

STATE OF NEW YORK

4833

2025-2026 Regular Sessions

IN SENATE

February 13, 2025

Introduced by Sen. SKOUFIS -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance

AN ACT to amend the insurance law and the public health law, in relation to downcoding on initial review and audits reversing or altering medical necessity determinations

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraphs 4 and 5 of subsection (b) of section 3224-b of
2 the insurance law are renumbered paragraphs 6 and 7 and two new para-
3 graphs 4 and 5 are added to read as follows:

4 (4) A review or audit of claims by or on behalf of a health plan shall
5 not reverse or otherwise alter a medical necessity determination, which
6 includes a site of service or level of care determination made by a
7 utilization review agent or external appeal agent pursuant to article
8 forty-nine of this chapter or article forty-nine of the public health
9 law.

10 (5) A review or audit of claims by or on behalf of a health plan shall
11 not downgrade the coding of a claim if it has the effect of reversing or
12 altering a medical necessity determination, which includes a site of
13 service or level of care determination made by or on behalf of the
14 health plan; provided however, that nothing in this paragraph shall
15 limit a health plan's ability to review or audit claims for fraud, waste
16 or abuse.

17 § 2. Subsection (i) of section 3224-a of the insurance law, as amended
18 by section 10 of part YY of chapter 56 of the laws of 2020, is amended
19 to read as follows:

20 (i) Except where the parties have developed a mutually agreed upon
21 process for the reconciliation of coding disputes that includes a review
22 of submitted medical records to ascertain the correct coding for
23 payment, a general hospital certified pursuant to article twenty-eight
24 of the public health law shall, upon receipt of payment of a claim for

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

LBD07475-01-5

1 which payment has been adjusted based on a particular coding to a
2 patient including the assignment of diagnosis and procedure, have the
3 opportunity to submit the affected claim with medical records supporting
4 the hospital's initial coding of the claim within thirty days of receipt
5 of payment. Upon receipt of such medical records, an insurer or an
6 organization or corporation licensed or certified pursuant to article
7 forty-three or forty-seven of this chapter or article forty-four of the
8 public health law shall review such information to ascertain the correct
9 coding for payment based on national coding guidelines accepted by the
10 centers for Medicare and Medicaid services or the American medical asso-
11 ciation, to the extent there are codes for such services, including
12 ICD-10 guidelines to the extent available, and process the claim,
13 including the correct coding, in accordance with the timeframes set
14 forth in subsection (a) of this section. In the event the insurer,
15 organization, or corporation processes the claim consistent with its
16 initial determination, such decision shall be accompanied by a statement
17 of the insurer, organization or corporation setting forth the specific
18 reasons why the initial adjustment was appropriate. An insurer, organ-
19 ization, or corporation that increases the payment based on the informa-
20 tion submitted by the general hospital, shall pay to the general hospi-
21 tal interest on the amount of such increase at the rate set by the
22 commissioner of taxation and finance for corporate taxes pursuant to
23 paragraph one of subsection (e) of section one thousand ninety-six of
24 the tax law, to be computed from the date thirty days after initial
25 receipt of the claim if transmitted electronically or forty-five days
26 after initial receipt of the claim if transmitted by paper or facsimile.
27 Provided, however, a failure to remit timely payment shall not consti-
28 tute a violation of this section. [~~Neither the initial or subsequent~~
29 ~~processing of the claim by the insurer, organization, or corporation~~
30 ~~shall be deemed an adverse determination as defined in section four~~
31 ~~thousand nine hundred of this chapter if based solely on a coding deter-~~
32 ~~mination.~~] Nothing in this subsection shall apply to those instances in
33 which the insurer or organization, or corporation has a reasonable
34 suspicion of fraud or abuse or when an insurer, organization, or corpo-
35 ration engages in reasonable fraud, waste and abuse detection efforts;
36 provided, however, to the extent any subsequent payment adjustments are
37 made as a result of the fraud, waste and abuse detection processes or
38 efforts, such payment adjustments shall be consistent on the coding
39 guidelines required by this subsection.

40 § 3. Subsection (a) of section 4900 of the insurance law, as amended
41 by chapter 586 of the laws of 1998, is amended to read as follows:

42 (a) "Adverse determination" means a determination by a utilization
43 review agent that an admission, extension of stay, or other health care
44 service, upon review based on the information provided, is not medically
45 necessary, or a decision to downgrade the coding of a claim to a lower-
46 level service than the one submitted by the provider for reimbursement.

47 § 4. Subdivision 1 of section 4900 of the public health law, as
48 amended by chapter 586 of the laws of 1998, is amended to read as
49 follows:

50 1. "Adverse determination" means a determination by a utilization
51 review agent that an admission, extension of stay, or other health care
52 service, upon review based on the information provided, is not medically
53 necessary, or a decision to downgrade the coding of a claim to a lower-
54 level service than the one submitted by the provider for reimbursement.

55 § 5. This act shall take effect immediately.