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## HOUSE BILL NO. 1384

Offered January 8, 2020

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A BILL to amend and reenact § 38.2-3407.15 of the Code of Virginia, relating to health insurance; ethics and fairness in carrier business practices; penalties.

Patron—Robinson

Referred to Committee on Labor and Commerce

**Be it enacted by the General Assembly of Virginia:**

**1. That § 38.2-3407.15 of the Code of Virginia is amended and reenacted as follows:**

**§ 38.2-3407.15. Ethics and fairness in carrier business practices.**

A. As used in this section:

"Adverse change" means any action taken by a carrier that could reasonably be expected to have a material adverse impact on the aggregate level of payment to a provider, an enrollee's access to covered health care services offered by the provider under the provider contract, the administrative expenses incurred by the provider in complying with the change, or the provider's inclusion in any provider networks or insurance products offered by the carrier. Examples of adverse change include a carrier's discontinuance of reimbursement for a particular health care service; a carrier's refusal to pay a reimbursement, or its payment of decreased reimbursement, on the basis of the location of service or professional designation of the provider or facility providing the service; or the imposition of a pre-certification or authorization of coverage requirement for a category of health care services performed within the provider contract. "Adverse change" does not include (i) fee schedule changes attributable to a third party and over which the carrier has no control, including any Medicare or Medicaid fee schedule; (ii) changes made as a result of changes in provider billing practices, including an increase in a provider's charge master; or (iii) changes resulting from the introduction of, discontinuance of, or changed usage of a code or modifier by the American Medical Association or the federal Centers for Medicare and Medicaid Services.

"Carrier," "enrollee" and "provider" shall have the meanings set forth in § 38.2-3407.10; however, a "carrier" shall also include any person required to be licensed under this title which offers or operates a managed care health insurance plan subject to Chapter 58 (§ 38.2-5800 et seq.) or which provides or arranges for the provision of health care services, health plans, networks or provider panels which are subject to regulation as the business of insurance under this title.

"Claim" means any bill, claim, or proof of loss made by or on behalf of an enrollee or a provider to a carrier (or its intermediary, administrator or representative) with which the provider has a provider contract for payment for health care services under any health plan; however, a "claim" shall not include a request for payment of a capitation or a withhold.

"Clean claim" means a claim (i) that has no material defect or impropriety (including any lack of any reasonably required substantiation documentation) which substantially prevents timely payment from being made on the claim or (ii) with respect to which a carrier has failed timely to notify the person submitting the claim of any such defect or impropriety in accordance with this section.

"Codes" means, as applicable, Physicians' Current Procedural Terminology as published by the American Medical Association, Health Care Common Procedure Coding System codes as published by the National Uniform Billing Committee, diagnosis-related group classifications, revenue codes, or other codes required or recognized by a carrier.

"Edit" means a practice or procedure pursuant to which one or more adjustments are made by a carrier to codes included in a claim that results in any one or more of the following:

1. Payment being made based on some, but not all, of the codes included in the claim;
2. Payment being made based on codes different from the codes included in the claim;
3. Payment for one or more of the codes included in the claim being reduced by application of multiple procedure logic; or
4. Payment being denied for one or more of the codes included in the claim.

"Fee schedule" means the complete fee schedule that is applicable to and will be a part of an existing or contemplated provider contract for all health care services to be provided by a provider under a provider contract. For purposes of this definition, a summary providing fees for a list of most commonly used codes or procedures performed by the provider or to the range of health care services reasonably expected to be delivered by that type of provider on a routine basis is not a fee schedule.

"Health care services" means items or services furnished to any individual for the purpose of

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59 preventing, alleviating, curing, or healing human illness, injury or physical disability.

60 "Health plan" means any individual or group health care plan, subscription contract, evidence of  
61 coverage, certificate, health services plan, medical or hospital services plan, accident and sickness  
62 insurance policy or certificate, managed care health insurance plan, or other similar certificate, policy,  
63 contract or arrangement, and any endorsement or rider thereto, to cover all or a portion of the cost of  
64 persons receiving covered health care services, which is subject to state regulation and which is required  
65 to be offered, arranged or issued in the Commonwealth by a carrier licensed under this title. Health plan  
66 does not mean (i) coverages issued pursuant to Title XVIII of the Social Security Act, 42 U.S.C. § 1395  
67 et seq. (Medicare), Title XIX of the Social Security Act, 42 U.S.C. § 1396 et seq. (Medicaid) or Title  
68 XXI of the Social Security Act, 42 U.S.C. § 1397aa et seq. (CHIP), 5 U.S.C. § 8901 et seq. (federal  
69 employees), or 10 U.S.C. § 1071 et seq. (TRICARE); or (ii) accident only, credit or disability insurance,  
70 long-term care insurance, TRICARE supplement, Medicare supplement, or workers' compensation  
71 coverages.

72 "*Material provision*" means any provider contract provision, any policy manual, coverage guideline,  
73 edit, multiple procedure logic, or audit procedure that is applicable to a provider contract, any change  
74 to provider network requirements, or the inclusion in a provider contract of any new or modified  
75 insurance product the occurrence and timing of which is not otherwise clearly identified in the provider  
76 contract or any addendum, schedule, or exhibit thereto, that (i) decreases the provider's payment or  
77 compensation, (ii) limits an enrollee's access to covered services under his health plan, or (iii) changes  
78 the administrative procedures applicable to a provider contract in a way that may reasonably be  
79 expected to significantly increase the provider's administrative expense.

80 "*Multiple procedure logic*" means the practices or procedures used by a carrier to reduce the  
81 allowable amount for one or more of the codes included in a claim as a result of multiple surgical  
82 procedures or multiple services having been performed on the same patient on the same date of service.

83 "Provider contract" means any contract between a provider and a carrier (or a carrier's network,  
84 provider panel, intermediary or representative) relating to the provision of health care services.

85 "Retroactive denial of a previously paid claim" or "retroactive denial of payment" means any attempt  
86 by a carrier retroactively to collect payments already made to a provider with respect to a claim by  
87 reducing other payments currently owed to the provider, by withholding or setting off against future  
88 payments, or in any other manner reducing or affecting the future claim payments to the provider.

89 B. Subject to subsection H, every provider contract entered into by a carrier shall contain specific  
90 provisions which shall require the carrier to adhere to and comply with the following minimum fair  
91 business standards in the processing and payment of claims for health care services:

92 1. A carrier shall pay any claim within 40 days of receipt of the claim except where the obligation of  
93 the carrier to pay a claim is not reasonably clear due to the existence of a reasonable basis supported by  
94 specific information available for review by the person submitting the claim that:

95 a. The claim is determined by the carrier not to be a clean claim due to a good faith determination  
96 or dispute regarding (i) the manner in which the claim form was completed or submitted, (ii) the  
97 eligibility of a person for coverage, (iii) the responsibility of another carrier for all or part of the claim,  
98 (iv) the amount of the claim or the amount currently due under the claim, (v) the benefits covered, or  
99 (vi) the manner in which services were accessed or provided; or

100 b. The claim was submitted fraudulently.

101 Each carrier shall maintain a written or electronic record of the date of receipt of a claim. The  
102 person submitting the claim shall be entitled to inspect such record on request and to rely on that record  
103 or on any other admissible evidence as proof of the fact of receipt of the claim, including without  
104 limitation electronic or facsimile confirmation of receipt of a claim.

105 2. A carrier shall, within 30 days after receipt of a claim, request electronically or in writing from  
106 the person submitting the claim the information and documentation that the carrier reasonably believes  
107 will be required to process and pay the claim or to determine if the claim is a clean claim. Upon receipt  
108 of the additional information requested under this subsection necessary to make the original claim a  
109 clean claim, a carrier shall make the payment of the claim in compliance with this section. No carrier  
110 may refuse to pay a claim for health care services rendered pursuant to a provider contract which are  
111 covered benefits if the carrier fails timely to notify or attempt to notify the person submitting the claim  
112 of the matters identified above unless such failure was caused in material part by the person submitting  
113 the claims; however, nothing herein shall preclude such a carrier from imposing a retroactive denial of  
114 payment of such a claim if permitted by the provider contract unless such retroactive denial of payment  
115 of the claim would violate subdivision 7. Nothing in this subsection shall require a carrier to pay a  
116 claim which is not a clean claim.

117 3. Any interest owing or accruing on a claim under § 38.2-3407.1 or 38.2-4306.1, under any  
118 provider contract or under any other applicable law, shall, if not sooner paid or required to be paid, be  
119 paid, without necessity of demand, at the time the claim is paid or within 60 days thereafter.

120 4. ~~a.~~ Every carrier shall establish and implement reasonable policies to permit any provider with

which there is a provider contract (i) to confirm in advance during normal business hours by free telephone or electronic means if available whether the health care services to be provided are medically necessary and a covered benefit and (ii) to determine the carrier's requirements applicable to the provider (or to the type of health care services which the provider has contracted to deliver under the provider contract) for (a) pre-certification or authorization of coverage decisions; (b) retroactive reconsideration of a certification or authorization of coverage decision or retroactive denial of a previously paid claim; (c) provider-specific payment and reimbursement methodology, coding levels and methodology, downcoding, *edits*, *use of multiple procedure logic*, and bundling of claims; and (d) other provider-specific, applicable claims processing and payment matters necessary to meet the terms and conditions of the provider contract, including determining whether a claim is a clean claim. If a carrier routinely, as a matter of policy, bundles ~~or~~ downcodes, *edits*, or *uses multiple procedure logic with respect to* claims submitted by a provider, the carrier shall clearly disclose that practice in each provider contract. Further, such carrier shall either (1) disclose in its provider contracts or ~~on its website~~ include in the provider contract a hyperlink for the specific bundling and, downcoding, editing, or multiple procedure logic policies that the carrier has applied or reasonably expects to be applied to the provider or provider's services on a routine basis as a matter of policy or (2) disclose in each provider contract a telephone or facsimile number or e-mail address that a provider can use to request the specific bundling and downcoding policies that the carrier reasonably expects to be applied to that provider or provider's services on a routine basis as a matter of policy. If such request is made by or on behalf of a provider, a carrier shall provide the requesting provider with such policies within 10 business days following the date the request is received.

b. Every carrier shall make available to such providers within 10 business days of receipt of a request, copies of or reasonable electronic access to all such policies which are applicable to the particular provider or to particular health care services identified by the provider. In the event the provision of the entire policy would violate any applicable copyright law, the carrier may instead comply with this subsection by timely delivering to the provider a clear explanation of the policy as it applies to the provider and to any health care services identified by the provider.

5. Every carrier shall pay a claim if the carrier has previously authorized the health care service or has advised the provider or enrollee in advance of the provision of health care services that the health care services are medically necessary and a covered benefit, unless:

a. The documentation for the claim provided by the person submitting the claim clearly fails to support the claim as originally authorized;

b. The carrier's refusal is because (i) another payor is responsible for the payment, (ii) the provider has already been paid for the health care services identified on the claim, (iii) the claim was submitted fraudulently or the authorization was based in whole or material part on erroneous information provided to the carrier by the provider, enrollee, or other person not related to the carrier, or (iv) the person receiving the health care services was not eligible to receive them on the date of service and the carrier did not know, and with the exercise of reasonable care could not have known, of the person's eligibility status; or

c. During the post-service claims process, it is determined that the claim was submitted fraudulently.

6. In the case of an invasive or surgical procedure, if the carrier has previously authorized a health care service as medically necessary and during the procedure the health care provider discovers clinical evidence prompting the provider to perform a less or more extensive or complicated procedure than was previously authorized, then the carrier shall pay the claim, provided that the additional procedures were (i) not investigative in nature, but medically necessary as a covered service under the covered person's benefit plan; (ii) appropriately coded consistent with the procedure actually performed; and (iii) compliant with a carrier's post-service claims process, including required timing for submission to carrier.

7. No carrier may impose any retroactive denial of a previously paid claim unless the carrier has provided the reason for the retroactive denial and (i) the original claim was submitted fraudulently, (ii) the original claim payment was incorrect because the provider was already paid for the health care services identified on the claim or the health care services identified on the claim were not delivered by the provider, or (iii) the time which has elapsed since the date of the payment of the original challenged claim does not exceed the lesser of (a) 12 months or (b) the number of days within which the carrier requires under its provider contract that a claim be submitted by the provider following the date on which a health care service is provided. Effective July 1, 2000, a carrier shall notify a provider at least 30 days in advance of any retroactive denial of a claim.

8. Notwithstanding subdivision 7, with respect to provider contracts entered into, amended, extended, or renewed on or after July 1, 2004, no carrier shall impose any retroactive denial of payment or in any other way seek recovery or refund of a previously paid claim unless the carrier specifies in writing the specific claim or claims for which the retroactive denial is to be imposed or the recovery or refund is

182 sought. The written communication shall also contain an explanation of why the claim is being  
183 retroactively adjusted.

184 9. No provider contract may fail to include or attach at the time it is presented to the provider for  
185 execution (i) the *complete* fee schedule, reimbursement policy or statement as to the manner in which  
186 claims will be calculated and paid ~~which is applicable to the provider or to the range of health care~~  
187 ~~services reasonably expected to be delivered by that type of provider on a routine basis for all health~~  
188 ~~care services included under the provider contract with the provider~~ and (ii) all material provisions,  
189 addenda, schedules, and exhibits thereto and any policies, (including those referred to in subdivision 4),  
190 applicable to the provider or to the range of health care services reasonably expected to be delivered by  
191 that type of provider under the provider contract. *Fee schedules shall be supplied in writing and made*  
192 *available in machine-readable electronic format. When the provider contract includes multiple health*  
193 *plans offered by the carrier and such health plans have different fee schedules, the carrier shall provide*  
194 *the complete fee schedule applicable to the provider for each health plan in which the provider*  
195 *participates or is proposed to participate.*

196 10. *No amendment to any provider contract or any material provision, addenda, schedule, exhibit, or*  
197 *policy thereto, or the addition of any new material provision, addenda, schedule, exhibit, or policy*  
198 *thereto, as it relates to any material provision, addenda, schedule, exhibit, or policy thereto that was*  
199 *agreed to or accepted by the provider in the previous 12-month period shall be effective unless agreed*  
200 *to by the provider in a signed written amendment to the provider contract. No amendment to any*  
201 *provider contract or to any material provision, addenda, schedule, exhibit, or policy thereto, or the*  
202 *addition of any new material provision, addenda, schedule, exhibit, or policy thereto, during the current*  
203 *term of the provider contract that results in an adverse change shall be effective unless agreed to by the*  
204 *provider in a signed written amendment to the provider contract. No amendment to any provider*  
205 *contract or to any addenda, schedule, exhibit, or policy thereto, (or new addenda, schedule, exhibit, or*  
206 *policy), applicable to the provider (or to the range of health care services reasonably expected to be*  
207 *delivered by that type of provider) contract shall be effective as to the provider, unless the provider has*  
208 *been provided with the applicable portion of the proposed amendment (or of the proposed new addenda,*  
209 *schedule, exhibit, or policy) at least 60 calendar days before the effective date and the provider has*  
210 *failed to notify the carrier within 30 calendar days of receipt of the documentation of the provider's*  
211 *intention not to accept the proposed amendment during the current term of the provider contract and to*  
212 *terminate the provider contract at the earliest date thereafter permitted under the provider contract.*

213 11. In the event that the carrier's provision of a policy required to be provided under subdivision 9 or  
214 10 would violate any applicable copyright law, the carrier may instead comply with this section by  
215 providing a clear, written explanation of the policy as it applies to the provider.

216 12. All carriers shall establish, in writing, their claims payment dispute mechanism and shall make  
217 this information available to providers.

218 13. *Unless a shorter time period is mutually agreed to by the carrier and provider in the provider*  
219 *contract, every provider contract shall permit a provider a minimum of one year from the date a health*  
220 *care service is rendered to submit a claim for payment.*

221 C. Without limiting the foregoing, in the processing of any payment of claims for health care  
222 services rendered by providers under provider contracts and in performing under its provider contracts,  
223 every carrier subject to regulation by this title shall adhere to and comply with the minimum fair  
224 business standards required under subsection B, and the Commission shall have the jurisdiction to  
225 determine if a carrier has violated the standards set forth in subsection B by failing to include the  
226 requisite provisions in its provider contracts and shall have jurisdiction to determine if the carrier has  
227 failed to implement the minimum fair business standards set out in subdivisions B 1 and 2 in the  
228 performance of its provider contracts. *Pursuant to this jurisdiction, the Commission shall assist*  
229 *providers and examine and investigate provider complaints and inquiries relating to an alleged or*  
230 *suspected failure by a carrier to comply with the minimum fair business standards required under*  
231 *subsection B as it relates to any provider. The Commission shall provide a determination of whether a*  
232 *carrier has failed to comply with the minimum fair business standards required under subsection B in*  
233 *response to a provider complaint or inquiry within 60 days of receipt of a complaint or inquiry by a*  
234 *provider. The Commission is further empowered to gather information from any person subject to this*  
235 *chapter for the purpose of determining whether a carrier's practices comply with the minimum fair*  
236 *business standards required under subsection B. Any person that refuses or fails to provide information*  
237 *in a timely manner to the Commission as provided in this section shall be subject to the enforcement*  
238 *and penalty provisions set forth in § 38.2-218. If the Commission determines that a carrier has failed to*  
239 *comply with the minimum fair business standards required under subsection B for which reasonable*  
240 *corrective action has not timely been taken by the carrier to correct such failure to comply, the*  
241 *Commission shall have the authority to impose penalties upon the carrier pursuant to its authority under*  
242 *§ 38.2-218 and issue a cease and desist order upon the carrier pursuant to its authority under*  
243 *§ 38.2-219.*

244 D. No carrier shall be in violation of this section if its failure to comply with this section is caused  
245 in material part by the person submitting the claim or if the carrier's compliance is rendered impossible  
246 due to matters beyond the carrier's reasonable control, (such as an act of God, insurrection, strike, fire,  
247 or power outages) ~~which~~, *that* are not caused in material part by the carrier.

248 E. Any provider who suffers loss as the result of a carrier's violation of this section or a carrier's  
249 breach of any provider contract provision required by this section shall be entitled to initiate an action to  
250 recover actual damages. If the trier of fact finds that the violation or breach resulted from a carrier's  
251 gross negligence and willful conduct, it may increase damages to an amount not exceeding three times  
252 the actual damages sustained. Notwithstanding any other provision of law to the contrary, in addition to  
253 any damages awarded, such provider also may be awarded reasonable attorney's fees and court costs.  
254 Each claim for payment which is paid or processed in violation of this section or with respect to which  
255 a violation of this section exists shall constitute a separate violation. The Commission shall not be  
256 deemed to be a "trier of fact" for purposes of this subsection.

257 F. No carrier (or its network, provider panel, or intermediary) shall terminate or fail to renew the  
258 employment or other contractual relationship with a provider, or any provider contract, or otherwise  
259 penalize any provider, for invoking any of the provider's rights under this section or under the provider  
260 contract.

261 G. This section shall apply only to carriers subject to regulation under this title.

262 H. This section shall apply with respect to provider contracts entered into, amended, extended, or  
263 renewed on or after July 1, ~~1999~~ 2020.

264 I. Pursuant to the authority granted by § 38.2-223, the Commission may promulgate such rules and  
265 regulations as it may deem necessary to implement this section.

266 J. ~~The~~ *Except as provided in subsection C, the* Commission shall have no jurisdiction to adjudicate  
267 individual controversies arising out of this section.