

806 KAR 18:020. Preferred and exclusive provider arrangements.

RELATES TO: KRS 304.12-010, 304.18-040, 304.32-080

STATUTORY AUTHORITY: KRS 304.2-110, 304.32-250, 304.14-130

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 and KRS 304.32-250 provide that the commissioner may make reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation establishes guidelines for the use of preferred provider arrangements for group health insurers.

Section 1. Definitions.

- (1) "Alternative delivery system" means a health care delivery system characterized by alliances between selected health care providers and insurers, employers, or both, managed care through greater utilization controls, or discounted fee or capitation payment arrangements with health care providers, as distinguished from the traditional fee-for-service delivery approach.
- (2) "Exclusive provider arrangement" means an alternative delivery system in which an insurer contracts with health care providers for alternative rates of payment and requires insureds or subscribers to use the health care providers under contract with the insurer.
- (3) "Insurer" is defined by KRS 304.17A-005(27).
- (4) "Preferred provider arrangement" means an alternative delivery system under which an insurer contracts with health care providers for alternative rates of payment and allows insureds or subscribers to choose between contract health care providers and noncontract health care providers.

Section 2. Contract Guidelines. Insurers shall not:

- (1) Issue contracts of insurance offering any preferred provider arrangement under which the difference between the benefit payable for services rendered by noncontract health care providers and the benefit payable for services rendered by contract health care providers exceeds twenty-five (25) percent; or
- (2) Issue contracts of insurance offering any exclusive provider arrangement.

Section 3. Exception. Section 2 of this administrative regulation shall not apply to health maintenance organizations, limited health service organizations, and non-profit hospital, medical-surgical, dental, and health service corporations.

(12 Ky.R. 1710; 1840; eff. 6-10-1986; TAm eff. 8-9-2007; 43 Ky.R. 1291; eff. 6-2-2017; Cert. eff. 6-13-2023.)