

Unfair Trade Practices in Contracting for Providers

The Division of Insurance of the Department of Business and Industry has learned of an unfair practice by a Health Maintenance Organization (HMO) in its contracting with medical providers. The practice requires preferred providers of the HMO's Preferred Provider Organization (PPO), a non-HMO health insurance coverage, to contract with the HMO coverage provider network as well. Such PPO providers must contract with the HMO network as a condition of maintaining their preferred contractual status with the PPO.

Requiring a provider to become a member of a provider network for which he does not wish to contract in order to maintain a contractual relationship with an organization with which he chooses to contract is coercion. This practice violates the Unfair Trade Practices Act, Chapter 686A of the Nevada Revised Statutes (NRS), and in particular, NRS 686A.090.

NRS 686A.090 states that, No person shall enter into any agreement to commit, or by any concerted action, commit any act of boycott, coercion or intimidation... that would result in the unreasonable restraint of any business of insurance. The effect of the coercion occurs when the HMO cancels the provider's PPO contract as a consequence of his not signing an HMO contract. Such termination unfairly prevents the provider from continuing to furnish PPO discounted medical care to the insured marketplace, which restrains the business of insurance.

The commissioner of insurance will pursue violations of NRS 686A.090 as they concern any such contractual requirement between an HMO and medical provider. Violations will be subject to fines per incident.

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Commissioner of Insurance