), a third-party payer may not effect a material change to a contract with a provider unless the third-party payer provides a calculation that estimates any reduction in the provider's cumulative allowed amount based on twelve (12) months, or an annualized shorter look back period, of actual data.

56-7-3404. A person who violates or causes a violation of this part is liable for a civil penalty of not less than one hundred dollars ($100) or more than one thousand dollars ($1,000) for each violation.

56-7-3405. A health care provider may maintain an action to enforce any provision of this part. The court may also award attorneys' fees and costs to the prevailing party.

56-7-3406. None of the requirements of this part may be waived by contract, and any such purported waiver is void.

56-7-3407. Nothing in this part obviates a third-party payer's obligation to comply with any and all legal requirements to which such payer must comply with respect to participating or non-participating health care providers.

56-7-3408. Section 56-7-3403 shall not apply to any policies, contracts, or health benefit plans due to a reduction of compensation paid directly to a third-party payer, and intended to be paid to a health care provider for services rendered, pursuant to a change in federal or state law.

SECTION 2 . If any provision of this act is held by a court to be invalid, such invalidity shall not affect the remaining provisions of this act, and to this end the provisions of this act are hereby declared severable.

SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it, and shall apply to all policies, contracts, and health benefit plans issued, delivered, or renewed in the state on or after October 1, 2014.