

SESSION OF 2008

SUPPLEMENTAL NOTE ON SENATE BILL NO. 563

As Amended by House Committee on
Insurance and Financial Institutions

Brief*

SB 563, as amended, would amend a statute governing utilization review organizations to create an admissions standard. Specifically, the bill would allow a utilization review organization to establish prior notification requirements for inpatient and outpatient hospital admissions. However, the utilization review organization would be prohibited from requiring notification sooner than the next business day after any inpatient admission occurring on the weekends or holidays or any urgent or emergent inpatient or outpatient admission, regardless of when the patient presents to the facility for services. Additionally, the bill would provide that a patient that is unstable or uncommunicative cannot be deemed to have “presented” to a health care facility until the patient is able to provide insurance information and the health care facility is permitted under state and federal law to inquire about insurance coverage.

The bill also would require that a utilization review organization may not reduce or deny payment to a provider for its failure to comply with any of the organization’s policy that conflicts with this act or any rules and regulations adopted pursuant to KSA 40-22a11.

Current law defines a “utilization review organization” as any entity which conducts utilization review and determines certification of an admission, extension of stay or other health care service.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill was introduced at the request of the Kansas Hospital Association whose representative indicated that placing the next business day standard in statute was necessary as the administrative burden created by compliance with a 24 clock hour admission notification policy would unnecessarily contribute to increasing health care costs. A representative of Newman Regional Health stated the 24 clock hour notification requirement would decrease reimbursement to the provider (failure to comply with), increase cost of caring for patients, and increase cost to patients. HCA Midwest Health Division also testified in support of the bill. United Healthcare testified in opposition to the bill, noting the company currently is conducting a pilot program with 200 hospitals across the country to obtain notification within 24 hours after its customer is admitted seven days a week. The representative cited six ways a hospital can provide notification including its website, EDI transaction, telephone, and facsimile. The Kansas Association of Health Plans also testified in opposition to the bill at the Committee hearing.

The Senate Committee on Financial Institutions and Insurance amended the bill to allow a utilization review organization to establish prior notification requirements and to clarify the next business day standard for admissions occurring on weekends and holidays and any urgent or emergent inpatient or outpatient admission. The Committee amendment also prohibited any reduction or denial of payment for failure to comply with any policies conflicting with the provisions of the bill and adopted rules and regulations. The amendment was requested by the Kansas Hospital Association.

The House Committee on Insurance and Financial Institutions amended the bill to remove the term “reasonable” as it applied to prior notification requirements. The Committee amendment also clarified that a utilization review organization could not reduce or deny a payment to a provider for its failure to comply with “any utilization review organization’s policy” that conflicts with the act or any rules and regulations adopted. The

amendment was requested by the Kansas Hospital Association.

The fiscal note prepared by the Division of the Budget on the introduced version of the bill indicates that the passage of the bill would have no fiscal effect. According to the Kansas Insurance Department, nearly every insurer follows the next business day standard.