PEHP Health & Benefits

HB 179, INSURANCE DAMAGES AMENDMENTS, (Welton, D)

Anticipated Fiscal Impact:

$180,000 per year or $.24 Per Member Per Month (PMPM)

Summary

HB 179 would allow a member to recover attorneys' fees and be awarded a penalty equal to the value of a claim for successfully proving that a health plan was unreasonable in denying or delaying a claim. While the bill ties "unreasonableness" to state statute and regulation, it also leaves the interpretation of "unreasonableness" open to courts.

Paying medical claims is a very complex undertaking involving countless codes and various clinical and other payment policies. As such claims can be denied or delayed due to insufficient documentation, incomplete or incorrect information, uncommon or questionable billing practices, the application of two or more policies, etc.

PEHP paid over 2,000,000 medical claims for state employees over last year. Given the size of that number, many claims would fall into the bucket of being denied or delayed. The question would be whether a member would be more likely to challenge any of those denied or delayed claims as unreasonable for the chance getting a penalty equal to the value of the claim plus attorney's fees.

Today, of the 2 million in total medical claims, about 3,000 are appealed each year on average with only a handful proceeding to the litigation stage of board action. If there were only a 1% increase in the number of cases that were appealed for board action, the defense costs for those 30 cases only would be about $450,000 a year (or $15,000 for each case). The State represents just shy of 40% of PEHP appeals, which would result in an additional 12 appeals from the state, or $180,000 (12 x $15,000). These costs would not include any potential award for a double penalty or attorneys' fees. Nor would it reflect a potential cost increase for abandoning legitimate grounds for denying or delaying claims to avoid the possibility of something being considered unreasonable.

We would anticipate more than a 1% increase in appeals.   We wouldn't anticipate less.

ANTICIPATED FISCAL IMPACT ON EDUCATION AND LOCAL GOVERNMENT ENTITIES - $.24 per member per month

Pursuant to Utah Code Ann. 31A-22-605.5(2)(b) and (3) – a health insurance mandate shall apply to health coverage offered in the state risk pool, public school districts, charter schools and institutions of higher education.

The same per member per month (PMPM) fiscal impact would be applicable to each of these entities covered by PEHP. PEHP does not cover every public school district, charter school or institution of higher education in the state. Some public entity employees are insured through private insurance carriers. The fiscal effect on the PEHP covered public entities would be:

- State risk pool, excluding state and including higher education (Weber St, USU Eastern, Snow, Utah Tech, and technical colleges) - $.24 PMPM x 12,664 members = $37,009per year
- Public School districts and charter schools - $.24 PMPM x 53,392 members = $153,769 per year
- Local Governments – $.24 PMPM x 56,312 members = $162,179 per year