



Prompt Payment

Overview

Preferred provider carriers (PPOs) and health maintenance organizations (HMOs) must submit claims payment information, including claim count data, to the Texas Department of Insurance (TDI) on a quarterly basis. TDI uses this information to determine whether claims are paid in a timely manner. TDI collects two types of prompt pay penalties: (1) Administrative Penalties and (2) Provider and Institutional Penalties. Administrative penalties are sent to general revenue.¹ Provider and institutional penalties are sent to providers and institutions, as well as general revenue.

1. Administrative Penalties: If a carrier pays more than 2 percent of clean claims² late, they may be subject to an administrative penalty of up to \$1,000 per day, per claim paid to TDI.

Administrative Penalties (2001 – 2015)

Penalties for prompt payment violations	47
Penalties solely related to prompt payment violations	\$24,562,000
Penalties for violations that included multiple issues, including prompt payment violations	\$3,875,000

2. Provider and Institutional Provider Penalties: If a carrier makes a late claim payment to a provider (physician) or institution (hospital), then the following penalties are assessed:

a. Provider Penalties:

Penalty → Provider

Interest → TDI

b. Institutional Penalties:

50% of Penalty → Institution

50% of Penalty + Interest → TDI

Claims Paid Late

	Claims Received	Clean Claims	Claims Paid Late
2005	42,683,164	20,890,192	620,313
2006	60,818,504	40,897,211	170,813
2007	57,493,234	27,643,578	160,749
2008	57,158,284	28,257,174	128,949
2009	59,099,158	46,790,174	98,517
2010	61,053,595	53,052,511	57,892
2011	59,013,295	51,119,534	70,890
2012	53,795,651	46,342,525	167,847
2013	72,726,643	60,560,541	256,165
2014	81,138,659	73,049,474	365,879
2015	93,680,373	89,587,242	211,999

¹ TDI's budget rider 14 (2015 General Appropriations Act) reappropriates the first \$1.5 million of administrative penalties collected each year to the Three Share Assistance Program.

² Claims that meet the standards set forth in the Texas Administrative Code.

Prompt Pay Penalties

Senate Bill 1367 from the 83rd Legislature abolished the Texas Health Insurance Pool (Health Pool) and approved the transfer of prompt pay penalty funds not needed by the Health Pool after its closing to TDI’s Premium Stabilization Fund. The Premium Stabilization Fund is a state fund created to pay for claims resulting from the Healthy Texas program.

Senate Bill 1367 intended to repurpose the prompt pay penalties to fulfill any remaining obligations of the Healthy Texas program and fund new initiatives to improve access to health benefit coverage for individuals without coverage. TDI, however, was not granted an appropriation to spend these funds. The funds, which include the balance of unused prompt payment penalties, totaled \$47 million. As a result, the funds are essentially stranded in the Premium Stabilization Fund and cannot be spent for their intended purpose, or be repurposed to address another need absent legislative action.

Senate Bill 1367 also directed the transfer of prompt pay penalty funds collected either by the Health Pool or TDI to be deposited to the TDI Premium Stabilization Fund for initiatives to improve access to health benefit coverage. TDI was not granted an appropriation to spend these funds, and as a result, these funds are deposited into general revenue. TDI and the Health Pool worked together to collect the prompt payment penalties until the final dissolution of the Health Pool on August 31, 2015. As of September 1, 2015, TDI’s only remaining obligation is the collection of prompt pay penalties.

Prompt Payment Transferred to or Collected by TDI

Timeframe	Amount	Fund Deposited
Unused balance as of 3/13/2014	\$47,083,053	Premium Stabilization Fund 0329
Collections from 4/1/2014 to 8/31/2014	\$17,395,542	General Revenue Fund 0001
Collections from 9/1/2014 to 8/31/2015	\$49,720,484	General Revenue Fund 0001
Collections from 9/1/2015 to 2/29/2016	\$14,721,378	General Revenue Fund 0001

Reported Prompt Pay Data Review

- TDI reviews the submitted claims data for clarity and consistency. For example, if a company reports no clean claims for a quarter, staff follows up with the carrier for an explanation. Many times this results in corrected information.
- TDI staff also reviews the reported information to determine if the carriers’ data shows compliance with 98 percent of clean claims paid within the required statutory timeframes. For carriers that do not meet this requirement, staff asks the carrier for an explanation.
- Other TDI programs compare this data with other financial and operational information filed by the carrier with TDI.

Reported Prompt Pay Data Verification

TDI conducts the following types of examinations that may include the review of clean claims:

- **Comprehensive Financial Examinations:** Covers a carrier’s entire business operation including compliance with statutes and rules. While the exam’s primary focus is to determine the carrier’s ability to meet its policyholder obligations, it also focuses on significant carrier functions, such as claims handling. This type of examination occurs as frequently as TDI considers necessary, but no less frequently than once every five years.
- **Market Conduct Examinations:** Covers a carrier’s actions in the market and treatment of policyholders. This type of examination may be called at any time, but there is no frequency requirement.
- **Quality of Care Examinations:** Covers a HMO’s quality of health care services to consumers. This type of examination occurs once every three years.
- **Limited Scope Examinations:** Focuses on targeted topics, which are selected based on market changes, areas of concern, etc. This type of examination can be conducted as frequently as needed.

During examinations, TDI staff evaluates the methodology used by the carrier to comply with prompt pay requirements. After completing the methodology evaluation, staff reviews a sample of claims to determine the effectiveness of the methodology. If a selected claim is not paid within the statutory timeframes, the associated penalty amount is verified for compliance.

Complaints Involving Prompt Pay

TDI tracks the subject of complaints, including those associated with prompt pay. TDI uses this data in its market analysis to evaluate which carriers may need to be examined. Since fiscal year 2009, complaints related to prompt pay have steadily decreased in the number of complaints and confirmed complaints. (A confirmed complaint is one where TDI receives information indicating that a carrier was not compliant with state insurance law or regulation.) Through March 23, 2016, 5.4 percent of prompt pay complaints have been confirmed for fiscal year 2016.

	FY 2015	FY 2016 (through March 23, 2016)
Complaints Received	3,288	1,545
Complaints Confirmed	407	84
Percentage of Total	12.4%	5.4%

Prompt Pay Enforcement

TDI has enforcement tools that can be used when carriers do not comply with the prompt pay requirements. Those tools include management conferences, warning letters, commissioner orders with restitution to policyholders, fines, emergency cease and desist orders, and revocation of the carrier's certificate of authority. Most prompt pay enforcement actions are resolved with an order and an administrative penalty. At times, the carrier may intentionally misreports data, but once reported correctly, TDI may find the carrier is in compliance.