



## THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA

### Talking Points on State Oversight of Health Insurer-Provider Contracts

Health insurer contracts with health care providers are complex, terms encompass more than the payment rate for service and can significantly impact the ability to provide high quality health care as well as the fiscal sustainability of health care providers. An appropriate balance between competitive market forces and regulatory oversight is essential to enable the economic partnership that enables health care providers to take care of patients and health insurers to provide coverage for health care.

- Market competition in health insurance in Pennsylvania (as experience has shown in the central part of the state) has demonstrated the potential for achieving competitive premiums for employed groups and competitive payments for health care providers.
- Much of Pennsylvania's health insurance market is dominated by several large health plans, which has made it difficult for health insurers to enter Pennsylvania markets and for existing health insurers to expand in certain parts of the state.
- In a competitive environment, health care providers need to be able to freely negotiate contracts with health insurers that offer fair and appropriate payments to ensure the providers' ability to deliver high quality care, and be able to *not* contract if such terms cannot be achieved. The same ability would apply to health insurers.
- An overly intrusive regulatory framework that allows state government to establish provider payment rates or unduly extend contract payment rate terms under health plans would likely cause insurers to not negotiate in good faith as state government would intervene and by doing so could drive down provider reimbursement to inadequate levels, thus jeopardizing access to quality health care and the long-term financial sustainability of essential health services in communities.
- A regulatory framework that prevents health care providers from being able to effectively structure contractual relationships with health plans would enable health plans which already have dominant market positions to take further steps in eliminating potential market insurance competition.
- Regulatory frameworks that are being proposed in pending legislation:
  - Do not address the potential abuse of market power that dominant health plans may exert through imposition of unilateral terms or unfair contract conditions, while at the same time removing the ability of a health care provider to terminate a contract or seek legal redress in such situations.



- Would be cumbersome and costly for government to administer and would impose additional costs on the health care system and ultimately patients and subscribers.
- Do not address the changing health delivery and financing environment where there is likely to be continued development of combined delivery and financing organizations (accountable care organizations), rather than the continuation of separate entities that segregate financing from delivery of health care.

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