

## **BILL ANALYSIS**

Senate Research Center  
79R6174 AJA-F

H.B. 2999  
By: Morrison (Armbrister)  
State Affairs  
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Engrossed

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

General, acute care hospitals in Texas are licensed by the Texas Department of State Health Services and must comply with the licensure standards set out in the Hospital Licensing Law, Chapter 241, Health and Safety Code. Most hospitals are also certified to participate in the Medicare and Medicaid programs, and to be a participating provider in those programs hospitals must comply with the Medicare conditions of participation for hospitals, 42 CFR 482 et seq. The state licensure standards and the Medicare conditions of participation are very similar in their regulatory approach and establish extensive operational requirements for hospitals.

Hospitals may also seek accreditation by the Joint Commission on the Accreditation of Health Care Organizations (JCAHO). Accreditation by the JCAHO is voluntary and approximately 70 percent of Texas hospitals are accredited. Most of the hospitals that are not JCAHO accredited are located in rural areas of the state. The cost of the accreditation process is the most frequently cited reason for these hospitals not participating in the JCAHO.

Some health plans, including insurance company sponsored preferred provider plans, require JCAHO accreditation as a condition for hospital participation in the plan's provider network. Section 843.304, Insurance Code, currently provides that a health maintenance organization must accept either Medicare certification or JCAHO accreditation as a condition for hospital participation in the HMO's provider network.

H.B. 2999 prohibits a preferred provider benefit plan from excluding a hospital from its provider network solely because the hospital is not JCAHO accredited. HB. 2999 does not require a preferred provider plan to contract with all hospitals, but does allow the plan to establish reasonable terms under which a hospital will provide health care services to covered individuals under a contract.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter E, Chapter 1301, Insurance Code, as effective April 1, 2005, by adding Section 1301.202, as follows:

Sec. 1301.202. CONTRACTS WITH HOSPITALS. (a) Prohibits an insurer that contracts with hospitals to provide services to insureds under a preferred provider benefit plan from denying a hospital the opportunity to participate in providing health care services as a preferred provider solely because the hospital is not accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) or another specified national accrediting body. Requires an insurer, if a hospital is certified by the Medicare program, Title XVIII of the Social Security Act (42 U.S.C. Section 1395 et seq.), or accredited by JCAHO or another national accrediting body, to accept that certification or accreditation.

(b) Provides that this section does not limit an insurer's authority to establish other reasonable terms under which a hospital is authorized to provide health care services to individuals covered by a preferred provider benefit plan.

(c) Requires the commissioner of insurance (commissioner), on the request of a hospital, to conduct an investigation, review, hearing, or other proceeding to determine whether an insurer is complying with this section.

(d) Requires the commissioner to take reasonable action to ensure compliance with this section, including issuing orders and imposing sanctions.

SECTION 2. Effective date: upon passage or September 1, 2005.