TDI-Regulated Health Insurance Systems

- Closed Network Systems
  - Health Maintenance Organizations (HMOs)
  - Exclusive Provider Plans (EPOs)
- Open Network Systems
  - Preferred Provider Plans (PPOs)
  - Traditional Indemnity Plans

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Health Maintenance Organizations (HMOs)

Texas Insurance Code Chapters 20A, 843

- Provide health care services on a prepaid (per-enrollee) basis.
- Basic premise: all care will be provided in-network.
- Exceptions:
  - Emergency care (reasonable layperson standard)
  - Referral for care not available in-network (must be approved by HMO in most plans, although prior approval may not always be required in open access plans)

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HMOs, cont.

- Enrollees usually choose primary care provider (PCP) who directs their care (gatekeeper model). “Open access” plans may not always require a PCP to be assigned.
- Services must be available in-network, within carrier’s geographic service area. If certain providers are not available in the service area, HMO must file an access plan for approval.
- Regulatory requirements: certificate of authority, solvency standards, quality assurance standards and policy form review.

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Exclusive Provider Plans (EPOs)

Texas Insurance Code Chapter 845

- Operates similarly to HMO, but offered by insurance carriers other than HMOs.
- Limited by law to CHIP, Medicaid, plans arranged through Rural Health Care System.
- Regulatory requirements: certificate of authority, solvency standards, quality assurance standards and policy form review.

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Preferred Provider Plans (PPOs)

Texas Insurance Code Art. 3.70-3C

- Insurance carrier provides for the payment of a higher rate of reimbursement if the insured uses a preferred (network) provider.
- Basic premise: insured has freedom to choose in- or out-of-network provider, but out-of-pocket costs will be higher if out-of-network provider is chosen.
- Regulatory requirements: certificate of authority, solvency standards and policy form review.

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PPOs, cont.

- Services must be "reasonably available" in-network, within carrier's geographic service area. If covered services are not available, non-network benefits are available at lower (in-network) cost share.
- Out-of-network services available at higher cost share to insured.
- Emergency services provided out-of-network because insured is not able to reach network provider are reimbursed at in-network level until insured can reasonably be expected to transfer to a network provider.

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Traditional Indemnity Plans

Texas Insurance Code, Chapter 3

- No network required for care.
- Basic premise: carrier will indemnify insured for cost of covered benefits.
- Regulatory requirements: certificate of authority, solvency standards and policy form review.

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Regulation of Health Insurance Entities

- Closed Network Systems (HMOs and EPOs)
  - Requires additional oversight to ensure patient protections.
  - Concern is that if enrollees are limited to a closed provider network, protections are necessary to ensure adequate health care and patients' rights.
  - Regulatory oversight includes: ongoing financial monitoring, onsite quality assurance exams, monitoring of complaints, and oversight of utilization review (UR) functions.

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Regulation, cont.

- Open Network Systems
  - PPOs, which have out-of-network access to care, require less stringent oversight of patient protections.
  - Regulatory oversight includes: financial monitoring, monitoring of complaints, oversight of UR functions. Does not include on-site quality assurance examinations.

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Regulation, cont.

- Indemnity Plans
  - Least stringent oversight.
  - Regulatory oversight includes: financial monitoring, monitoring of complaints. Does not include on-site quality assurance examinations or oversight of UR.

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