

Explanation of Dash-A2 Amendment to HB 2594

In Senate Rules Committee on 6/18/15

HB 2594-A2

PROPOSED AMENDMENTS TO A-ENGROSSED HOUSE BILL 2594

In line 13 of the printed A-engrossed bill, delete “actual” and insert “reasonable and necessary”.

When HB 2594 was first heard in Senate Business and Transportation Committee on 5/18/15, committee members had a lot of questions about the lack of limitations on emergency providers, who could charge whatever they like for labor, etc. under the A-engrossed version of the bill. “Actual” costs are not defined and the term creates an ambiguity.

American Family Insurance is proposing an amendment that is successfully used in Oregon’s Personal Injury Protection statutes and in many other situations in the insurance arena. The way the A-engrossed version of the bill is worded, insurers could be stuck paying whatever is billed, i.e., \$1,000 per hour for labor “because that’s what we charge!” The Dash A-2 amendment proposes to replace “actual” with “reasonable and necessary.” Under the A-engrossed version, excessive charges might go straight to court; the Dash A-2 amendment would allow some interim steps to resolve excessive charges instead.

Insurers are very comfortable with “reasonable and necessary.” The use of this standard is very common – it is the no-fault insurance standard for paying “reasonable and necessary” medical expenses. It is still the standard used in many no-fault states. The language would merely give insurers an opportunity to negotiate cleanup charges that appear to be excessive through a process that leads to an agreed upon cost.

Ordinarily such charges would just be paid as a matter of course if they appear to be in the normal range. American Family typically pays on behalf of the person whose car spilled or left debris under the Collision or Physical Damage peril. If the charges appear to be excessive, the burden of proof would be on the insurance company, which would likely have to prove what is reasonable by hiring an expert. If the emergency responder didn’t like what was being offered, they can ask the insurer to reconsider, supply additional documentation justifying the charges, request that the insurer consider alternate dispute resolution, pursue the balance in small claims court, etc.

There is a concern that charges for removing hazardous materials could become very expensive, and barring specific standards for hazardous cleanups, such charges should be subject to review under a ‘reasonable and necessary’ standard as is done in similar situations.

Please let me know if you have any questions.

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