



# NANCY VANDERMEER

STATE REPRESENTATIVE • 70<sup>TH</sup> ASSEMBLY DISTRICT

TO: Honorable Members of the Assembly Committee on Insurance

FROM: State Representative Nancy VanderMeer

DATE: February 1, 2018

SUBJECT: Testimony in Support of AB 457

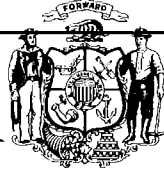
Thank you Chairman Petersen and members of the Assembly Committee on Insurance for holding a hearing on Assembly Bill 457 today. As the author of this legislation, along with Senator LeMahieu, I am pleased to offer testimony in support of the bill.

Assembly Bill 457 sets requirements on certain health insurance plans that rent networks of dental service providers to other entities. Like many other medical providers, dentists sign agreements with insurance or dental benefit companies to provide services at set rates. Dentists then agree to see patients in that particular company's network. Unfortunately, across the country and in Wisconsin in particular, dentist's contracts with dental benefit companies are being rented to other networks with whom the dentist never signed a contract. The process is known as "network rental" or "silent PPO". These rentals can take place without the dentist's knowledge or consent. Additionally, some dentists have found that their fee schedules in the new networks differ from their original agreed upon contract.

The issue this poses for dentists is that as a result, they can end up being contracted to provide services with a network they never joined, while at the same time being paid less than their agreed-upon rate. On top of that, as it exists right now, these contract changes can happen without their knowledge or consent. The first time a dentist usually finds out that their contract has been rented is when patients from the new network start calling to book appointments, because the dentist now appears as an in-network provider.

Current law is silent on this issue and this legislation provides fairness and transparency for dentists.

The Senate version of this bill received a hearing in October of last year. After that public hearing, due to interest from committee members on the issue and suggestions for revision they had, an amendment was offered by their former committee chair, then Senator Lasee. (The amendment to the Senate version of this bill passed out of their Committee on Insurance with a 5-0 vote. The bill as amended passed out of their committee with a 4-1 vote.) I have also introduced an identical amendment to the Assembly version of the bill which should also address some of the concerns with the legislation that you'll hear today.



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# DEVIN LEMAHIEU

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## STATE SENATOR

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**Assembly Committee on Insurance  
Testimony on Assembly Bill 457  
Thursday, February 1, 2018**

Chairman Petersen and Members,

Thank you for hearing testimony on Assembly Bill 457, which will guarantee transparency and fairness in the dental insurance network rental process. This bipartisan legislation aims to protect dentists from unknowingly having their services rented between insurance companies.

Insurance network rental occurs when one insurance company allows another insurance company's customers to use one or more of their providers. Under current law, this process can be completed unbeknownst to the provider.

At times, dentists have not known that their network had been rented to other entities until patients started showing up to their office. Even more concerning, some dentists have been required to take a lower level of reimbursement from these other insurance companies without any notice at all.

Many dentists are small business owners. This process can hurt their bottom line, and very few of them have the bargaining power to have it removed from their contracts.

This bill would require insurance providers to notify a dentist if their network has been rented out and inform the dentist as to whom it has been rented. The renter would need to abide by all provisions in the dentist's contract with their original insurance company, including reimbursement rates.

Assembly Bill 457 will work to protect dentists and ensure transparency in this process.

Thank you for your time. I am happy to answer any questions.

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February 1, 2018

Testimony In Favor Of AB 457  
Assembly Committee on Insurance  
Director of Government Services, Matt Rossetto

Dear Chairman Petersen and committee members,

Thank you for holding this hearing and providing us with the opportunity to testify in favor of AB 457. This legislation is before you today because we believe that, as medical practitioners and small business owners, it is imperative that dentists are aware at all times of the networks in which they are contracted to participate.

The practice we are referring to is generally called "network rental", or "silent PPO". In essence, dental benefit companies are renting out their networks to other benefit companies without the knowledge or consent of the dentists involved. This means that dentists find themselves as members of provider networks that they never agreed to join. In many cases, even if dentists do decide to see patients from these new networks, the dentist finds that their original fee schedule is not adhered to. This means that they get paid less than the amount they originally contracted for.

Further complicating matters is that, if the dentist does not want to see patients from this new network, they are not always given the option of leaving that network. Some entities allow the dentist to opt out, while others do not. The only ultimate solution is to cancel the contract with the original insurance company, which most dentists do not wish to do.

For this reason, we are supportive of AB 457, which would allow for basic fairness and transparency by doing the following, as amended by the Senate:

- Requiring a dental benefit company to notify a dentist before their contract is rented out, and to whom;
- The benefit company must maintain a regularly-updated listing of networks to which their services are rented;
- The terms of the original contract, including the agreed-upon fee schedule, must apply with any rental;
- A previous provision which would have allowed the dentist to opt-out of any rental has been dropped from the bill.

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The thing to remember is that this bill places zero restrictions on the practice of network rental. It does not tell insurance companies when or how they may rent the contract. This bill is about notification. Most importantly, it does not impact currently existing contracts.

As you are likely aware, OCI must prepare a social and financial impact report on bills that could affect issues in this area. On August 24<sup>th</sup>, Commissioner Nickel issued an explanatory letter regarding why OCI would not be submitting a full report. It reads, in part, "As currently written, the proposed legislation will not impact an insurance policy, plan, or contract. More specifically, while this bill may impact consumers, it will not impact their contract with an insurance provider."

This legislation specifically provides that it does not apply to currently existing contracts, so as to avoid causing undue burden to dentists and insurance companies alike.

You will hear today from several dentists who have themselves been subject to these practices. In addition, others who are unable to be here today have submitted written testimony for the record. This is a real phenomenon, and it is happening to patients and providers here in Wisconsin.

Our thanks go particularly to Representative VanderMeer and Senator LeMahieu for their authorship of this legislation. We appreciate your attention and I am happy to answer any questions you may have.

Matt Rossetto  
Director of Government Services  
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608-250-3442

AB 457 Testimony

Submitted by Ed Chiera

My name is Ed Chiera. I'm a general dentist in Beloit, WI testifying in favor of Assembly Bill 457. The practice of insurance companies leasing contacts out to other entities has a direct impact on our office. We are a preferred provider for a number of PPO programs since that's what most employers in our community offer. In the past our office would have the opportunity to negotiate fee schedules with insurance companies. If we could not reach an agreement, we would drop the plan. Now we are experiencing parent companies leasing us back into plans we've dropped. It's like an arranged marriage with someone you just divorced.

So, why as a Legislator should you care? It is difficult to participate in every single PPO and run a thriving practice. As it stands now, the only way out is to drop all PPO's by way of dropping the parent company. I would prefer not to do this. I personally would be OK downsizing my practice. However, half of my staff would be out of a job and too many patients would be displaced.

Providers need to be at the table to determine what insurance programs fit their office. Silent PPO contract leasing, in my opinion, is an abuse of anti-trust immunity. There ought to be a law.

Those opposing this bill will state that it is government intrusion on a private matter. However, that intrusion has already occurred with insurance companies being granted anti-trust immunity. Opposition will also state that this could be settled within the insurer/provider contract. The problem is that contract leasing is occurring after contract agreements with no language to support it. Creating this legislation will provide a fair way to negotiate this matter.

Thank you for your attention to this matter.

Sincerely,

Ed Chiera, DDS  
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Beloit, WI 53511

*Wisconsin Association  
of Health Plans*



TO: Members, Assembly Committee on Insurance  
SUBJECT: Oppose Assembly Bill 457  
DATE: February 1, 2018

Assembly Bill 457 impedes on the contractual rights of health insurers to the benefit of dental service providers. The proposal requires contracts include provisions that can and should be negotiated in the free market.

We have previously asked members of the Legislature to oppose this legislation, because we believe government should not interfere with contracts between private parties. **Assembly Amendment 1 does not address this fundamental feature of Assembly Bill 457.** Accordingly, we continue to urge members to oppose Assembly Bill 457, and encourage contract issues to be resolved through negotiation between the impacted parties.

If dentists are interested in changes to their business contracts, dentists should seek to amend their business contracts, not petition the Legislature to change Wisconsin law. Wisconsin's business climate is best served when private parties work collaboratively, without government interference to resolve issues.

This legislation, if adopted, would also create a precedent for future efforts to impair the contractual rights of additional Wisconsin businesses. **The Legislature should avoid passing laws that favor one party to a contract over another.**

We urge you to support private contract rights and oppose this legislation.

For more information, please contact Tim Lundquist of the Wisconsin Association of Health Plans at (608) 255-0921 or R.J. Pirlot of the Alliance of Health Insurers at (608) 258-9506.