

ENGROSSED HOUSE  
BILL NO. 1562

By: Deutschendorf of the  
House

and

Rozell of the Senate

( insurance - Preferred Provider Organizations Act -  
prohibiting discrimination - codification - effective  
date )

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified  
in the Oklahoma Statutes as Section 6057.1 of Title 36, unless there  
is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Preferred  
Provider Organizations Act".

SECTION 2. NEW LAW A new section of law to be codified  
in the Oklahoma Statutes as Section 6057.2 of Title 36, unless there  
is created a duplication in numbering, reads as follows:

The purpose of the Preferred Provider Organizations Act is to  
encourage health care cost containment while preserving quality of  
care by allowing health care insurers to create preferred provider  
organizations and by establishing minimum standards for preferred  
provider organizations and the accident and health insurance  
policies associated with those organizations.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6057.3 of Title 36, unless there is created a duplication in numbering, reads as follows:

As used in the Preferred Provider Organizations Act:

1. "Accident and health insurance policy" means any policy, certificate, contract, agreement or other instrument that provides accident and health insurance as defined in Section 703 of Title 36 of the Oklahoma Statutes, to any person in this state;
2. "Commissioner" means the Insurance Commissioner;
3. "Covered person" means any person on whose behalf the health care insurer is obligated to pay for or provide health care services;
4. "Covered services" means health care service which a health care insurer is obligated to pay for or provide under an accident and health insurance policy;
5. "Emergency care" means covered service delivered to a covered person who has suffered an accidental bodily injury or contracted a medical condition which reasonably requires the covered person to seek immediate medical care in order to prevent loss of life or limb;
6. "Health care insurer" means any entity that provides an accident and health insurance policy in this state, including, but not limited to, a licensed insurance company, a not-for-profit hospital service and medical indemnity corporation, a fraternal benefit society, a multiple employer welfare arrangement and any other entity subject to regulation by the Insurance Commission;
7. "Health care provider" means any person, firm, corporation or other legal entity who is licensed, certified or otherwise authorized by the laws of this state to provide health care services in the ordinary course of business or practice of the profession;
8. "Health care services" means services rendered or products sold by a health care provider within the scope of the license,

certificate or other legal authorization of the health care provider;

9. "Preferred provider" means a health care provider or group of providers who have contracted with a health care insurer to provide specified covered services;

10. "Preferred provider arrangement" means a contract between or on behalf of the health care insurer and a preferred provider which complies with all the requirements of this act; and

11. "Preferred provider organization" means a network of preferred providers created by a health care insurer through preferred provider arrangements.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6057.4 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Notwithstanding any provisions of law to the contrary, any health care insurer may create a preferred provider organization or organizations. All preferred provider organizations shall:

1. Assure reasonable access to covered services provided through the preferred provider organization and include an adequate number of preferred providers to render those services; and

2. Not unfairly deny health benefits for medically necessary covered services.

B. Preferred provider arrangements shall:

1. Establish the amount and manner of payment to the preferred provider; and

2. Include mechanisms which are designed to minimize the cost of the health care services. These mechanisms may include among others:

a. the review or control of utilization of health care services, and

b. a procedure for determining whether health care services rendered are medically necessary.

C. Health care insurers shall file annually with the Insurance Commissioner, on a form prescribed by the Commissioner:

1. Information identifying any preferred provider organization which the insurer has created;

2. A description of the activities of each preferred provider organization; and

3. A description of all preferred provider arrangements.

D. If an entity enters into a contract providing covered health care services, but is not engaged in activities which would require it to be licensed as a health care insurer such as a non-risk-assuming entity, the entity shall file annually with the State Department of Health information describing its activities and a description of the contract or agreement it has entered into with the health care providers. The contract or agreement shall not be subject to the premium tax assessment set forth in Section 624 of Title 36 of the Oklahoma Statutes. Employers who enter into contracts with health care providers for the exclusive benefit of their employees and dependents shall be exempt from the requirements of this subsection.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6057.5 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Health care insurers may issue accident and health insurance policies which provide for incentive for covered persons to use the health care services of preferred providers. Such policies shall contain at least the following provisions:

1. A provision that if a covered person receives emergency care and cannot reach a preferred provider, that emergency care rendered during the course of the emergency will be reimbursed as though the covered person had been treated by a preferred provider; and

2. A provision which clearly identifies the differential in benefit levels for health care services of preferred providers and benefit levels for health care services of nonpreferred providers.

B. If an accident and health insurance policy provides differences in benefit levels payable to preferred providers compared to other providers, such differences shall not unfairly deny payment for covered services and shall be no greater than necessary to provide a reasonable incentive for covered persons to use the preferred provider.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6057.6 of Title 36, unless there is created a duplication in numbering, reads as follows:

No health care insurer shall discriminate against health care providers on the basis of religion, race, color, national origin, age, sex or marital status.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6057.7 of Title 36, unless there is created a duplication in numbering, reads as follows:

Health care insurers who create preferred provider organizations in accordance with the Preferred Provider Organizations Act shall be subject to and are required to comply with all other applicable laws and rules of this state specifically including but not limited to the Health Care Freedom of Choice Act provided, the act shall not prevent or otherwise limit preferred provider arrangements.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6057.8 of Title 36, unless there is created a duplication in numbering, reads as follows:

The Commissioner shall promulgate rules providing for implementation and administration of the provisions of this act.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6057.9 of Title 36, unless there is created a duplication in numbering, reads as follows:

Any health care insurer or other entity who has been determined by the Insurance Commissioner to have violated any provision of the Preferred Provider Organizations Act or any rule promulgated pursuant to the provisions of Section 8 of this act shall be liable for an administrative penalty of not more than One Hundred Dollars (\$100.00) for each day of such violation. The maximum administrative penalty shall not exceed Twenty Thousand Dollars (\$20,000.00) for any related series of violations.

SECTION 10. This act shall become effective November 1, 1997.

Passed the House of Representatives the 27th day of February, 1997.

Speaker of the House of Representatives

Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 1997.

President of the Senate