

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6284

BILL NUMBER: SB 163

NOTE PREPARED: Jan 29,2004

BILL AMENDED:

SUBJECT: Health Provider Reimbursement Contracts.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill prohibits certain provisions in health provider reimbursement agreements.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill provides that an agreement between an insurer and a provider may not contain a provision that requires the provider to offer to the insurer a reimbursement rate that is equal to or lower than the lowest reimbursement rate that the provider offers to another insurer. Additionally, a contract between a health maintenance organization and a participating provider may not contain a provision that requires the participating provider to offer to the health maintenance organization a reimbursement rate that is equal to or lower than the lowest reimbursement rate that the participating provider offers to another health maintenance organization. Violations of these provisions would be unfair or deceptive acts or practices in the business of insurance. Individuals suspected of violating the prohibition on unfair and deceptive acts or practices may be subject to a hearing by the Commissioner of Insurance. Adding the proposed prohibitions will increase the number of violations for which a hearing may ensue; however, the Department of Insurance should be able to handle any additional expenses given its current budget and resources.

Explanation of State Revenues: As a result of a hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice, and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance.

Local Agencies Affected:

Information Sources:

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