

SHORT TITLE: Insurance; creating the Preferred Provider Organizations Act; codification; effective date.

STATE OF OKLAHOMA

1st Session of the 46th Legislature (1997)

SENATE BILL NO. 254

By: Helton

AS INTRODUCED

An Act relating to insurance; creating the Preferred Provider Organizations Act; stating short title; stating purpose of the act; defining terms; authorizing the creation of preferred provider organizations; stating criteria for preferred provider organizations; stating criteria for preferred provider arrangements; requiring certain filing by health care insurers; stating contents of filing; requiring certain entities to file certain information with the State Department of Health; providing an exemption for certain premium taxes; exempting certain employers from certain requirements; authorizing health care insurers to issue certain policies; stating provisions of policies; prohibiting unfair denial of payment for covered services; prohibiting discrimination against health care providers; requiring compliance with certain laws; directing the Commissioner to promulgate rules; providing for an administrative penalty; providing for codification; and providing an 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 them.

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 service" means any health care service for which a health care insurer is obligated to pay 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 under circumstances or at locations which reasonably preclude the covered person from obtaining needed medical care from a preferred provider;

6. "Health care insurer" means any entity that provides an accident and health insurance policy in this state including, but not be 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, or any other entity subject to regulation by the Insurance Commission;

7. "Health care provider" means any person, firm, corporation or other legal entity that 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 health care profession;

8. "Health care service" means any service rendered or product sold by a health care provider within the scope of the license, certificate or other legal authorization of such 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 a health care insurer and a preferred provider which complies with the provisions 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. A preferred provider organization shall:

1. Ensure reasonable access to covered services provided through the preferred provider organization and include an adequate number of preferred providers to render such 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, but are not limited to:
 - 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;
3. A description of all preferred provider arrangements; and
4. Any other information deemed necessary by the Commissioner to ensure compliance with the provisions of the Preferred Provider Organizations Act.

D. If an entity enters into a contract providing reimbursement for 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 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 the employee's 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 incentives for covered persons to use the health care services of preferred providers. Such policies shall contain, at a minimum, the following provisions:

1. A provision that if a covered person receives emergency care for services provided through a preferred provider organization and could not reasonably contact a preferred provider, emergency care provided during the course of the emergency will be reimbursed as though the covered person had been treated by the preferred provider; and

2. A provision which clearly identifies the differential in benefit levels for health care services from preferred providers and benefit levels for health care services from 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 any health care provider on the basis of religion, race, color, national origin, age, sex or marital status. The selection of a preferred provider shall be based primarily on the cost and availability of covered service performed by the provider.

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 pursuant to the provisions of the Preferred Provider Organizations Act shall be subject to and shall comply with all other applicable laws and rules of this state specifically including, but not limited to, the Health Care Freedom of Choice Act.

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 Insurance Commissioner shall promulgate rules providing for implementation and administration of the provisions of the Preferred Provider Organizations 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; provided, however, in no

case shall the maximum administrative penalty exceed Twenty Thousand Dollars (\$20,000.00) for any related series of violations.

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

46-1-0296

CJ