



Office of The Attorney General
State of Connecticut

*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE PUBLIC HEALTH COMMITTEE
FEBRUARY 21, 2007*

I appreciate the opportunity to support House Bill 6841, An Act Concerning Standards in Contracts Between Health Insurers and Physicians with an amendment that will provide greater protection for health care providers.

This proposal requires that all contracts between health insurers and health care providers include the payment methodology, fee schedule and time period for insurer reimbursement to the provider, a requirement that the health care provider approve any changes to the non-fee provisions of the contract, a definition of medical necessity based on generally accepted standards of medical practice, and an arbitration process for contract disputes. The legislation also requires the insurer to pay for an annual independent audit of its compliance with these contractual requirements. The audit results are filed with the Insurance Commissioner. Finally, the legislation creates a task force to study unilateral changes in these contracts and recoding of physician services by the insurer in a manner that reduces compensation.

Managed care organizations are large, multi-million corporations, often with hundreds of thousands of enrollees. Health care providers are generally individual practitioners or small group practices. The result of this imbalance and bargaining in economic power has been some very unreasonable contracts between providers and HMO's, with provisions that could reduce the quality of health care provided to patients. Because the interests of the patients are vitally affected, this legislature should address this problem.

House Bill 6841 will address some of the more onerous provisions commonly found in insurer/health care provider contracts -- unilateral changes in compensation and other key provisions of the contract and arbitrary decisions to recode the health care provider services in a manner that reduces the insurer payment to the health care provider.

I urge the committee to consider extending the prohibition of unilateral changes in contracts to all fees for health care services and other material aspects of the contract. Insurers should not unilaterally alter the fees which are critical to the health care provider unless mandated by law. Further, a contract should not allow the insurers to substantially alter material terms unilaterally. In addition, if there is going to be an audit to ensure compliance with the provisions of this proposal. However, the audit should clearly be independent. The committee should consider requiring the Insurance Commissioner to establish through regulations a standard for independence of the auditing firm or simply adopting the current standard for independence that is used for financial audits.

Finally, I have sponsored legislation to establish a uniform definition of medical necessity which I urge this committee to adopt as an amendment to this legislation. A uniform definition will ensure that all health insurance contracts interpret medically necessary health services in the same manner. For patients, it will meet their expectations that there is a presumption that medical services are necessary if the health insurer's certified health care provider recommends such services. I have attached proposed language for the committee's consideration.

I urge the committee's favorable consideration of House Bill 6841 with the suggested amendments.