

SUMMARY OF NO. 15-20

This proposed law would regulate the payments made by any non-government health insurance plan to health care providers for each medical service such that those payments would be no more than 20% above or 20% below the average price paid to all such providers by that health plan for that medical service. Under the proposed law, the term "health care provider" includes acute-care hospitals and their contracting agents, some physician groups, and certain other health care providers.

The proposed law would require each health plan to calculate the relative price that it has agreed to pay health care providers for each medical service on a statewide basis and by provider type. A "relative price" is generally calculated by dividing the price paid to a particular provider for a medical service by the average price paid to all such providers for that service. The plans would report their relative prices to the state Division of Insurance on an annual basis, and the Division would publish this relative price data.

The proposed law would implement the regulation of prices over a three-year period: (1) for one year beginning July 1, 2017, the proposed law would prohibit health plans from entering into or renewing provider contracts under which the provider would be paid a price greater than 40% above or lower than 30% below the average relative price paid by the health plan to all

such providers for that medical service in the most recent calendar year for which relative price data is available; (2) for one year beginning July 1, 2018, the limitations on price differences would be no greater than 30% above and no lower than 25% below the average relative price paid for that service; and (3) beginning on July 1, 2019, the limitations on price differences would be no greater than 20% above and no lower than 20% below the average relative price paid for that service.

The upper price limits of the proposed law would not apply to specialty hospitals (such as pediatric or oncology hospitals), geographically isolated hospitals (defined as the sole acute-care hospital within a 20 mile radius), and hospitals that derive at least 63% of their patient revenue from government programs like Medicare and Medicaid.

The proposed law would take effect on January 15, 2017, but would apply to health plan contracts with providers entered into or renewed after July 1, 2016.

The proposed law would prohibit a health plan from increasing the prices solely due to the proposed law's effect unless the state Center for Health Information and Analysis certifies that the provider, in the preceding calendar year, has exceeded the median of any quality score reported by the federal Centers for Medicare & Medicaid Services.

The proposed law would require providers to furnish covered

services as a condition of licensure and not refuse payment. Providers would be prohibited from billing the recipient of services for the difference between what the provider would have been paid in the absence of the proposed law and the rate allowed under the proposed law. Providers could not increase their charges to other health plans or payers to recoup amounts over what the proposed law would allow.

The proposed law would require any provider that does not participate in a health plan's network but provides services to the plan's members to accept the carrier-specific average relative price for any covered out-of-network charges or the Medicaid fee-for-service price, whichever is lower.

The proposed law would require any net savings realized by health plans attributable to this proposed law, beyond the cost of complying with its price regulations, to be reflected in reduced health plan premiums, co-pays, and deductibles charged to the plan's subscribers and would require the Division of Insurance to issue regulations concerning any savings.

The proposed law would authorize the state Commissioner of Insurance, the state Attorney General, and the Center for Health Information and Analysis to make rules and regulations with respect to the proposed law.

The proposed law states that if any of its parts were declared invalid, the other parts would stay in effect.