

BILL ANALYSIS

C.S.H.B. 3218
By: Phillips
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties have expressed a need for clarification regarding whether a health maintenance organization may delegate network contracting to another entity. C.S.H.B. 3218 seeks to provide this clarification by authorizing a health maintenance organization to provide or arrange for health care services through providers or groups of providers who are under contract with an entity that is under contract with a health maintenance organization to provide a network of providers to provide health care services, subject to certain conditions.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3218 amends the Insurance Code to include among the entities through which a health maintenance organization may provide or arrange for health care services providers or groups of providers who are under contract with an entity that is under contract with a health maintenance organization to provide a network of providers to provide health care services, but only if the contract between the entity and the health maintenance organization: does not limit the health maintenance organization's authority or responsibility to comply with any regulatory requirement that applies to a function performed by the entity; requires the entity to comply with all regulatory requirements that apply to a function performed by the entity; and expressly sets forth those requirements. The bill subjects such an entity and the health maintenance organization with which the entity contracts to statutory provisions relating to the delegation of certain functions by a health maintenance organization as if the entity were a delegated entity unless the entity is a delegated network, a delegated third party, an individual physician, or a group of employed physicians practicing medicine under one federal tax identification number and meeting certain criteria. The bill expressly does not subject such an entity that does not assume risk and the health maintenance organization with which the entity contracts to statutory provisions relating to reserve requirements and to certain solvency and financial viability requirements applicable to delegation agreements.

EFFECTIVE DATE

September 1, 2017.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3218 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 843.101, Insurance Code, is amended by amending Subsection (b) and adding Subsections (b-1) and (b-2) to read as follows:

(b) A health maintenance organization may provide or arrange for health care services only through:

(1) other health maintenance organizations;
(2) providers or groups of providers who are;

(A) under contract with or are employed by the health maintenance organization; or

(B) under contract with an entity that is under contract with the health maintenance organization to provide a network of providers to provide health care services only if the contract between the entity and the health maintenance organization:

(i) does not limit the health maintenance organization's authority or responsibility, including financial responsibility, to comply with any regulatory requirement that applies to a function performed by the entity;

(ii) requires the entity to comply with all regulatory requirements that apply to a function performed by the entity; and

(iii) expressly sets forth the requirements of Subparagraphs (i) and (ii); or

(3) additional health maintenance organizations or physicians or providers who have contracted for health care services with:

(A) the other health maintenance organizations;

(B) physicians with whom the health maintenance organization has contracted; or

(C) providers who are under contract with or are employed by the health maintenance organization.

(b-1) Except as provided by Subsection (b-2) and notwithstanding any other law, an entity described by Subsection (b)(2)(B) and the health maintenance organization with which the entity contracts are subject to Chapter 1272 as if the entity were a delegated entity.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 843.101, Insurance Code, is amended by amending Subsection (b) and adding Subsections (b-1) and (b-2) to read as follows:

(b) A health maintenance organization may provide or arrange for health care services only through:

(1) other health maintenance organizations;
(2) providers or groups of providers who are;

(A) under contract with or are employed by the health maintenance organization; or

(B) under contract with an entity that is under contract with the health maintenance organization to provide a network of providers to provide health care services only if the contract between the entity and the health maintenance organization:

(i) does not limit the health maintenance organization's authority or responsibility, including financial responsibility, to comply with any regulatory requirement that applies to a function performed by the entity;

(ii) requires the entity to comply with all regulatory requirements that apply to a function performed by the entity; and

(iii) expressly sets forth the requirements of Subparagraphs (i) and (ii); or

(3) additional health maintenance organizations or physicians or providers who have contracted for health care services with:

(A) the other health maintenance organizations;

(B) physicians with whom the health maintenance organization has contracted; or

(C) providers who are under contract with or are employed by the health maintenance organization.

(b-1) Except as provided by Subsection (b-2) and notwithstanding any other law, an entity described by Subsection (b)(2)(B) and the health maintenance organization with which the entity contracts are subject to Chapter 1272 as if the entity were a delegated entity unless the entity:

(1) is a delegated network or delegated third

(b-2) An entity described by Subsection (b)(2)(B) and the health maintenance organization with which the entity contracts are not subject to the following provisions:

- (1) Section 1272.053(1);
- (2) Section 1272.057(1);
- (3) Section 1272.061(1)(C); and
- (4) Subchapter D, Chapter 1272.

SECTION 2. This Act takes effect September 1, 2017.

party as defined by Section 1272.001; or (2) is not a delegated entity as provided by Section 1272.001(a)(1)(A) or (B).

(b-2) An entity subject to Chapter 1272 under Subsection (b-1) that does not assume risk and the health maintenance organization with which the entity contracts are not subject to the following provisions:

- (1) Section 1272.053(1);
- (2) Section 1272.057(1);
- (3) Section 1272.061(1)(C); and
- (4) Subchapter D, Chapter 1272.

SECTION 2. Same as introduced version.