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THIRTY-FIRST LEGISLATIVE REPORT INDEPENDENT HEALTH CARE APPEALS PROGRAM DEPARTMENT OF BANKING AND INSURANCE

This is the thirty-first report to the Legislature on the managed care coverage denial appeal process. This report covers the period from July 16, 2013 through January 15, 2014.

The Health Care Quality Act, enacted on August 7, 1997, and amended on January 16, 2001, gives New Jersey residents many important consumer rights. Among the most significant is the right to appeal to an independent organization for a binding determination when a carrier denies, limits or terminates a covered service on the grounds that it is not medically necessary. The right of appeal is offered through the Independent Health Care Appeals Program (IHCAP) administered by the New Jersey Department of Banking and Insurance's (Department) Office of Managed Care (OMC).

Four hundred nine (409) requests for an external appeal were filed with the Department's Office of Managed Care during the time period of this report. Of the 409 requests filed, 274 met the requirements for processing and were forwarded to an independent utilization review organization (IURO) for preliminary review, of which 273 appeals were accepted by the IUROs for full review. Reasons for rejection and subsequent return of the appeal to the appellant included, in order of prevalence: not a utilization management (UM) issue; non-eligibility because the member is covered by self-funded plan; failure to exhaust the carrier's internal appeal process; failure to provide signed consent to appeal; issue already resolved; non-eligibility because the member is covered by Medicare; appeal request not received within four months of the Stage 2 denial; out of state coverage and not a covered benefit.

Of the 273 appeals accepted by an IURO for full review, 237 appeals have been completed and 36 are pending. Of the 237 appeals completed, the IURO supported the carrier's decision 150 times (63%) and disagreed with the carrier's decision 87 times (37%). In the previous 6-month period, January 16, 2013 through July 15, 2013, the IURO agreed with the carrier in 60% of the cases. However, it should be noted that the overall numbers remain small, and that caution should be used in observing changes from one reporting period to the next. The most frequent categories of appeals in descending order of occurrence are: denial of inpatient hospital days; denial of home health services; denial of prescription drugs; denial of behavioral health services (inpatient and outpatient); denial of substance abuse services (inpatient and outpatient); denial of outpatient medical treatment; denial based on the carrier's determination that a requested service was

experimental/investigational; denial of outpatient rehabilitation therapy; denial of surgical services; denial of durable medical equipment; denial of chiropractic services; denial of requests for referrals to out of network specialists; denial of dental services; denial of adult day care; denial of skilled nursing care; denial of pediatric day care; denial of coverage for emergency services and the denial of coverage for cosmetic versus medically necessary services. The first category involving hospital inpatients accounted for substantially more denials than any other category.

The medical specialties affected by the 237 appeals completed during the period covered by this report are listed in descending order of occurrence in the table below:

Medical Specialty	Total Cases
Internal Medicine	43
Psychiatry	27
Gastroenterology	22
Pediatrics	20
General Surgery	15
Pulmonary	14
Cardiology	13
Neurology	12
Rehabilitation	12
Infectious Diseases	11
Pediatric Endocrinology	10
Neonatology	6
Oncology	5
Orthopedics	5
Neurosurgery	3
OB/GYN	3
Oral/Maxillofacial	2
Pain Management	2
ENT	2
Immunology/Allergy	2
Vascular Surgery	2
Orthodontics	1
Ophthalmology	1
Plastic Surgery	1
Rheumatology	1
Chiropractic	1
Geriatrics	1

Two tables are attached demonstrating the number of appeals filed for each carrier. Table 1 represents the number of appeals and outcomes during the period of this report. Table 2 indicates the number of appeals and outcomes during the previous 6-month reporting period, January 16, 2013 through July 15, 2013. Carriers with no appeals have been omitted. The first column indicates the market share for each carrier. The second column provides the total number of appeals accepted for full review by an IURO. Appeals categorized as completed are those for which the IURO has communicated its determination to the carrier. Appeals that are still in the process of

being reviewed by the IURO are considered pending. The third column shows the IURO’s determination. If the IURO determines that the carrier’s determination of medical necessity was appropriate, the IURO upholds the carrier’s decision. However, if the IURO determines that the consumer is being denied medically appropriate care, the IURO disagrees with the carrier’s decision and decides in favor of the consumer. If all or part of the IURO’s decision is in favor of the consumer, the carrier is required to promptly provide coverage for the healthcare services found by the IURO to be medically necessary covered services. During the period covered by this report, all carriers exhibited compliance with determinations rendered by an IURO; therefore, no penalties or sanctions were imposed.

This report indicates a slight increase in the number of appeals filed by consumers over the previous 6-month period (409 compared to 383). Also, the number of requests that ultimately went forward to a full review slightly increased (273 compared to 248). The total number of appeals filed continues to remain small considering the large number of residents enrolled in HMOs and other managed care plans in New Jersey (over 2.9 million), as reflected in the calendar year table below:

	External Appeal Requests Filed with OMC that Met Processing Requirements	External Appeals Accepted By IUROs for Full Reviews
CY 1997	27	25
CY 1998	122	104
CY 1999	174	144
CY 2000	174	133
CY 2001	303	273
CY 2002	260	233
CY 2003	342	318
CY 2004	337	314
CY 2005	358	343
CY 2006	354	340
CY 2007	306	299
CY 2008	359	355
CY 2009	477	477
CY 2010	424	422
CY 2011	712	702
CY 2012	672	665
CY 2013	792	521

How the Appeal System Works

It is important to remember that consumers are required to exhaust their carrier’s internal appeals process before submitting an appeal for consideration by an IURO. Under New Jersey law, all carriers must have an internal appeals process that meets standards set by the Department. This

requirement was established to provide an incentive for carriers to resolve most disputes internally, with only unresolved issues rising to the level of the external appeals process.

During the period covered by this report, all external appeal case reviews were conducted by medical professionals from two IUROs, the Island Peer Review Organization (IPRO) and Permedion, Inc. These medical professionals, including specialty physicians appropriate to the area under review, examine cases on the basis of medical records and other documents, generally accepted practice guidelines and applicable clinical protocols. The cost of the review is paid by the carrier and ranged from approximately \$827 to \$920 for this reporting period. Consumers pay a \$25 filing fee for an external appeal, which is waived in cases of financial hardship. During the period of this report, there were 56 cases of financial hardship. The \$25 filing fee is refunded to the consumers by the carrier if the carrier loses the appeal.

Consumers are given up to four months from the date of a carrier's denial of a coverage request to file an external appeal. Under routine circumstances, a decision must be rendered by the IURO within 45 calendar days from receiving the appeal request, but the IURO can act within a matter of hours, if necessary.

Consumer Education

By New Jersey law, consumers who are denied coverage based on lack of medical necessity for an otherwise covered medical procedure or service must be given an appeal form that includes instructions on how to file an appeal. On the few occasions when the Department has learned that a carrier has failed to notify its member of the right to appeal, the Department has taken prompt corrective action.

Consumers are also informed about their rights, including the right to appeal, in an HMO Report Card. The seventeenth HMO Report Card was made available to the public earlier this year. Consumers can also access information regarding the external appeals process through the Department's website, www.dobi.nj.gov.

In addition to the appeals system, the OMC operates a hotline (1-888-393-1062) for consumers to register complaints about their carriers. During the period of this report, July 16, 2013 through January 15, 2014, the OMC handled 581 written complaints. These complaints involve issues such as access to care, quality of care, and denial of coverage.

Table 1

**New Jersey Department of Banking and Insurance
Independent Health Care Appeals Program
July 16, 2013 – January 15, 2014**

Carrier	Market Share*	Total Appeals		IURO Determination			
		Pending	Completed	Disagree With Plan	% Disagree With Plan	Agree With Plan	% Agree With Plan
Aetna Health	10.3%	1	3	1	33.3	2	66.7
AmeriChoice**		8	43	17	39.5	26	60.5
Amerigroup	5.2%	1	33	11	33.3	22	66.7
AmeriHealth	5.4%	0	10	5	50.0	5	50.0
Cigna	1.7%	1	7	0	0.0	7	100.0
Horizon	52.4%	22	125	47	37.6	78	62.4
Oxford**		3	14	6	42.9	8	57.1
United**		0	2	0	0.0	2	100.0
Total		36	237	87		150	

* Source: Department of Banking and Insurance (Commercial and Department of Human Services Program enrollees as of September 30, 2013)

** AmeriChoice (now d/b/a United Healthcare Community Plan), Oxford and United are all owned by UnitedHealth Group. The combined market share is 22.2%.

Table 2

**New Jersey Department of Banking and Insurance
Independent Health Care Appeals Program
January 16, 2013 – July 15, 2013**

Carrier	Market Share*	IURO Determination				
		Completed	Disagree With Plan	% Disagree With Plan	Agree With Plan	% Agree With Plan
Aetna Health	11.1%	11	3	27.3	8	72.7
AmeriChoice**		48	23	47.9	25	52.1
Amerigroup	5.0%	19	9	47.4	10	52.6
AmeriHealth	4.6%	12	5	41.7	7	58.3
Cigna	1.7%	13	4	30.8	9	69.2
Horizon	52.1%	121	47	38.8	74	61.2
Oxford**		21	6	28.6	15	71.4
United**		3	1	33.3	2	66.7
Total		248	98		150	

* Source: Department of Banking and Insurance (Commercial and Department of Human Services Program enrollees as January 31, 2013)

** AmeriChoice (now d/b/a United Healthcare Community Plan), Oxford and United are all owned by UnitedHealth Group. The combined market share is 22.8%.