



**Texas Association of Health Plans**

1001 Congress Ave., Suite 300

Austin, Texas 78701

P: 512.476.2091

www.tahp.org

April 26, 2023

**Re: Opposition to SB 1723**

Dear Chair Kolkhorst and Members of the Senate Health & Human Services Committee,

The Texas Association of Health Plans (TAHP) is the statewide trade association representing health insurers, Health Maintenance Organizations (HMOs), Medicaid managed care, and other health plans that serve over 20 million Texans. Our members are committed to improving access to affordable, quality health care in Texas.

We are writing to express our opposition to SB 1723, as the mandate undermines the cost-saving mechanisms of HMOs and disrupts the delivery of coordinated care. This change has the potential to eliminate the lower-cost option that HMOs provide when compared to Preferred Provider Organizations (PPOs) and Exclusive Provider Organizations (EPOs).

While SB 1723 does not eliminate referrals entirely, it creates a loophole that allows providers to backdate referrals up to 30 days. This has the same consequences as eliminating referrals, eroding the very foundation of HMOs. One of the main reasons many individuals and families choose HMOs as their health insurance plan is the lower cost compared to other options, such as PPOs and EPOs. A crucial factor contributing to these lower costs is the referral system, which ensures that patients receive specialized care only when deemed necessary by their primary care provider (PCP). This system enables HMOs to control healthcare costs by coordinating patient care through PCPs.

HMO policies offer lower monthly premiums and low or no deductibles, with the understanding that plan participants will receive a PCP referral before seeking higher cost specialty care. Often, PCPs can treat patients with lower cost interventions, saving money for families and employers, and resulting in lower premiums. If families or employers want to buy health insurance without referral requirements, they already have that option in the private market through EPOs and PPOs.

Additionally, we are concerned that the requirement for health plans to accept a PCP referral provided up to 30 days following the service could increase prompt payment penalties. State law



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requires issuers to pay penalties when they make a “wrongful denial.” Plan issuers have significant concerns that, if a claim is denied due to a lack of a referral, but then a retroactive referral is applied, the claim would be considered wrongfully denied. This would be extremely problematic, as issuers would be required to pay penalties for unpaid claims at no fault of their own.

In conclusion, we ask that the Senate Health & Human Services Committee oppose SB 1723, as it erodes the cost-saving principles of HMOs and disrupts the delivery of coordinated care. By maintaining HMO referrals, we can continue to offer an attractive, lower-cost health insurance option to those who value the coordinated care and cost-saving benefits that HMOs provide.

Sincerely,

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

Jamie Dudensing, RN  
CEO  
Texas Association of Health Plans