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DMHC Builds on Efforts to Protect Patients from Unfair and Unexpected Bills

Regulations strengthen law to restrict the practice of “balance billing” for emergency services

(Sacramento) -- The California Department of Managed Health Care (DMHC) today announced that it has finalized new regulations to restrict the practice of “balance billing” in emergency care settings – a practice that makes patients, not providers or health plans, responsible for paying the disputed difference between their provider’s bill and the health plan’s coverage. The regulations restrict balance billing by making it an unfair billing practice, thus allowing DMHC enforcement actions against those providers who engage in activities that unfairly burden consumers.

“Consumers, employers and taxpayers pay millions of dollars each year in health care premiums in exchange for a promise to protect them from unexpected bills when a health emergency strikes,” said Cindy Ehnes, Director of the DMHC. “The practice of balance billing breaks this promise to consumers and is unacceptable. The DMHC is also aggressively addressing the root cause of balance billing, which is unfair or untimely claims payment by health plans, and implementing a special prosecution unit dedicated to faster investigations and enforcement of these violations.”

Governor Schwarzenegger is committed to taking the consumer out of the middle of billing disputes between providers and health plans and has directed his Administration to issue these regulations. In 2006, the Governor issued Executive Order S-13-06 to protect insured Californians from balance billing, and today’s announcement builds on those efforts. In addition, his health care reform proposal calls for an end to balance billing by all providers, whether or not it is an emergency service.

Balance billing happens most often when an HMO patient receives emergency care from a physician or hospital that is not contracted with their health plan. In addition to being held

(more)

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responsible for bills they don't owe, consumers are vulnerable to aggressive collection actions and harm to their credit ratings.

The DMHC has a strong record of aggressively protecting consumers from unfair balance billing. It recently filed a lawsuit in the Orange County Superior Court to stop Prime Healthcare Services, a Southern California-based hospital chain, from balance billing more than 3,500 HMO patients for services received at its hospitals. The action seeks penalties of \$2,500 for each violation, potentially totaling millions of dollars. In recent years, Prime has billed thousands of emergency room patients for amounts that it claims it is owed by health plans, using a debt collection agency to threaten the credit ratings of HMO patients.

The DMHC also has aggressively addressed the root cause of balance billing. The Provider Complaint Unit has recovered nearly \$6 million in additional payments to providers since it was established in 2005. In early 2008, the DMHC fined PacifiCare of California a total of \$3.5 million for consistently underpayment and late payment of claims to providers. Also, the DMHC offers an Independent Dispute Resolution process to mediate payment disputes, but providers have been reluctant to use this option and have chosen instead to pass the shortfalls in health plan payments onto their patients.

In addition to the new regulations to protect patients from balance billing and collection efforts on behalf of providers, the DMHC is launching a department-wide Fair Claims Payment Initiative. The initiative is designed to increase enforcement of health plan violations such as low reimbursement, late payments and other unfair billing practices. A special prosecution unit will be dedicated to faster investigations and enforcement of claims payment violations, including special audits and stiffer penalties for repeat offenders.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The Department has assisted more than 800,000 Californians resolve their HMO problems through its 24-hour Help Center, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a solvent and stable managed health care system.

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