STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

DON SUNDQUIST
GOVERNOR

DOUGLAS M. SIZEMORE
COMMISSIONER

B U L L E T I N

TO: All Health Maintenance Organizations Doing Business In Tennessee

FROM: Douglas M. Sizemore

RE: Acts of 1995, Public Chapter 221

DATE: August 16, 1995

The purpose of this bulletin is to set out guidelines to be used by HMO's who wish to contract with physician-hospital organizations (PHO's) pursuant to Public Chapter 221. This new law enables PHO's to contract with HMO's for the provision of basic health care services and further allows those PHO's to obtain direct excess insurance coverage for liabilities incurred under such contracts.

The law also provides that an HMO remain responsible to its enrollees for the services provided, even in the event it contracts with an intermediary PHO for those services, and requires that the HMO develop a system for reserving for that continued liability and have such system approved by the department. The procedure for that is as follows:

All contracts between HMO's and PHO's or other providers must be submitted thirty (30) days prior to use pursuant to T.C.A. Section 56-32-203(c). In addition to the contracts, the HMO's are now required to submit to the department for approval the proposed system for reserving for their continued liability as prescribed in Public Chapter 221, Section 4.

jl