

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 32 Session of 2011

INTRODUCED BY DeLUCA, FRANKEL, MICOZZIE, VULAKOVICH, DERMODY, MARKOSEK, BARBIN, B. BOYLE, BRENNAN, BRIGGS, CALTAGIRONE, COHEN, CONKLIN, D. COSTA, P. COSTA, CURRY, DALEY, DAVIS, DEASY, DePASQUALE, DeWEESE, J. EVANS, FABRIZIO, FREEMAN, GALLOWAY, GEORGE, GIBBONS, HALUSKA, HANNA, HARHAI, HARKINS, HORNAMAN, JOSEPHS, KIRKLAND, KORTZ, KOTIK, KULA, LONGIETTI, MAHONEY, MARSHALL, MATZIE, MIRABITO, MUNDY, MUSTIO, M. O'BRIEN, PASHINSKI, PRESTON, PYLE, READSHAW, SAINATO, SANTARSIERO, SANTONI, M. SMITH, SONNEY, STABACK, STURLA, THOMAS, WATERS, WHITE, WILLIAMS AND YOUNGBLOOD, OCTOBER 13, 2011

REFERRED TO COMMITTEE ON INSURANCE, OCTOBER 13, 2011

AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated  
2 Statutes, further providing for rates and contracts.

3 The General Assembly of the Commonwealth of Pennsylvania  
4 hereby enacts as follows:

5 Section 1. Section 6124(c) of Title 40 of the Pennsylvania  
6 Consolidated Statutes is amended to read:

7 § 6124. Rates and contracts.

8 \* \* \*

9 (c) Maintenance of contractual relationships.--

10 (1) Declaration of necessity.--

11 (i) It is hereby found that many subscribers to  
12 nonprofit hospital plans make payments over long periods  
13 of time prior to becoming entitled to benefits under such

1 a plan and that it is important in the public interest  
2 that the reasonable expectations of such subscribers as  
3 to coverage should be fulfilled if possible. It is hereby  
4 declared to be essential for the maintenance of the  
5 health of the residents of this Commonwealth that  
6 subscribers to nonprofit hospital plans be assured  
7 receipt of the hospitalization and related health  
8 benefits prepaid by them through payment of the rates  
9 approved under this chapter and charged by a hospital  
10 plan corporation and that to accomplish this essential  
11 purpose termination of contracts between hospital plan  
12 corporations and hospitals entered into pursuant to  
13 section 6121 (relating to eligible hospitals) and this  
14 section be subject to prior approval by the department as  
15 provided in this subsection.

16 (ii) It is further found that providing meaningful  
17 health care choices to the residents of this Commonwealth  
18 is essential to the provision of and accessibility to  
19 quality health care at an affordable price. It is hereby  
20 declared to be equally essential for the maintenance of  
21 the health of the residents of this Commonwealth that  
22 subscribers to nonprofit hospital plans be assured  
23 continued receipt of adequate hospitalization and related  
24 health benefits upon the expiration of contracts between  
25 hospital plan corporations and hospitals entered into  
26 pursuant to section 6121 (relating to eligible hospitals)  
27 and this section be subject to prior approval by the  
28 department as provided in this subsection.

29 (2) Notification period.--

30 (i) No contract between a hospital plan corporation

1 and any hospital providing for the rendering of  
2 hospitalization to subscribers to the hospital plan shall  
3 be terminated unless the party seeking such termination  
4 gives 90 days advance written notice to the other party  
5 to the contract and to the department of the proposed  
6 termination.

7 (ii) A hospital plan corporation that has entered  
8 into a contract with a hospital providing for the  
9 rendering of hospitalization to subscribers to the  
10 hospital plan corporation shall give the department at  
11 least 90 days' advance written notice of the expiration  
12 date provided for in the contract.

13 (3) Hearing period.--Whenever a termination or  
14 expiration subject to paragraph (2) involves contracts with  
15 hospitals having more than 5% of the beds in the area served  
16 by a hospital plan corporation, the department shall hold  
17 public hearings on at least 15 days notice for the purpose of  
18 investigating the reasons for the termination or whether the  
19 pending expiration is in the public interest. Pending  
20 completion of said investigation by the department,  
21 termination or expiration of the hospital contracts shall be  
22 suspended for a period not to exceed six months from the  
23 expiration of the period provided for in paragraph (2). All  
24 terms and conditions of the [contract] contracts between the  
25 hospital plan corporation and the hospital or hospitals shall  
26 continue in full force and effect during said investigation  
27 by the department. Based on the record made during the  
28 hearings, the department shall make specific findings [as to  
29 the] of facts [of the dispute] and shall either approve  
30 termination or expiration of the contracts or recommend such

1 terms for continuation of the [contract] contracts as are in  
2 the public interest, based upon the facts, the right of a  
3 hospital to be paid its costs for hospitalization services to  
4 subscribers [and], the need of subscribers for efficient,  
5 reliable hospitalization at a reasonable cost and the  
6 adequacy of the alternative health system networks that would  
7 be accessible to subscribers in the event the contracts are  
8 permitted to terminate or expire. The Department of Health  
9 shall determine whether the alternative health system  
10 networks are adequate under the requirements of the act of  
11 December 29, 1972 (P.L.1701, No.364), known as the Health  
12 Maintenance Organization Act, and the regulations promulgated  
13 under that act.

14 (4) Negotiation period.--If the department recommends  
15 terms for continuation of the [contract] contracts, the  
16 hospital plan corporation and the hospitals involved shall  
17 renew their negotiations in order to determine whether a new  
18 agreement can be reached substantially on the basis of the  
19 terms for continuation recommended by the department and  
20 pending such negotiations, the termination or expiration of  
21 the hospital contracts shall be suspended for a further  
22 period not to exceed 90 days from the date of the decision of  
23 the department. If the hospital plan corporation and the  
24 hospitals are unable to consummate [a new contract] new  
25 contracts within said further period of 90 days, they shall  
26 so advise the department[. The department shall in that  
27 event], and the contracts in effect prior to the giving of  
28 notice provided under paragraph (2) shall remain in full  
29 force and effect for a term equal to the initial or any  
30 subsequent renewal term, whichever is longer, provided for in

1 the contracts. If the department recommends that the  
2 contracts be permitted to be terminated or to expire, the  
3 department shall approve termination or expiration of the  
4 contracts effective at the end of a further period of 30 days  
5 and shall prescribe the form and extent of notice which the  
6 hospital plan corporation shall use in advising its  
7 subscribers that hospitalization in the hospitals involved is  
8 not covered by a contract between the hospital plan  
9 corporation and such hospitals.

10 (5) Retroactivity.--Upon the settlement of any dispute  
11 between a hospital plan corporation and any hospital pursuant  
12 to paragraphs (2) and (4), the terms and conditions of any  
13 new contract shall be retroactive to the date of termination  
14 or expiration of the contract previously in effect between  
15 the parties.

16 Section 2. This act shall take effect in 60 days.