

MONTANA STATE AUDITOR

JOHN MORRISON
STATE AUDITOR



COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

June 11, 2008

Representative Edith Clark
Children, Families, Health, and Human Services Interim Committee
PO Box 201706
Helena, MT 59620-1706

Re: PPO Questions in April 28, 2008 letter

HAND-DELIVERED

Dear Representative Clark:

In order to fully answer the questions in your April 28, 2008 letter, the State Auditor's Office, Department of Insurance [Department] surveyed four leading health insurers. We have collected the following information in response to your questions:

Are insurance companies requiring hospital staff privileges of physicians in order to name physicians as preferred providers?

- All four companies surveyed stated that they do not require hospital staff privileges in order to name physicians as preferred providers. One company stated that their credentialing process for their "traditional provider network" (not a PPO network) "encourages, but does not require applicant physicians to obtain and maintain hospital-admitting privileges," and those who "do not have privileges may instead submit documentation of a 'hospital-admitting plan.'"

Are insurance companies following the provisions of 33-22-1704 for entering into preferred provider agreements or is there a less formal method that they are using?

- Of the four companies in the sample, two have formal PPO physician networks. However, both of those companies lease their networks from companies that are not health insurers, but rather are third party administrators or network providers. Since those entities are not health insurers, the bidding process described in 33-22-1704, MCA may not apply to them.
- A third company does not have a true PPO product and a large share of its business is HMO (managed care) insurance products.

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- A fourth company has a PPO network only for hospitals and surgical centers. Its physician network is organized by a less formal method. The method used to establish the hospital PPO network was described as follows: All hospitals/surgical centers were sent proposed contracts with proposed discounts. Any hospital/surgical center that accepted the terms of the proposed contract was allowed in the network. All Montana hospitals are currently in the network and all but 3 surgical centers are participating in the network.

Are insurance companies honoring 33-22-1705(1) in paying for emergency care services at preferred provider rates?

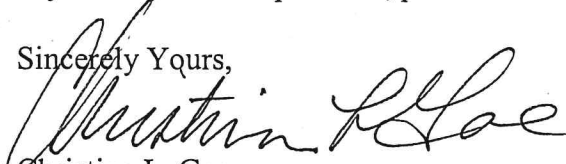
- All insurance companies responded that they do pay for emergency services at preferred provider rates.
- The Department enforces this provision through its insurance policy form approval process, as well as by responding to consumer complaints with investigation and enforcement.

Is the commissioner monitoring the different payment rates for nonpreferred providers and preferred providers to make certain that the payment difference is no greater than 25%, as required under 33-22-1706?

- Every time the Department receives a PPO policy form, that form is given to the Department's health actuary to review. She completes an actuarial analysis, using the Tillinghast Manual and Rating Program to determine if the payment difference is 25% or less between preferred and nonpreferred providers. If the difference is greater than 25%, the form is disapproved.
- This provision is also enforced in the Policyholder Services Division, if a consumer complaint is received regarding payment differentials.

If you have further questions, please do not hesitate to call me at 444-1942.

Sincerely Yqurs,



Christina L. Goe
Chief Legal Counsel
Montana Department of Insurance

cc: Janice VanRiper, Deputy State Auditor
Sue O'Connell
Pat Murdo