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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1315 Session of  
2011

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INTRODUCED BY COSTA, FONTANA, FERLO AND SOLOBAY,  
NOVEMBER 10, 2011

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REFERRED TO BANKING AND INSURANCE, NOVEMBER 10, 2011

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AN ACT

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

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

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

8 § 6124. Rates and contracts.

9 \* \* \*

10 (c) Maintenance of contractual relationships.--

11 (1) Declaration of necessity.--It is hereby found that  
12 many subscribers to nonprofit hospital plans make payments  
13 over long periods of time prior to becoming entitled to  
14 benefits under such a plan and that it is important in the  
15 public interest that the reasonable expectations of such  
16 subscribers as to coverage should be fulfilled if possible.  
17 It is hereby declared to be essential for the maintenance of  
18 the health of the residents of this Commonwealth that

1 subscribers to nonprofit hospital plans be assured receipt of  
2 the hospitalization and related health benefits prepaid by  
3 them through payment of the rates approved under this chapter  
4 and charged by a hospital plan corporation and that to  
5 accomplish this essential purpose termination of contracts  
6 between hospital plan corporations and hospitals entered into  
7 pursuant to section 6121 (relating to eligible hospitals) and  
8 this section be subject to prior approval by the department  
9 as provided in this subsection.

10 (2) Notification period.--

11 (i) No contract between a hospital plan corporation  
12 and any hospital providing for the rendering of  
13 hospitalization to subscribers to the hospital plan shall  
14 be terminated unless the party seeking such termination  
15 gives 90 days advance written notice to the other party  
16 to the contract and to the department of the proposed  
17 termination.

18 (ii) A hospital plan corporation that has entered  
19 into a contract with a hospital providing for the  
20 rendering of hospitalization to subscribers to the  
21 hospital plan corporation shall give the department at  
22 least 90 days' advance written notice of the expiration  
23 date provided for in the contract.

24 (3) Hearing period.--Whenever a termination or  
25 expiration subject to paragraph (2) involves contracts with  
26 hospitals having more than 5% of the beds in the area served  
27 by a hospital plan corporation, the department shall hold  
28 public hearings on at least 15 days notice for the purpose of  
29 investigating the reasons for the termination or whether the  
30 pending expiration is in the public interest. Pending

1 completion of said investigation by the department,  
2 termination or expiration of the hospital contracts shall be  
3 suspended for a period not to exceed six months from the  
4 expiration of the period provided for in paragraph (2). All  
5 terms and conditions of the [contract] contracts between the  
6 hospital plan corporation and the hospital or hospitals shall  
7 continue in full force and effect during said investigation  
8 by the department. Based on the record made during the  
9 hearings, the department shall make specific findings [as to  
10 the] of facts [of the dispute] and shall either approve  
11 termination or expiration of the contracts or recommend such  
12 terms for continuation of the [contract] contracts as are in  
13 the public interest, based upon the facts, the right of a  
14 hospital to be paid its costs for hospitalization services to  
15 subscribers and the need of subscribers for efficient,  
16 reliable hospitalization at a reasonable cost.

17 (4) Negotiation period.--

18 (i) If the department recommends terms for  
19 continuation of the contract, the hospital plan  
20 corporation and the hospitals involved shall renew their  
21 negotiations in order to determine whether a new  
22 agreement can be reached substantially on the basis of  
23 the terms for continuation recommended by the department  
24 and pending such negotiations, the termination or  
25 expiration of the hospital contracts shall be suspended  
26 for a further period not to exceed 90 days from the date  
27 of the decision of the department. If the hospital plan  
28 corporation and the hospitals are unable to consummate a  
29 new contract within said further period of 90 days, they  
30 shall so advise the department. The department shall [in

1 that event] not approve termination or expiration of the  
2 contracts effective at the end of a further period of 30  
3 days until the department has given notice to the  
4 Department of State, the Department of Revenue and all  
5 applicable assessment boards that the hospital plan  
6 corporation and hospital are unable to consummate a new  
7 contract. After such notice, the hospitals involved and  
8 any hospital acquired by a hospital plan corporation  
9 during the negotiation period shall reapply for their  
10 charitable status under:

11 (A) The provisions of 53 Pa.C.S. Ch. 88  
12 (relating to consolidated county assessment).

13 (B) The act of May 22, 1933 (P.L.853, No.155),  
14 known as The General County Assessment Law.

15 (C) The act of June 27, 1939 (P.L.1199, No.404),  
16 entitled "An act relating to the assessment of real  
17 and personal property and other subjects of taxation  
18 in counties of the first class; providing for the  
19 appointment of members of the board of revision of  
20 taxes by the judges of the courts of common pleas;  
21 providing for the appointment, by the board, of  
22 personal property assessors, real estate assessors  
23 and assistant real estate assessors, clerks and other  
24 employees; fixing the salaries of members of the  
25 board, assessors and assistant assessors, and  
26 providing for the payment of salaries and expenses  
27 from the county treasury; prescribing the powers and  
28 duties of the board and of the assessors, the time  
29 and manner of making assessments, of the revision and  
30 notice of assessments and of appeals therefrom;

1           prescribing the records of assessments; and repealing  
2           existing laws.

3           (D) The act of November 26, 1997 (P.L.508,  
4           No.55), known as the Institutions of Purely Public  
5           Charity Act.

6           (ii) Notwithstanding the presumption under section 6  
7           of the Institutions of Purely Public Charity Act, the  
8           hospitals under this section must provide information and  
9           supporting documentation to support continued tax exempt  
10           status under applicable law. In addition, the hospitals,  
11           including any hospital acquired by a hospital plan  
12           corporation during the negotiation period, shall submit  
13           information on the number of persons who will be impacted  
14           by the termination or expiration of this contract.

15           (iii) During the review of the charitable status,  
16           the department shall suspend approval of the termination  
17           or expiration of the contract until reapplication for  
18           purely public charity status is completed by the  
19           hospitals involved and any hospital acquired by a  
20           hospital plan corporation and a written determination by  
21           the Department of State, the Department of Revenue or  
22           applicable assessment board has been received by the  
23           department or for a period of 18 months, whichever is  
24           later. At the end of this time period, the department  
25           shall move forward with the process of termination or  
26           expiration of the contract and shall prescribe the form  
27           and extent of notice which the hospital plan corporation  
28           shall use in advising its subscribers that  
29           hospitalization in the hospitals involved is not covered  
30           by a contract between the hospital plan corporation and

1           such hospitals.

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

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