



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Bulletin HC-59
November 25, 2003

TO: ALL MANAGED CARE ORGANIZATIONS AND PREFERRED PROVIDER NETWORKS
RE: LICENSING OF PREFERRED PROVIDER NETWORKS

Public Act No. 03-169 became effective October 1, 2003 and modified Part I b of Chapter 700c of the Connecticut General Statutes on Health Insurance: Preferred Provider Networks. This Act contains a new definition of Preferred Provider Network ("PPN") and outlines new responsibilities for Managed Care Organizations ("MCO").

Beginning May 1, 2004 PPNs are required to be licensed by the insurance Department before they may enter into or renew any new business with MCOs. No later than May 1, 2005 all preferred provider networks must be licensed to conduct any PPN business in Connecticut.

Section 1 of PA 03-169 redefines a PPN in section 38a-479aa of the Connecticut General Statutes as:

... a person, which is not a managed care organization, but which pays claims for the delivery of health care services, accepts financial risk for the delivery of health care services and establishes, operates or maintains an arrangement or contract with providers relating to (A) the health care services rendered by the providers, and (B) the amounts to be paid to the providers for such services. "Preferred Provider Network" does not include a workers' compensation preferred provider organization established pursuant to section 31-279-10 of the Regulations of Connecticut State Agencies or an Independent Practice Association or Physician Hospital Organization whose primary function is to contract with insurers and provide services to providers.

Each PPN is now specifically required to file information regarding its financial stability and to maintain a minimum net worth. A contingency plan is required to explain how health care will be provided in case of insolvency. Also, any subcontractor of the PPN bearing financial risk must be disclosed and total enrollment numbers must be submitted in addition to the names of the entities with which the PPN makes agreements or contracts.

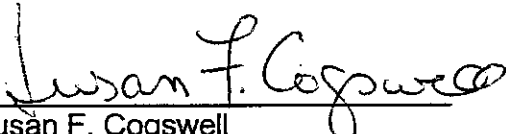
The law also regulates the relationship between MCOs, utilization review companies and PPNs, and contains additional mandatory provisions concerning these entities. Some examples of mandates with which the Managed Care Organizations must comply include: an MCO is prohibited from renewing or maintaining a relationship with an unlicensed PPN after May 1, 2005; MCOs must post and maintain a bond, letter of credit, etc. to satisfy the risk accepted by the PPN (or require such of the PPN); the MCO is required to provide specific information to the PPNs with which they have contracted and with the Insurance Commissioner regarding certain enrollment ratios and risk projections on an annual basis.

Based on section 2(d)(12) of the Act, some entities that previously may not have been required to maintain a Utilization Review license under the previous law, may now need to be licensed and compliant with section 38a-226(a) of the Connecticut General Statutes.

Enclosed is a Certification that must be completed by each MCO and PPN or any other entity to which this Bulletin is directed. Please complete this form indicating whether your company meets the new definition of a preferred provider network or intends to contract with a preferred provider network as newly defined. This Certification must be signed by an officer of the company. Please return the completed and signed Certification to the address below **no later than December 31, 2003**.

State of Connecticut, Insurance Department
Attention: Moira Herbert, Principal Examiner
Life and Health Division
P.O. Box 816
Hartford, CT 06142-0816

For those entities that have identified themselves as a Preferred Provider Network based on the new definition, the Department will make application packages available on our website by early 2004 at www.ct.gov/cid. The package will include the application and details of the procedures to apply for a PPN license.



Susan F. Cogswell
Insurance Commissioner



BULLETIN HC-59 CERTIFICATION

COMPANY NAME: _____
(A SEPARATE FORM MUST BE COMPLETED FOR EACH COMPANY NAME)

COMPANY ADDRESS: _____

The company is a preferred provider network as defined in Public Act No. 03-169.

The company is not a preferred provider network as defined in Public Act No. 03-169. If checked, please explain why (use separate sheets if necessary):

The company engages or intends to engage a preferred provider network as defined in Public Act No. 03-169. Please list PPNs with which your company contracts (use separate sheets if necessary):

I, _____, _____ of
(Printed Name) (Title)

_____, hereby certify that the
(Company or Organization)
information above is true and accurate.

OFFICER'S SIGNATURE DATE SIGNED: _____

Please provide the Department with the name and contact information of a person in your company that we can contact for future Bulletins or information on PPN topics:

CONTACT NAME: _____

CONTACT ADDRESS: _____

CONTACT PHONE #: _____ FAX # _____

E-MAIL ADDRESS: _____

Certification must be returned by December 31, 2003 to: State of Connecticut Insurance Department, Attn: Moira Herbert, P O Box 816, Hartford, CT 06142-0816