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## HOUSE BILL NO. 2639

AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the House Committee on Commerce and Labor  
on January 22, 2019)

(Patron Prior to Substitute—Delegate Byron)

A BILL to amend and reenact §§ 38.2-4214, 38.2-4319, and 54.1-2910.01 of the Code of Virginia and to amend the Code of Virginia by adding in Chapter 34 of Title 38.2 an article numbered 8, consisting of sections numbered 38.2-3461 through 38.2-3464, relating to health care shared savings; required disclosures by health care providers; and health insurance incentive programs.

Be it enacted by the General Assembly of Virginia:

1. That §§ 38.2-4214, 38.2-4319, and 54.1-2910.01 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Chapter 34 of Title 38.2 an article numbered 8, consisting of sections numbered 38.2-3461 through 38.2-3464, as follows:

## Article 8.

## Health Care Shared Savings.

## § 38.2-3461. Definitions.

As used in this article, unless the context requires a different meaning:

"Allowed amount" means the contractually agreed upon amount paid or payable by a health carrier to a health care provider participating in the health carrier's network.

"Average" means mean, median, or mode.

"Comparable health care service" means any covered non-emergency health care service or bundle of health care services provided by a network provider, including physical and occupational therapy services, radiology and imaging services, laboratory services, or infusion therapy services for which a carrier has not demonstrated that the allowed amount variation among participating providers is less than \$50.

"Covered person" means a policyholder, subscriber, participant, or other individual covered by a health benefit plan.

"Health benefit plan" means a policy, contract, certificate, or agreement offered by a health carrier in the small group market to provide, deliver, arrange for, pay for, or reimburse any of the costs of health care services. "Health benefit plan" does not include the "excepted benefits" as defined in § 38.2-3431. "Health benefit plan" does not include any health insurance plan administered by the Department of Human Resource Management, including the health coverage offered to state employees pursuant to § 2.2-2818; health insurance coverage offered to employees of local governments, local officers, teachers, and retirees, and the dependents of such employees, local officers, teachers and retirees pursuant to § 2.2-1204; or health insurance coverage provided under the Line of Duty Act (§ 9.1-400 et seq.).

"Health care provider" means a health care professional or facility.

"Health care service" means a service for the diagnosis, prevention, treatment, cure, or relief of a health condition, illness, injury, or disease.

"Health carrier" means an entity subject to the insurance laws and regulations of the Commonwealth and subject to the jurisdiction of the Commission that contracts or offers to contract to provide, deliver, arrange for, pay for, or reimburse any of the costs of health care services, including an insurer licensed to sell accident and sickness insurance, a health maintenance organization, a health services plan, or any other entity providing a plan of health insurance, health benefits, or health care services.

"Network" or "provider network" means the group of participating providers providing services to a health benefit plan under which the financing and delivery of health care services are provided, in whole or in part, through a defined set of health care providers.

"Network provider" means a health care provider that has contracted with the health carrier, or with its contractor or subcontractor, to provide health care services to covered persons as a member of a network.

"Out-of-pocket costs" means any copayment, deductible, or coinsurance that is the responsibility of the covered person with respect to a covered health care service.

"Program" means the comparable health care service incentive program established by a health carrier pursuant to this article.

"Small group market" means the health insurance market under which individuals obtain health insurance coverage, directly or through any arrangement, on behalf of themselves and their dependents through a group health plan maintained by a small employer.

## § 38.2-3462. Comparable Health Care Service Incentive Program.

A. Beginning with health benefit plans offered or renewed on or after January 1, 2021, each health

60 carrier offering a health benefit plan in the Commonwealth shall develop and implement a program that  
61 provides incentives for covered persons in its health benefit plan who elect to receive a comparable  
62 health care service that is covered by the health benefit plan from health care providers that are paid  
63 less than the average in-network allowed amount paid or payable by that health carrier to network  
64 providers for that comparable health care service. A health carrier may base the average paid to a  
65 network provider on what that health carrier pays to providers in the network applicable to the covered  
66 person's specific health benefit plan, or across all of its health benefit plans offered in the  
67 Commonwealth.

68 B. Incentives may include, but are not limited to, cash payments, gift cards, or credits or reductions  
69 of premiums, copayments, or deductibles. Health carriers may let covered persons decide which method  
70 they prefer to receive the incentive.

71 C. The incentive program shall provide covered persons with an incentive for each service or  
72 category of comparable health care service resulting from comparison shopping by covered persons. A  
73 health carrier is not required to provide a payment or credit to a covered person when the health  
74 carrier's saved cost is \$25 or less.

75 D. A health carrier shall determine the allowed amount paid or payable by that health carrier to  
76 network providers for that comparable health care service on the basis of the average allowed amount  
77 for the procedure or service under the covered person's health benefit plan. Such determination shall be  
78 made on the basis of the average of the allowed amounts using data collected over a reasonable period  
79 not to exceed one year. A health carrier may determine an alternate methodology for calculating the  
80 average allowed amount if approved by the Commission. A health carrier shall, at minimum, inform  
81 covered persons of their eligibility for an incentive payment and the process to request the average  
82 allowed amount for a procedure or service on the health carrier's website and in health benefit plan  
83 materials.

84 E. Eligibility for an incentive payment may require a covered person to demonstrate, through  
85 reasonable documentation such as a quote from the health care provider, that the covered person  
86 shopped prior to receiving care from the health care provider who charges less for the comparable  
87 health care service than the average allowed amount paid or payable by that health carrier. Health  
88 carriers shall provide additional mechanisms for the covered person to satisfy this requirement by  
89 utilizing the health carrier's cost transparency website or toll-free number, established under this article.

90 F. Each health carrier shall make the program available as a component of all small group health  
91 benefit plans offered by the health carrier in the Commonwealth. Annually at enrollment or renewal,  
92 each health carrier shall provide to any covered person who is enrolled in a small group health benefit  
93 plan eligible for the program (i) notice about the availability of the program, (ii) a description of the  
94 incentives available to a covered person, (iii) instructions on how to earn such incentives, and (iv)  
95 notification that tax treatment of the shared savings amounts or awards will be compliant with the rules  
96 of the Internal Revenue Service and treated as taxable income.

97 G. A comparable health care service incentive payment made by a health carrier in accordance with  
98 this section shall not constitute an administrative expense of the health carrier for rate development or  
99 rate filing purposes.

100 H. Prior to offering the program to any covered person, a health carrier shall file with the  
101 Commission a description of the program in the manner determined by the Commission. The description  
102 shall include a demonstration by the health carrier that the program is cost-effective, including any data  
103 relied upon by the health carrier in making such determination. The Commission may review the filing  
104 made by the health carrier to determine if the health carrier's program complies with the requirements  
105 of this article.

106 I. A health carrier may petition the Commission to be excluded from participation in the program.  
107 The Commission shall exempt from the program a health plan with a limited provider network that  
108 demonstrates that the network is incompatible with a shared savings program. In making its  
109 determination, the Commission shall consider the impact on premiums related to the administration of  
110 the program.

111 J. Annually by April 1, each health carrier shall file with the Commission, for the most recent  
112 calendar year, the total number of comparable health care service incentive payments made pursuant to  
113 this article, the use of comparable health care services by category of service for which comparable  
114 health care service incentives are made, the total payments made to covered persons, the average  
115 amount of incentive payments made by service for such transactions, the total savings achieved below  
116 the average allowed amount by service for such transactions, and the total number and percentage of a  
117 health carrier's covered persons in small group health benefit plans that participated in such  
118 transactions.

119 K. Beginning no later than 18 months after implementation of comparable health care service  
120 incentive programs under this section and annually by November 1 of each year thereafter, the  
121 Commission shall submit an aggregate report for all health carriers filing the information required by

this section to the chairs of the House and Senate Committees on Commerce and Labor.

**§ 38.2-3463. Health care price transparency tools.**

Beginning with health benefit plans offered or renewed on or after January 1, 2020, each health carrier offering a health benefit plan in the Commonwealth shall comply with the following requirements:

1. A health carrier shall establish an interactive mechanism on its website that enables a covered person to request and obtain from the health carrier the estimated out-of-pocket cost to the covered person for comparable health care services from network providers, as well as quality data for those providers, to the extent available. The interactive mechanism shall allow a covered person seeking information about the cost of a comparable health care service to compare estimated out-of-pocket costs applicable to that covered person's health benefit plan. The out-of-pocket estimate shall provide a good faith estimate of the amount the covered person will be responsible to pay out-of-pocket for a proposed comparable health care service or service that is a medically necessary covered benefit from a health carrier's network provider, including any copayment, deductible, coinsurance, or other out-of-pocket amount for any covered benefit, based on the information available to the health carrier at the time the request is made. A health carrier may contract with a third-party vendor to satisfy the requirements of this subdivision.

2. Nothing in this section shall prohibit a health carrier from imposing cost-sharing requirements disclosed in the covered person's covered benefit plan for unforeseen health care services that arise out of the comparable health care service or for a procedure or service provided to a covered person that was not included in an original estimate provided under subdivision 1.

3. A health carrier shall notify a covered person that an estimate provided under subdivision 1 is an estimate of costs and that the actual amount the covered person will be responsible to pay may vary due to the need for unforeseen services that arise out of the proposed comparable health care service.

**§ 38.2-3464. Rules and regulations; orders.**

The Commission, after notice and opportunity for all interested parties to be heard, may issue any rules and regulations necessary or appropriate for the administration and enforcement of this article.

**§ 38.2-4214. Application of certain provisions of law.**

No provision of this title except this chapter and, insofar as they are not inconsistent with this chapter, §§ 38.2-200, 38.2-203, 38.2-209 through 38.2-213, 38.2-218 through 38.2-225, 38.2-230, 38.2-232, 38.2-305, 38.2-316, 38.2-316.1, 38.2-322, 38.2-325, 38.2-326, 38.2-400, 38.2-402 through 38.2-413, 38.2-500 through 38.2-515, 38.2-600 through 38.2-620, 38.2-700 through 38.2-705, 38.2-900 through 38.2-904, 38.2-1017, 38.2-1018, 38.2-1038, 38.2-1040 through 38.2-1044, Articles 1 (§ 38.2-1300 et seq.) and 2 (§ 38.2-1306.2 et seq.) of Chapter 13, §§ 38.2-1312, 38.2-1314, 38.2-1315.1, 38.2-1317 through 38.2-1328, 38.2-1334, 38.2-1340, 38.2-1400 through 38.2-1442, 38.2-1446, 38.2-1447, 38.2-1800 through 38.2-1836, 38.2-3400, 38.2-3401, 38.2-3404, 38.2-3405, 38.2-3405.1, 38.2-3406.1, 38.2-3406.2, 38.2-3407.1 through 38.2-3407.6:1, 38.2-3407.9 through 38.2-3407.19, 38.2-3409, 38.2-3411 through 38.2-3419.1, 38.2-3430.1 through 38.2-3454, Article 8 (§ 38.2-3461 et seq.) of Chapter 34, 38.2-3501, 38.2-3502, subdivision 13 of § 38.2-3503, subdivision 8 of § 38.2-3504, §§ 38.2-3514.1, 38.2-3514.2, §§ 38.2-3516 through 38.2-3520 as they apply to Medicare supplement policies, §§ 38.2-3522.1 through 38.2-3523.4, 38.2-3525, 38.2-3540.1, 38.2-3541 through 38.2-3542, 38.2-3543.2, Article 5 (§ 38.2-3551 et seq.) of Chapter 35, Chapter 35.1 (§ 38.2-3556 et seq.), §§ 38.2-3600 through 38.2-3607, Chapter 52 (§ 38.2-5200 et seq.), Chapter 55 (§ 38.2-5500 et seq.), and Chapter 58 (§ 38.2-5800 et seq.) of this title shall apply to the operation of a plan.

**§ 38.2-4319. Statutory construction and relationship to other laws.**

A. No provisions of this title except this chapter and, insofar as they are not inconsistent with this chapter, §§ 38.2-100, 38.2-136, 38.2-200, 38.2-203, 38.2-209 through 38.2-213, 38.2-216, 38.2-218 through 38.2-225, 38.2-229, 38.2-232, 38.2-305, 38.2-316, 38.2-316.1, 38.2-322, 38.2-325, 38.2-326, 38.2-400, 38.2-402 through 38.2-413, 38.2-500 through 38.2-515, 38.2-600 through 38.2-620, Chapter 9 (§ 38.2-900 et seq.), §§ 38.2-1016.1 through 38.2-1023, 38.2-1057, 38.2-1306.1, Article 2 (§ 38.2-1306.2 et seq.), § 38.2-1315.1, Articles 3.1 (§ 38.2-1316.1 et seq.), 4 (§ 38.2-1317 et seq.), 5 (§ 38.2-1322 et seq.), 5.1 (§ 38.2-1334.3 et seq.), and 5.2 (§ 38.2-1334.11 et seq.) of Chapter 13, Articles 1 (§ 38.2-1400 et seq.), 2 (§ 38.2-1412 et seq.), and 4 (§ 38.2-1446 et seq.) of Chapter 14, Chapter 15 (§ 38.2-1500 et seq.), Chapter 17 (§ 38.2-1700 et seq.), §§ 38.2-1800 through 38.2-1836, 38.2-3401, 38.2-3405, 38.2-3405.1, 38.2-3406.1, 38.2-3407.2 through 38.2-3407.6:1, 38.2-3407.9 through 38.2-3407.19, 38.2-3411, 38.2-3411.2, 38.2-3411.3, 38.2-3411.4, 38.2-3412.1, 38.2-3414.1, 38.2-3418.1 through 38.2-3418.17, 38.2-3419.1, 38.2-3430.1 through 38.2-3454, Article 8 (§ 38.2-3461 et seq.) of Chapter 34, 38.2-3500, subdivision 13 of § 38.2-3503, subdivision 8 of § 38.2-3504, §§ 38.2-3514.1, 38.2-3514.2, 38.2-3522.1 through 38.2-3523.4, 38.2-3525, 38.2-3540.1, 38.2-3540.2, 38.2-3541.2, 38.2-3542, 38.2-3543.2, Article 5 (§ 38.2-3551 et seq.) of Chapter 35, Chapter 35.1 (§ 38.2-3556 et seq.), Chapter 52 (§ 38.2-5200 et seq.), Chapter 55 (§ 38.2-5500 et seq.), and Chapter 58 (§ 38.2-5800 et seq.) shall be

183 applicable to any health maintenance organization granted a license under this chapter. This chapter shall  
184 not apply to an insurer or health services plan licensed and regulated in conformance with the insurance  
185 laws or Chapter 42 (§ 38.2-4200 et seq.) except with respect to the activities of its health maintenance  
186 organization.

187 B. For plans administered by the Department of Medical Assistance Services that provide benefits  
188 pursuant to Title XIX or Title XXI of the Social Security Act, as amended, no provisions of this title  
189 except this chapter and, insofar as they are not inconsistent with this chapter, §§ 38.2-100, 38.2-136,  
190 38.2-200, 38.2-203, 38.2-209 through 38.2-213, 38.2-216, 38.2-218 through 38.2-225, 38.2-229,  
191 38.2-232, 38.2-322, 38.2-325, 38.2-400, 38.2-402 through 38.2-413, 38.2-500 through 38.2-515, 38.2-600  
192 through 38.2-620, Chapter 9 (§ 38.2-900 et seq.), §§ 38.2-1016.1 through 38.2-1023, 38.2-1057,  
193 38.2-1306.1, Article 2 (§ 38.2-1306.2 et seq.), § 38.2-1315.1, Articles 3.1 (§ 38.2-1316.1 et seq.), 4  
194 (§ 38.2-1317 et seq.), 5 (§ 38.2-1322 et seq.), 5.1 (§ 38.2-1334.3 et seq.), and 5.2 (§ 38.2-1334.11 et  
195 seq.) of Chapter 13, Articles 1 (§ 38.2-1400 et seq.), 2 (§ 38.2-1412 et seq.), and 4 (§ 38.2-1446 et seq.)  
196 of Chapter 14, §§ 38.2-3401, 38.2-3405, 38.2-3407.2 through 38.2-3407.5, 38.2-3407.6, 38.2-3407.6:1,  
197 38.2-3407.9, 38.2-3407.9:01, and 38.2-3407.9:02, subdivisions F 1, F 2, and F 3 of § 38.2-3407.10,  
198 §§ 38.2-3407.11, 38.2-3407.11:3, 38.2-3407.13, 38.2-3407.13:1, 38.2-3407.14, 38.2-3411.2, 38.2-3418.1,  
199 38.2-3418.2, 38.2-3419.1, 38.2-3430.1 through 38.2-3437, 38.2-3500, subdivision 13 of § 38.2-3503,  
200 subdivision 8 of § 38.2-3504, §§ 38.2-3514.1, 38.2-3514.2, 38.2-3522.1 through 38.2-3523.4, 38.2-3525,  
201 38.2-3540.1, 38.2-3540.2, 38.2-3541.2, 38.2-3542, 38.2-3543.2, Chapter 52 (§ 38.2-5200 et seq.),  
202 Chapter 55 (§ 38.2-5500 et seq.), and Chapter 58 (§ 38.2-5800 et seq.) shall be applicable to any health  
203 maintenance organization granted a license under this chapter. This chapter shall not apply to an insurer  
204 or health services plan licensed and regulated in conformance with the insurance laws or Chapter 42  
205 (§ 38.2-4200 et seq.) except with respect to the activities of its health maintenance organization.

206 C. Solicitation of enrollees by a licensed health maintenance organization or by its representatives  
207 shall not be construed to violate any provisions of law relating to solicitation or advertising by health  
208 professionals.

209 D. A licensed health maintenance organization shall not be deemed to be engaged in the unlawful  
210 practice of medicine. All health care providers associated with a health maintenance organization shall  
211 be subject to all provisions of law.

212 E. Notwithstanding the definition of an eligible employee as set forth in § 38.2-3431, a health  
213 maintenance organization providing health care plans pursuant to § 38.2-3431 shall not be required to  
214 offer coverage to or accept applications from an employee who does not reside within the health  
215 maintenance organization's service area.

216 F. For purposes of applying this section, "insurer" when used in a section cited in subsections A and  
217 B shall be construed to mean and include "health maintenance organizations" unless the section cited  
218 clearly applies to health maintenance organizations without such construction.

219 **§ 54.1-2910.01. Practitioner information provided to patients.**

220 Upon request by a patient, doctors of medicine, osteopathy, and podiatry shall inform the patient  
221 about the following:

222 1. Procedures to access information on the doctor compiled by the Board of Medicine pursuant to  
223 § 54.1-2910.1; and

224 2. If the patient is not covered by a health insurance plan that the doctor accepts or a managed care  
225 health insurance plan in which the doctor participates, the patient may be subject to the doctor's full  
226 charge which may be greater than the health plan's allowable charge; and

227 3. *For purposes of § 38.2-3463, licensees of the Board of Medicine or their designee shall provide a*  
228 *description of the elective procedure or test, or the applicable standard procedural terminology or*  
229 *medical codes used by the American Medical Association, sufficient to allow a patient to compare care*  
230 *options if the patient is being referred for an elective procedure or test.*