

BULLETIN 99-3

TO: HEALTH INSURERS

FROM: DARLA L. LYON, DIRECTOR

DATE: June 3, 1999

RE: MANAGED CARE LEGISLATION

There were 5 separate managed care bills passed during the 1999 legislative session that will become effective July 1, 1999. These bills do impact the way in which health insurers are able to do business in this state and do contain filing requirements that insurers must comply with. The requirements associated with the legislation include but are not limited to the following:

SB235 This bill requires that written disclosure of various aspects of the managed care plan be provided to prospective enrollees. There is also a requirement for specifying the process for requesting an exception to any drug formulary.

SB236 This requires plans to have adequate networks and in areas where a network does not have a sufficient number of particular providers to pay at in-network rates. Depending upon the degree of managed care involved in the plan, there are also quality assurance and quality improvement requirements. In addition, insurers must file sample provider contracts and an access plan with the division in order to sell a plan that contains network provisions. Fee for service plans using discount PPO arrangements are subject to many of the Act's provisions.

HB1009 This bill requires plans to have a medical director.

HB1012 This legislation contains requirements for performing utilization review in this state. A written utilization review program is required to be in place. A qualified licensed health care professional must be used for any reviews. Any adverse determination must be evaluated by an appropriately licensed and clinically qualified health care provider. The legislation also delineates time frames for the issuance of utilization review determinations.

HB1013 This requires the coverage for emergency room treatment without prior authorization and for nonnetwork providers using the prudent lay person standard. If the prudent lay person standard applies, no out-of-network penalties may be applied to any claim payment.

The bills were all codified into a new chapter in the code, Chapter 58-17C. The legislation may be accessed at our website, www.state.sd.us/insurance.