

SENATE BILL 783  
By Haun

AN ACT to amend Tennessee Code Annotated, Title 56, Chapter 32, Part 2, relative to medical directors of health maintenance organizations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 56, Chapter 32, Part 2, is amended by adding a new section thereto, as follows:

Section \_\_\_.

(a) An entity that is regulated under this part shall designate a physician licensed to practice in this state to serve as medical director for medical services provided in Tennessee by such entity. The medical director shall be responsible for the quality assurance activities and utilization management decisions of the entity.

(b) The medical director shall ensure that:

(1) Any utilization management decision to deny, reduce or terminate a health care benefit or to deny payment for a health care service, on the basis that the service is not medically necessary, is made by a physician or by a person licensed to provide the type of benefit or service at issue; and

(2) A utilization management decision shall not retrospectively deny coverage for health care services provided to a covered person

when prior approval was obtained from the entity for those services, unless the approval was based upon fraudulent, materially inaccurate, or misrepresented information submitted by the covered person or the participating provider.

(c) Material noncompliance with this section may constitute a basis for the commissioner to suspend or revoke any certificate of authority issued to the entity, pursuant to Section 56-32-216. In the alternative, the commissioner may use the penalties provided in Section 56-32-220.

SECTION 2. The provisions of this act shall not apply to plans governed by the Employee Retirement Income Security Act of 1974 ("ERISA").

SECTION 3. This act shall take effect July 1, 1999, the public welfare requiring it.