WEST VIRGINIA LEGISLATURE
FIRST REGULAR SESSION, 2001

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ENROLLED

COMMITTEE SUBSTITUTE
FOR
House Bill No. 2486

(By Mr. Speaker, Mr. Kiss, and Delegates Angotti, Amores, Beane, Cann and R. M. Thompson)

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Passed April 14, 2001

In Effect July 1, 2001
AN ACT amend chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended, by adding thereto a new article, designated article forty-three, all relating to establishing claim settlement practices for insurers providing certain health insurance coverages; defining terms; establishing procedures and criteria for payment of claims by insurers; excepting certain providers and other entities from this article; providing procedures to review and appeal claims; requiring interest paid for failure to pay certain claims; requiring certain information be provided to insurer and providers to verify claims; providing timely payment of certain claims; requiring notice of failure to pay claim; providing procedures for retroactive approval and denial of claims; establishing requirements for payment of certain providers; prohibiting penalizing a provider who invokes the rights under this article; authorizing legislative
Enr. Com. Sub. for H. B. 2486] 2

rulemaking authority to the insurance commissioner; and providing that the insurance commissioner may not adjudicate claims made pursuant to this article.

Be it enacted by the Legislature of West Virginia:

That chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be amended by adding thereto a new article, designated article forty-three, all to read as follows:

ARTICLE 43. ETHICS AND FAIRNESS IN INSURER BUSINESS PRACTICES.

§33-43-1. Definitions.

As used in this article:

1 (1) “Claim” means each individual request for reimbursement or proof of loss made by or on behalf of an insured or a provider to an insurer, or its intermediary, administrator or representative, with which the provider has a provider contract for payment for health care services under any health plan.

2 (2) “Clean claim” means a claim: (A) That has no material defect or impropriety, including all reasonably required information and substantiating documentation, to determine eligibility or to adjudicate the claim; or (B) with respect to which an insurer has failed timely to notify the person submitting the claim of any such defect or impropriety in accordance with section two of this article.

3 (3) “Commissioner” means the insurance commissioner of West Virginia.

4 (4) “Health care services” means items or services furnished to any individual for the purpose of preventing, alleviating, curing, or healing human illness, injury or physical or mental disability.
(5) "Health plan" means any individual or group health care plan, subscription contract, evidence of coverage, certificate, health services plan; medical or hospital services plan as defined in article twenty four of this chapter; accident and sickness insurance policy or certificate; managed care health insurance plan, or health maintenance organization subject to state regulation pursuant to article twenty-five-a of this chapter; which is offered, arranged, issued or administered in the state by an insurer authorized under this chapter, a third-party administrator or an intermediary. Health plan does not mean: (A) Coverages issued pursuant to Title XVIII of the Social Security Act, 42 U.S.C. §1395 et seq. (Medicare), Title XIX of the Social Security Act, 42 U.S.C. §1396 et seq. or Title XX of the Social Security Act, 42 U.S.C. §1397 et seq. (Medicaid), 5 U.S.C. §8901 et seq., or 10 U.S.C. §1071 et seq. (CHAMPUS); article sixteen, chapter five of this code (PEIA); (B) accident only, credit or disability insurance, long-term care insurance, CHAMPUS supplement, Medicare supplement, workers' compensation coverages or limited benefits policy as defined in article sixteen-e of this chapter, or (C) any a third-party administrator or an intermediary acting on behalf of providers as denoted in subparagraphs (A) and (B).

(6) "Insured" means a person who is provided health insurance coverage or other health care services coverage from an insurer under a health plan.

(7) "Insurer" means any person required to be licensed under this chapter which offers or administers as a third party administrator health insurance; operates a health plan subject to this chapter; or provides or arranges for the provision of health care services through networks or provider panels which are subject to regulation as the business of insurance under this chapter. "Insurer" also includes intermediaries. "Insurer" does not include:
(A) Credit accident and sickness insurance;

(B) Accident and sickness policies which provide benefits for loss of income due to disability;

(C) Any policy of liability of workers' compensation insurance;

(D) Hospital indemnity or other fixed indemnity insurance;

(E) Life insurance, including endowment or annuity contracts, or contracts supplemental thereto, which contain only provisions relating to accident and sickness insurance that: (i) provide additional benefits in cases of death by accidental means; or (ii) operate to safeguard the contracts against lapse, in the event that the insured shall become totally and permanently disabled as defined by the contract or supplemental contract; and

(F) Property and Casualty insurance.

(8) "Provider contract” means any contract between a provider and (A) an insurer’ (B) a health plan; or (C) an intermediary, relating to the provision of health care services.

(9) “Retroactive denial” means the practice of denying previously paid claims by withholding or setting off against payments, or in any other manner reducing or affecting the future claim payments to the provider, or to seek direct cash reimbursement from a provider for a payment previously made to the provider.

(10) “Provider” means a person or other entity which holds a valid license to provide specific health care services in this state.

(11) “Intermediary” means a physician, hospital, physician-hospital organization, independent provider organization or independent provider network which receives compensation for
arranging one or more health care services to be rendered by
providers to insureds of a health plan or insurer. An interme-
dary does not include an individual provider or group practice
that utilizes only its employees, partners or shareholders and
their professional licenses to render services.

§33-43-2. Minimum fair business standards contract provisions
required; processing and payment of health care
services; provider claims; commissioner’s juris-
diction.

(a) Every provider contract entered into, amended, extended
or renewed by an insurer on or after the first day of August, two
thousand one, shall contain specific provisions which shall
require the insurer to adhere to and comply with the following
minimum fair business standards in the processing and payment
of claims for health care services:

(1) An insurer shall either pay or deny a clean claim within
forty days of receipt of the claim if submitted manually and
within thirty days of receipt of the claim if submitted electroni-
cally, except in the following circumstances:

(A) Another payor or party is responsible for the claim;

(B) The insurer is coordinating benefits with another payor;

(C) The provider has already been paid for the claim;

(D) The claim was submitted fraudulently; or

(E) There was a material misrepresentation in the claim.

(2) Each insurer shall maintain a written or electronic
record of the date of receipt of a claim. The person submitting
the claim shall be entitled to inspect the record on request and
to rely on that record or on any other relevant evidence as proof
of the fact of receipt of the claim. If an insurer fails to maintain an electronic or written record of the date a claim is received, the claim shall be considered received three business days after the claim was submitted based upon the written or electronic record of the date of submittal by the person submitting the claim.

(3) An insurer shall, within thirty days after receipt of a claim, request electronically or in writing from the person submitting the claim any information or documentation that the insurer reasonably believes will be required to process and pay the claim or to determine if the claim is a clean claim. The insurer shall use all reasonable efforts to ask for all desired information in one request, and shall if necessary, within fifteen days of the receipt of the information from the first request, only request or require additional information one additional time if such additional information could not have been reasonably identified at the time of the original request or to specifically identify a material failure to provide the information requested in the initial request. Upon receipt of the information requested under this subsection which the insurer reasonably believes will be required to adjudicate the claim or to determine if the claim is a clean claim, an insurer shall either pay or deny the claim within thirty days. No insurer may refuse to pay a claim for health care services rendered pursuant to a provider contract which are covered benefits if the insurer fails to timely notify the person submitting the claim within thirty days of receipt of the claim of the additional information requested unless such failure was caused in material part by the person submitting the claims: Provided that nothing herein shall preclude such an insurer from imposing a retroactive denial of payment of such a claim if permitted by the provider contract unless such retroactive denial of payment of the claim would violate subdivision seven, subsection (a) of this section. This subsection does not require an insurer to pay a claim that is not a clean claim except as provided herein.
Interest, at a rate of ten percent per annum, accruing after the forty-day period provided in subdivision (1), subsection (a) of this section owing or accruing on any claim under any provider contract or under any applicable law, shall be paid and accompanied by an explanation of the assessment on each claim of interest paid, without necessity of demand, at the time the claim is paid or within thirty days thereafter.

(5) Every insurer shall establish and implement reasonable policies to permit any provider with which there is a provider contract:

(A) To promptly confirm in advance during normal business hours by a process agreed to between the parties whether the health care services to be provided are a covered benefit; and

(B) To determine the insurer’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:

(i) Precertification or authorization of coverage decisions;

(ii) Retroactive reconsideration of a certification or authorization of coverage decision or retroactive denial of a previously paid claim;

(iii) Provider-specific payment and reimbursement methodology; and

(iv) 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.

(C) Every insurer shall make available to the provider
84 within twenty business days of receipt of a request, reasonable
85 access either electronically or otherwise, to all the policies that
86 are applicable to the particular provider or to particular health
87 care services identified by the provider. In the event the
88 provision of the entire policy would violate any applicable
89 copyright law, the insurer may instead comply with this
90 subsection by timely delivering to the provider a clear explana-
91 tion of the policy as it applies to the provider and to any health
92 care services identified by the provider.

93 (6) Every insurer shall pay a clean claim if the insurer has
94 previously authorized the health care service or has advised the
95 provider or enrollee in advance of the provision of health care
96 services that the health care services are medically necessary
97 and a covered benefit, unless:

98 (A) The documentation for the claim provided by the
99 person submitting the claim clearly fails to support the claim as
100 originally authorized; or

101 (B) The insurer’s refusal is because:

102 (i) Another payor or party is responsible for the payment;

103 (ii) The provider has already been paid for the health care
104 services identified on the claim;

105 (iii) The claim was submitted fraudulently or the authoriza-
106 tion was based in whole or material part on erroneous informa-
107 tion provided to the insurer by the provider, enrollee, or other
108 person not related to the insurer;

109 (iv) The person receiving the health care services was not
110 eligible to receive them on the date of service and the insurer
111 did not know, and with the exercise of reasonable care could
112 not have known, of the person’s eligibility status;
(v) There is a dispute regarding the amount of charges submitted; or

(vi) The service provided was not a covered benefit and the insurer did not know, and with the exercise of reasonable care could not have known, at the time of the certification that the service was not covered.

(7) A previously paid claim may be retroactively denied only in accordance with this subdivision.

(A) No insurance company may retroactively deny a previously paid claim unless:

(i) The claim was submitted fraudulently;

(ii) The claim contained material misrepresentations;

(iii) The claim payment was incorrect because the provider was already paid for the health care services identified on the claim or the health care services were not delivered by the provider;

(iv) The provider was not entitled to reimbursement;

(v) The service provided was not covered by the health benefit plan; or

(vi) The insured was not eligible for reimbursement.

(B) A provider to whom a previously paid claim has been denied by a health plan in accordance with this section shall, upon receipt of notice of retroactive denial by the plan, notify the health plan within forty days of the provider's intent to pay or demand written explanation of the reasons for the denial.

(i) Upon receipt of explanation for retroactive denial, the provider shall reimburse the plan within thirty days for allowing
an offset against future payments or provide written notice of dispute.

(ii) Disputes shall be resolved between the parties within thirty days of receipt of notice of dispute. The parties may agree to a process to resolve the disputes in a provider contract.

(iii) Upon resolution of dispute, the provider shall pay any amount due or provide written authorization for an offset against future payments.

(C) A health plan may retroactively deny a claim only for the reasons set forth in subparagraphs (iii), (iv), (v) and (vi), paragraph (A) of this subdivision seven for a period of one year from the date the claim was originally paid. There shall be no time limitations for retroactively denying a claim for the reasons set forth in subparagraphs (i) and (ii) above.

(8) No provider contract may fail to include or attach at the time it is presented to the provider for execution:

(A) The fee schedule, reimbursement policy or statement as to the manner in which claims will be calculated and paid which is applicable to the provider or to the range of health care services reasonably expected to be delivered by that type of provider on a routine basis; and

(B) All material addenda, schedules and exhibits thereto applicable to the provider or to the range of health care services reasonably expected to be delivered by that type of provider under the provider contract.

(9) No amendment to any provider contract or to any addenda, schedule or exhibit, or new addenda, schedule, exhibit, applicable to the provider to the extent that any of them involve payment or delivery of care by the provider, or to the range of health care services reasonably expected to be deliv-
11 [Enr. Com. Sub. for H. B. 2486]

170 11 ered by that type of provider, is effective as to the provider, 171 unless the provider has been provided with the applicable 172 portion of the proposed amendment, or of the proposed new 173 addenda, schedule or exhibit, and has failed to notify the insurer 174 within twenty business days of receipt of the documentation of 175 the provider's intention to terminate the provider contract at the 176 earliest date thereafter permitted under the provider contract.

177 11 (10) In the event that the insurer's provision of a policy 178 required to be provided under subdivision (8) or (9) of this 179 subsection would violate any applicable copyright law, the 180 insurer may instead comply with this section by providing a 181 clear, written explanation of the policy as it applies to the 182 provider.

183 11 (11) The insurer shall complete a credential check of any 184 new provider and accept or reject the provider within four 185 months following the submission of the provider's completed 186 application: Provided, that time frame may be extended for an 187 additional three months because of delays in primary source 188 verification. The insurer shall make available to providers a list 189 of all information required to be included in the application. A 190 provider who is permitted by the insurer to provide services and 191 who provides services during the credentialing period shall be 192 paid for the services if the provider's application is approved.

193 11 (b) Without limiting the foregoing, in the processing of any 194 payment of claims for health care services rendered by provid- 195 ers under provider contracts and in performing under its 196 provider contracts, every insurer subject to regulation by this 197 article shall adhere to and comply with the minimum fair 198 business standards required under subsection (a) of this section. 199 The commissioner has jurisdiction to determine if an insurer 200 has violated the standards set forth in subsection (a) of this 201 section by failing to include the requisite provisions in its 202 provider contracts. The commissioner has jurisdiction to
determine if the insurer has failed to implement the minimum
fair business standards set out in subdivisions (1) and (2),
subsection (a) of this section in the performance of its provider
contracts.

(c) No insurer is in violation of this section if its failure to
comply with this section is caused in material part by the person
submitting the claim or if the insurer’s compliance is rendered
impossible due to matters beyond the insurer’s reasonable
control, such as an act of God, insurrection, strike, fire, or
power outages, which are not caused in material part by the
insurer.

§33-43-3. Damages, attorney fees and costs available to providers
upon insurer’s violation of article or breach of
contract provisions.

Any provider who suffers loss as the result of an insurer’s
violation of any provision of this article or an insurer’s breach
of any provider contract provision required by this article is
entitled to initiate an action to recover actual damages. The
commissioner shall not be deemed to be a “trier of fact” for
purposes of this section.

§33-43-4. Providers invoking rights protected.

No insurer or its network, provider panel or intermediary
may terminate or fail to renew the employment or other
contractual relationship with a provider, or any provider
contract, or otherwise penalize any provider, for invoking any
of the provider’s rights under this article or under the provider
contract.

§33-43-5. Commissioner authorized to propose rules.

The commissioner is authorized to propose rules for
legislative approval in accordance with the provisions of article
three, chapter twenty-nine-a of this code, to implement the provisions of this article.

§33-43-6. Commissioner's authority.

Nothing in this article shall limit or modify the commissioner's duties and authority under article two of this chapter.


This article shall not apply to provider contracts in which payment is rendered by periodic, capitation or withhold payments.


(a) The provisions of this article do not apply to claims that are not covered under the terms of the health plan.

(b) Nothing in this article shall preclude the right of a provider or insurer to pursue any other administrative, civil or criminal proceedings or remedies permitted under state or federal law.

(c) The provisions of this article do not apply when there is a good faith dispute about the legitimacy of amount of the claim, or when there is a reasonable basis supported by specific information that such claim was submitted fraudulently or with material misrepresentation.

(d) An insurer shall not be considered to be in violation of this article if the insurer's failure to comply is caused in material part by the person submitting the claim or the health insurer's compliance is rendered impossible due to matters beyond the insurer's reasonable control.

(e) A provider shall not be considered to be in violation of this article if the failure to comply is caused in material part by
the insured or the provider's compliance is rendered impossible due to matters beyond the provider's reasonable control.

(f) The provisions of this article do not apply to services provided outside the state.
That Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman Senate Committee

Chairman House Committee

Originating in the House.

In effect July 1, 2001.

Clerk of the Senate

Clerk of the House of Delegates

President of the Senate

Speaker of the House of Delegates

The within is approved this the 2nd day of May, 2001.

Governor