

COMMONWEALTH OF VIRGINIA



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November 15, 2016

Administrative Letter 2016-09

To: All Insurers Providing Health Insurance Coverage in Virginia, Health Maintenance Organizations, Health Services Plans, Dental and Optometric Services Plans, and Dental Plan Organizations

Re: Provider Discount Arrangements

The purpose of this administrative letter is to provide guidance to carriers offering managed care health insurance plans that include options for plan members to obtain services from non-network providers at discounted rates through a provider discount arrangement.

For purposes of this letter, a provider discount arrangement is a contractual arrangement between a carrier and a third party vendor under which the carrier's members have access to the third party vendor's contracted providers for non-network benefits at discounted rates. The contract between the third party vendor and the providers may also have a "hold harmless" clause that prohibits the providers from balance billing. When a carrier has this type of arrangement, plan members have two choices when utilizing non-network providers for covered services:

- Plan members may receive services from non-network providers participating in the provider discount arrangement at discounted rates; or
- Plan members may receive services from any other non-network providers.

Carriers using provider discount arrangements may not refer to the providers participating in this type of arrangement in any of its forms or advertising materials as being part of a network as this would be incorrect and misleading, and may result in confusion among consumers or plan members.

Policy forms must clearly define network providers, non-network providers, and non-network providers that participate in a provider discount arrangement and must accurately describe the member's benefits and responsibilities when utilizing each type of provider.

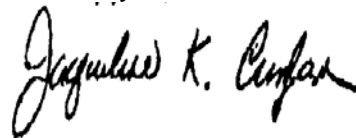
A carrier must clearly distinguish between network providers, non-network providers and non-network providers that participate in a provider discount arrangement in any printed or electronic directory that lists the provider types.

When a carrier has both a contract with a provider and a contract with a third party vendor that is providing the carrier access to the same provider for non-network services at negotiated discounted rates, claims must be adjudicated based on the terms of the carrier's contract with the provider and in accordance with the terms of the policy for network benefits.

Please refer any questions regarding this matter to:

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Sincerely,



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