SUPREME COURT OF TEXAS

Christus Health Gulf Coast v. Aetna, Inc. and Aetna Health, Inc.

397 S.W.3d 651 (Tex. 2013) · No. 11-0483 · Decided April 19, 2013

SUMMARY

The Supreme Court of Texas held that the Texas Prompt Pay Statute requires contractual privity between a health maintenance organization and a provider. Because the hospitals contracted with a delegated network rather than directly with Aetna, they could not pursue prompt-pay penalties against Aetna for unpaid claims. The court affirmed the court of appeals' judgment and concluded that any administrative remedy involving the delegated network was for the Insurance Commissioner, not a private provider action.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Justice Don R. Willett
JURISDICTION	Texas
DECIDED	April 19, 2013
DOCKET	11-0483
DISPOSITION	affirmed
PROCEDURAL POSTURE	The Hospitals sought review of a court of appeals judgment affirming summary judgment for Aetna in the Hospitals' action alleging violations of the Texas Prompt Pay Statute.
STANDARD OF REVIEW	De novo review of statutory-construction questions and summary judgment.
PRECEDENTIAL VALUE	published opinion; binding precedent of the Supreme Court of Texas
PARTIES	Christus Health Gulf Coast, Christus Health Southeast Texas, Gulf Coast Division, Inc., Memorial Hermann Hospital System, Baptist Hospitals of Southeast Texas v. Aetna, Inc., Aetna Health, Inc.

TOPICS

statutory interpretation · plain meaning rule · insurance · health law · administrative law

PRACTICE AREAS

health law insurance administrative law statutory interpretation contracts

QUESTIONS PRESENTED

1. Whether the Texas Prompt Pay Statute requires a direct contractual relationship between an HMO and a physician or provider before the statute's 45-day payment deadline and penalties apply.
2. Whether Aetna's responsibility for delegated-network functions, monitoring of the delegated entities, continued payment of some claims, or the statutory delegated-network provisions created Prompt Pay Statute liability despite the absence of direct contracts with the Hospitals.
3. Whether the 2001 amendment authorizing the Insurance Commissioner to require an HMO to reassume delegated claims-payment functions created a private cause of action against an HMO.

HOLDINGS

1. The Texas Prompt Pay Statute requires contractual privity between the HMO and the physician or provider; an HMO is subject to the statute's 45-day payment obligation only when it has directly contracted with the provider.
2. Aetna's contractual or regulatory responsibilities concerning its delegated network did not expand its liability under the Prompt Pay Statute, and the 2001 amendment authorizes administrative intervention by the Insurance Commissioner rather than a private provider action against an HMO.

KEY QUOTATIONS

> *"Providers must have contractual privity with the HMO directly, not merely with its delegated network."* (397 S.W.3d at 651)

> *"It authorizes administrative intervention but not private litigation."* (397 S.W.3d at 659)

> *"The Prompt Pay Statute by its terms decides this case, and it requires HMO-provider contractual privity before the 45-day payment deadline applies."* (397 S.W.3d at 660)

FACTUAL BACKGROUND

Aetna and its predecessor operated the NYLCare 65 Medicare HMO plan and delegated administration and claims processing to North American Medical Management of Texas. A physician-owned affiliate, IPA Management Services, contracted separately with the Hospitals for hospital services provided to NYLCare enrollees; Aetna was not a party to those hospital-services contracts. After the delegated entities experienced financial difficulties and became insolvent, Aetna de-delegated them but did not pay more than $13 million in hospital claims that the Hospitals had submitted to the delegated network.

PROCEDURAL HISTORY

The Hospitals sued Aetna for allegedly failing to timely pay more than $13 million in claims incurred by NYLCare enrollees. The trial court granted Aetna's cross-motion for summary judgment and denied the Hospitals' motion. The Fourteenth Court of Appeals affirmed, holding that the Prompt Pay Statute requires contractual privity between the HMO and the provider. The Supreme Court of Texas affirmed.

DISPOSITION

affirmed

CASES CITED

- Christus Health Gulf Coast v. Aetna, Inc., 237 S.W.3d 338 (Tex. 2007)
- City of Rockwall v. Hughes, 246 S.W.3d 621, 625 (Tex. 2008)
- Combs v. Roark Amusement & Vending, L.P., S.W.3d (Tex. 2013)
- Alex Sheshunoff Management Services, L.P. v. Johnson, 209 S.W.3d 644, 651-52 (Tex. 2006)
- Entergy Gulf States, Inc. v. Summers, 282 S.W.3d 433, 443 (Tex. 2009)
- 347 S.W.3d 726, 734

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