



**Texas Association of Health Plans**

1001 Congress Ave., Suite 300

Austin, Texas 78701

P: 512.476.2091

[www.tahp.org](http://www.tahp.org)

March 28, 2023

Dear Chairman Oliverson and Members of the House Committee on Insurance,

The Texas Association of Health Plans opposes HB 895, which limits the ability of health plans to recover overpayments to providers as a result of fraud, waste, or abuse. HB 895 prohibits the use of extrapolation in the commercial market. Tools such as extrapolation support health plans' efforts to review paid claims to ensure provider payment integrity. HB 895 will have a chilling effect on health care integrity efforts.

Abusive overbilling in health care is challenging to spot. Plans often have to review thousands of claims to uncover abusive billing practices. As a result, health care insurance companies put in place comprehensive fraud detection and prevention policies, including extrapolation policies. Health plans use up-to-date anti-fraud systems and protocols that expose abusive billing practices and necessitate recoupment in order to protect consumers and small businesses.

Extrapolation is most effectively used to calculate overpayments when a large volume of provider claims are audited for fraud, waste, or abuse. A sample of claims is mathematically selected. Those claims are reviewed and the findings are extrapolated to apply to all of the claims. Using today's algorithms and modern methods, the mathematical sample accurately represents the total claims, with high confidence levels.

Extrapolation is not just used to audit claims for overpayments. Last session, the Legislature passed legislation that requires the use of extrapolation for gold card statuses for physicians in order to waive prior authorization requirements. We believe it is inconsistent to require extrapolation in gold carding when it may benefit providers, but prohibit extrapolation when it may help identify provider fraud.

In Medicaid, states use extrapolation to calculate overpayment estimates for large volumes of claims that states would otherwise lack the resources to audit. In the commercial space, tools such as extrapolation help control health care costs and protect consumers through efficient and timely detection, investigation, and prosecution of fraud. With the passage of HB 895, Texas



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consumers will pay for unchecked health care fraud and abuse through higher premiums and higher co-pays.

Health plans do not use extrapolation on every case of fraud, waste, or abuse they investigate but rather only when a large volume of claims must be reviewed. It maximizes a plan's auditing efforts to protect against fraud. Providers are able to appeal findings, which preserves due process. Further, health plan contracts with providers routinely contain provisions for the recovery of overpayments. HB 895 restricts contract provisions that address fraud, waste, or abuse.

Extrapolation is a critical tool used by health plans. HB 895 would permanently impede those efforts. We appreciate your consideration of this important matter.

Sincerely,

A handwritten signature in black ink that reads "Jessica Lynch". The signature is written in a cursive, flowing style.

Jessica Lynch  
Director of Policy & Medicaid Operations  
Texas Association of Health Plans