

EXHIBIT 1
DATE 1-20-05
HB 156

Memorandum

To: Carol Roy, Alicia Pichette, Jennifer Massman
CC: Pat Driscoll
From: John Holbrook, AIE
Date: 1/7/05
Re: HB 156

House Bill 156 was written to limit the ability of health insurance issuer of subscriber contracts, policies, and certificates issued for delivery in Montana, from demanding reimbursement of an alleged overpayment, or incorrect payment, from a provider of medical service as a result of an audit conducted past the time limit the issuer imposes on the insured for filing a claim.

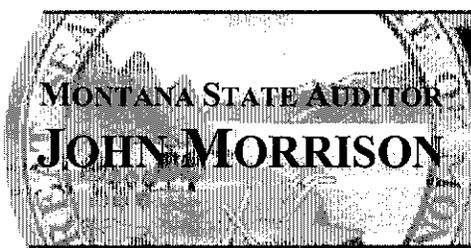
This is a practice that is widespread throughout the industry and is in dire need of legislation to limit their ability to perform these audits in a timely manner. The State Auditor's Office has taken an administrative action against a company for this practice in 1997.

We are not trying to impose a complete ban on any company to recover payments made in error. We are simply asking for specified time frame in which they may be accomplished.

The medical providers are the ones who are harmed when a company comes back up to three years after the fact and demands reimbursement from the doctor, dentist, hospital, clinic or radiologist for an alleged overpayment, or payment made in error. There are problems associated with this practice that directly impact the provider.

- Patients die or move away preventing the provider from recovering from the patient.
- The providers bookkeeping and balance sheet is adversely affected.
- The provider contracted with the patient for services and has every right to expect to get paid.





An Act Establishing Reciprocal Time Limits for Health Insurance Claim Filing, Claim Reimbursements, and Claim Audits

Bill will address timeliness of claim disputes
HB 156 – Sponsored by Representative Teresa Henry

The Problem:

Currently there is no time limit in Montana on when a health insurance issuer may retroactively audit or deny a claim that was previously approved. Medical care providers are being harmed by this widespread industry practice in which health insurance issuers request reimbursements for alleged claim overpayments made several years earlier. Health insurance issuers will also withhold the disputed claim overpayment amount by offsetting current claim payments to medical care providers being made on behalf of other patients.

The Solution:

House Bill 156 was written to limit the time frame in which health insurance issuers could demand reimbursement of an alleged overpayment, or incorrect payment, from a medical care provider. The time frame would be the same amount of time that the insurer imposes for filing a claim.

This Bill will set a limit of twelve months for medical care providers to submit claims for health insurance issuers to review or audit claims and seek reimbursement except under special circumstances such as coordination among insurers or suspected fraud. Additionally, an insurer would need a prior written agreement with a medical care provider before offsetting current claim payments.

The Bill does not impose a complete ban on recovering erroneous claim payments, but simply requires health insurance issuers to request reimbursement for erroneous claim payments in a timely manner. Although twelve months is established as the outside time limit, if a health insurer requires medical care providers to submit claims within a shorter time, the insurer will have that same time period to request reimbursement for any claim Overpayments. For example, if an insurer allows 90 days for medical care providers to submit claims, then the insurer will also have 90 days from the date of claim payment to request reimbursement for any erroneous overpayment.

Medical care providers are being harmed when a health insurance issuer comes back several years after paying a claim and demands reimbursement from the doctor, dentist, radiologist, or hospital for an alleged overpayment. Hardships for medical care providers in this situation include:

- Patients die or move away preventing recovery from the patient.
- The bookkeeping and balance sheet of the provider are adversely affected – frequently years after a claim was paid – and are always in a state of flux because there is no time limit on the health insurance issuers to demand reimbursement of alleged claim overpayments.
- The provider may never be paid for the services.

This Bill will not take away the ability of health insurance issuers to recover erroneous payments. What it will do is put the insurer under the same time restraints that it imposes upon its insureds and medical care providers to file a claim. The insurer will have the same amount of time to request reimbursement of overpayments.

The Montana Medical Association, Montana Dental Association, and Montana Hospital Association have been contacted regarding this Bill. Each organization has expressed support and is expected to present testimony in favor of this Bill.