

Health Insurance

SMART NC

**ANNUAL REPORT ON
EXTERNAL REVIEW ACTIVITY
2013**

**North Carolina Department of Insurance
Wayne Goodwin, Commissioner**

A REPORT ON EXTERNAL REVIEW REQUESTS IN NORTH CAROLINA

Health Insurance Smart NC
North Carolina Department of Insurance
Dobbs Building
430 North Salisbury Street
Raleigh, N.C. 27603

Questions about the report should be directed to:

Susan D. Nestor, RN, MSN
Director
Health Insurance Smart NC

Telephone: (919) 807-6860

Fax Number: (919) 807-6865

E-Mail: susan.nestor@ncdoi.gov

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Executive Summary

North Carolina's Health Benefit Plan External Review law became effective July 1, 2002. The law provides for the establishment and maintenance of external review procedures by the Department of Insurance (Department) to assure that insureds have the opportunity for an independent medical review of denials (noncertifications) made by their health plan. The Department's Health Insurance Smart NC Program (Smart NC) administers the state's external review process.

External review is the independent medical review of a health plan denial and offers another option for resolving coverage disputes between a covered person and their health plan. Requests for external review are made directly to the North Carolina Department of Insurance (Department) and screened for eligibility by Smart NC Program staff, but the actual medical reviews are conducted by independent review organizations (IROs) that are contracted with the Department. There is no charge to the consumer for requesting an external review.

In 2013, 223 individuals requested an external review and 134 cases were accepted. Of those accepted, 108 cases were processed on a standard basis and 26 cases were processed on an expedited basis. Overall, outcomes of accepted cases were decided in favor of the consumer 42.5 percent of the time.

Smart NC captures the cost of allowed charges for overturned or reversed services each year, as well as the cumulative charges for these services. In 2013, the average cost of allowed charges from all cases that were reversed by the health plan or overturned by an IRO was \$12,527.78 with a cumulative total for the year of \$526,166.91. Since July 1, 2002, the cumulative total of services provided to consumers as a result of external review is \$6,041,685.33.

Smart NC continues to utilize a consumer satisfaction survey with all accepted cases in order to obtain feedback from consumers regarding their external review experience. Consumers reported satisfaction with Smart NC staff and information about the external review process. Survey results also showed that most individuals responding to the survey who went through the external review process stated they would tell a friend about external review, suggesting that external review is viewed to be a valued and important consumer protection.

Introduction

North Carolina's external review law (N. C. Gen. Stat. §§ 58-50-75 through 95) provides for the independent medical review of a health plan noncertification, and offers another option for resolving coverage disputes between the covered person and their insurer. A noncertification is a decision made by a health plan that a requested service or treatment is not medically necessary, cosmetic or experimental for the person's condition.

Eleven years into operation, North Carolina's Health Insurance Smart NC (Smart NC) continues to provide North Carolinians with the opportunity to request an independent review of their health plan's noncertification if appeals made directly to the health plan have failed to win coverage.

In North Carolina in 2013, external review was available to persons covered under a fully insured health plan, the North Carolina State Health Plan Preferred Provider Organization plan (North Carolina SHP-PPO Plan), and the North Carolina High Risk Pool (Inclusive Health).

For a request to be accepted for external review, the covered person must meet eligibility requirements. Requests for external review are made directly to Smart NC and each case is reviewed for completeness and eligibility. If accepted for external review, the case is assigned to an independent review organization (IRO) for clinical review and final decision.

The Smart NC staff utilizes nurses with broad clinical, health plan and utilization review experiences to process external review requests. Smart NC contracts with two Board certified physicians to provide on-call case evaluations of expedited external review requests. The scope of these evaluations is limited to determining whether a request warrants an expedited handling of the review. The consulting physician is available to consult with Program staff and review consumer requests for expedited review at all times.

Smart NC also contracts with IROs to perform the independent medical review of external review cases. IROs are subject to many statutory requirements regarding the organization's structure and operations, the reviewers that they use, and their handling of individual cases. Smart NC engages in a variety of activities to provide appropriate monitoring, ensuring compliance with statutory and contract requirements.

This report, which is required under N. C. Gen. Stat. § 58-50-95, is intended to provide a summary of the external review activities for the calendar year of 2013, as it relates to the nature and outcomes of the requests accepted for review, the health plans whose decisions are subject to review, and the IROs whose performance of the reviews are essential to Smart NC's successful operations. Cumulative analysis is provided for the captured costs relating to the services that have been overturned or reversed as a result of external review services to demonstrate the ongoing value that is provided to North Carolina citizens.

External Review

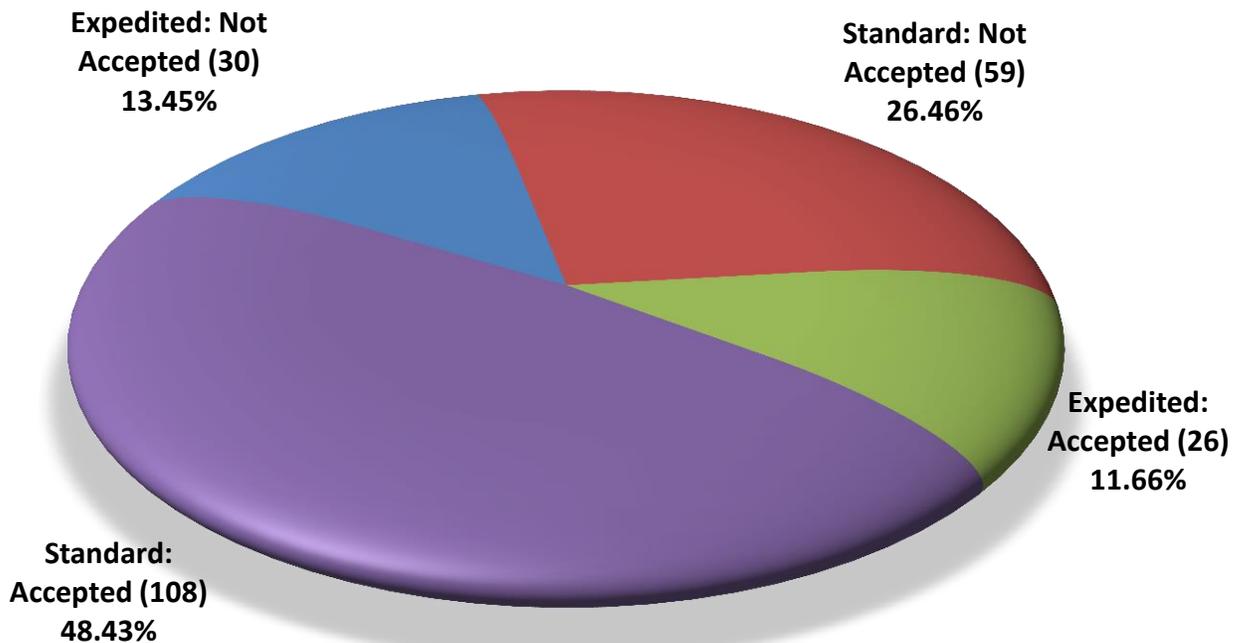
Smart NC staff receives requests for external review from consumers or their authorized representative. In most cases, external review is available only after all appeals made directly to a health plan have failed to secure coverage. Upon receipt, requests are reviewed to determine eligibility and completeness. Cases accepted for review are assigned to an IRO. The IROs assign clinical experts to review each case, issuing a determination as to whether a health plan's denial should be upheld or overturned. Decisions

are required to be made within 45 days of the request for a standard review. Cases accepted for expedited review require a decision to be rendered within four business days of the request.

Eligibility

During 2013, Smart NC received 248 requests for an external review. Of these requests, 25 involved a re-submission of a previously incomplete request or withdrawn case by the same individual. Therefore, 223 individuals requested external reviews. Figure 1 shows the disposition of requests for external review made to the Program during 2013. During this time, 60.1% of the requests received by Smart NC were determined to be eligible and were comprised of both standard and expedited requests.

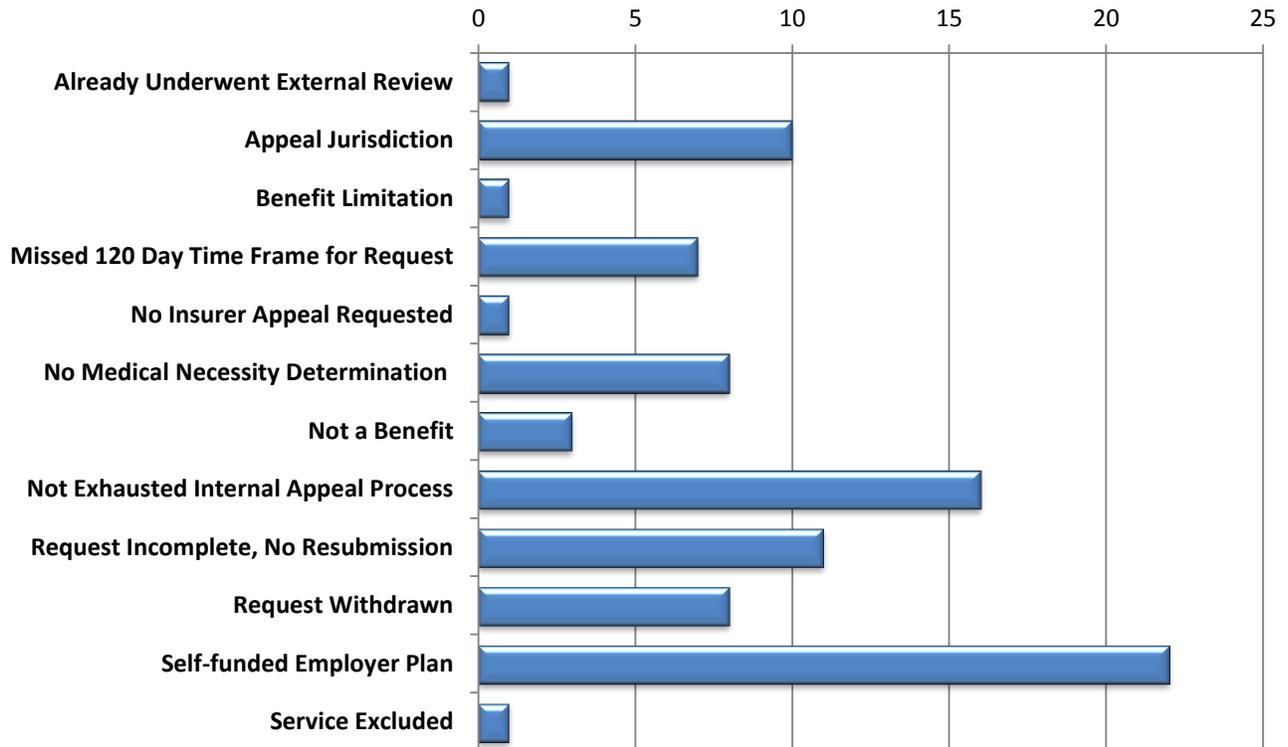
Figure 1: Disposition of External Review Requests Received in 2013



The reason why a case would not be accepted falls into any number of specific categories. Generally, however, a request may be deemed ineligible if the request does not meet the statutory requirements for eligibility or if the plan itself does not fall under North Carolina regulatory authority.

Figure 2 shows the number of cases that were not accepted for review and the reasons for which they were not accepted for the year 2013. During this time, of the 89 requests that were deemed to be not eligible, consumers who were covered under a self-funded plan made up the largest group of ineligible requests with 22 cases not accepted. Requests from consumers who had not exhausted the insurers internal appeal process were the second largest group with 16 cases not accepted. Requests that were incomplete and not resubmitted made up the third largest group with 11 cases. These three reasons made up 55 percent of the cases not accepted for review.

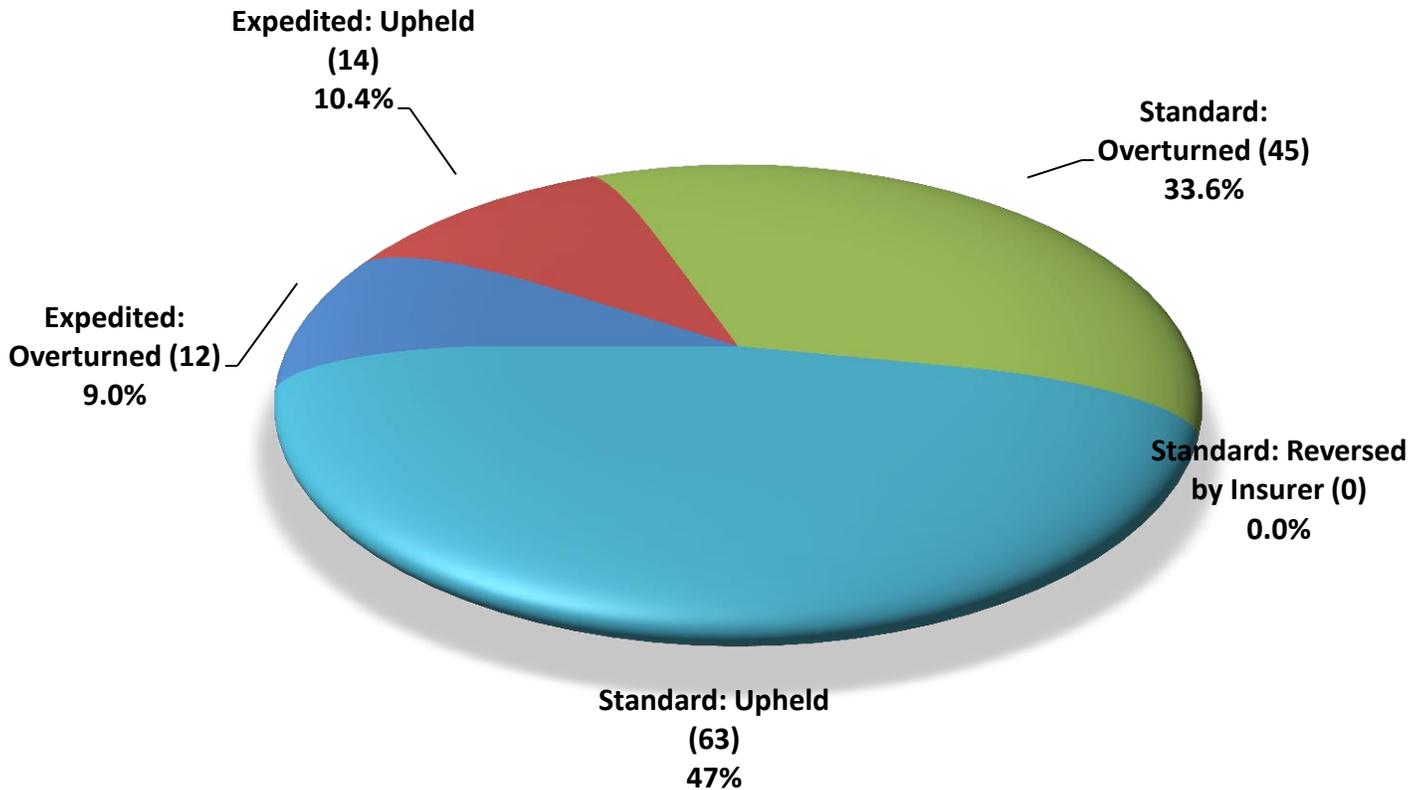
Figure 2: Reasons for Non-Acceptance of an External Review Request in 2013



Outcomes

In 2013, 134 cases were accepted for external review. Of those accepted, 108 were accepted to be processed on a standard basis. Twenty-six cases throughout the year were processed on an expedited basis. Figure 3 shows the outcomes of all cases that were accepted for review during the year 2013. Overall in 2013, cases that were accepted for external review were decided in favor of the consumer 42.5 percent of the time.

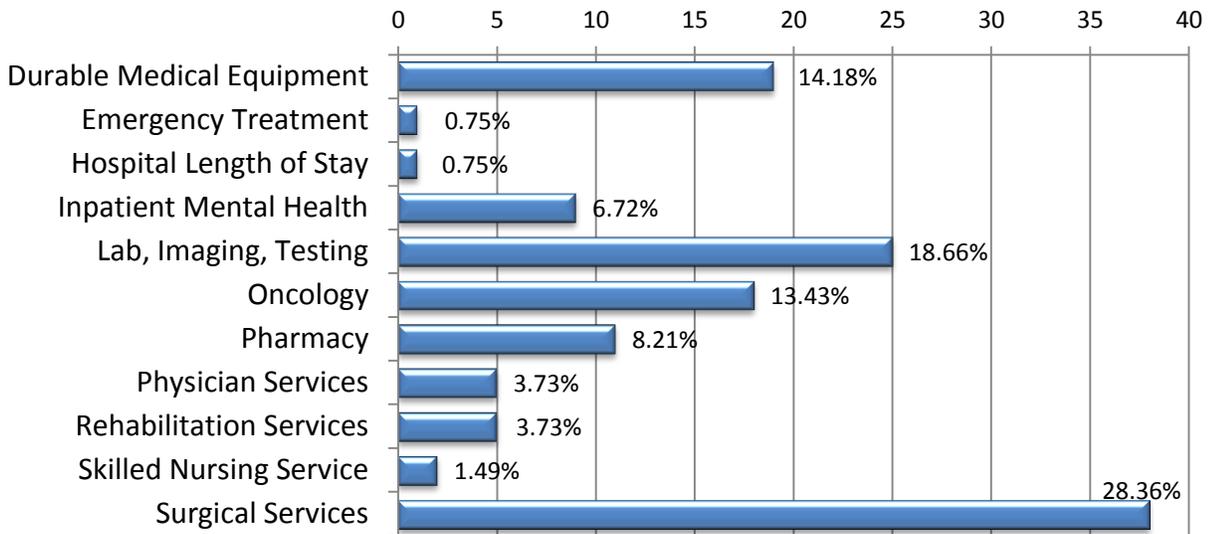
Figure 3: Outcomes of Cases Accepted for External Review by Request Type in 2013



Activity by Type of Service Requested

Smart NC classifies accepted cases into “general” service categories. Figure 4 shows the number of accepted cases for each general service category for 2013. With 38 accepted cases, *Surgical Services* had the largest number cases representing 28.36 percent of the cases. This is a marked increase from this same service type in 2012 due to the active participation as an authorized representative of the manufacturer of a mobile cardiac outpatient telemetry unit. *Lab, Imaging, Testing services* comprised 18.66 percent of the requests accepted in 2013 with 25 cases and *Durable Medical Equipment* were the third largest number of requests with 19 requests comprising 14.18 percent of the requests. All together, these three general service types made up 61.2 percent of the accepted requests.

Figure 4: Accepted Cases by Type of Service Requested in 2013



Although Smart NC reports primarily on the basis of the general types of services under dispute, data on specific service types relating to the request is also kept by the Program to analyze activity and identify trends. Information regarding the specific service types is available upon request to Smart NC.

Table 1 shows the percentage of outcomes for all accepted cases by general service type as well as the percentage share of total outcomes for all services for 2013. *Surgical services*, the largest category of requests, were decided in favor of the consumer only 31.6 percent of the time. Requests made for *Durable Medical Equipment* had outcomes that favored the consumer 15.8 percent of the time; requests involving *Lab, Imaging, Testing and Pharmacy services* were decided in favor of the consumer 14 percent of the time.

Table 1: Percentage of Outcomes by Type of Service Requested in 2013

Type of Service	Percentage Overturned	Percentage Reversed	Percentage Upheld
Durable Medical Equipment	15.8	0.0	13
Emergency Treatment	1.8	0.0	0
Hospital Length of Stay	1.8	0.0	0
Inpatient Mental Health	3.5	0.0	9
Lab, Imaging, Testing	14.0	0.0	22
Oncology	7.0	0.0	18
Pharmacy	14.0	0.0	4
Physician Services	5.3	0.0	3

Rehabilitation Services	3.5	0.0	4
Skilled Nursing Service	1.8	0.0	1
Surgical Services	31.6	0.0	26
Percentage of Outcomes for all Cases	42.54%	0.0%	57.46%

Because of the types of services that are denied and the basis upon which the noncertification is issued, it is important to differentiate between a denial based solely on medical necessity and other types of noncertification decisions (i.e., experimental/investigational or cosmetic). For example, a health plan may base its denial decision only on the medical necessity of the procedure, evaluating whether the procedure meets its guidelines for appropriateness for the covered person's condition. However, noncertifications may also include any situation where the health plan makes a decision about the covered person's condition to determine whether a requested treatment is experimental, investigational or cosmetic, and the extent of coverage is affected by that decision. Table 2 further analyzes the breakdown of case outcomes from decisions rendered by IROs as they relate to the service type and the nature of the noncertification for the year 2013.

Table 2: Outcomes of Accepted External Review Requests by Service Type and Nature of Denial in 2013

Service Type	Medical Necessity		Experimental / Investigational		Cosmetic Services	
	Overturned/ Reversed	Upheld	Overturned/ Reversed	Upheld	Overturned/ Reversed	Upheld
Durable Medical Equipment	4	7	5	3	0	0
Emergency Services	1	0	0	0	0	0
Hospital Length of Stay	2	0	0	0	0	0
Inpatient Mental Health	2	7	0	0	0	0
Lab, Imaging, Testing	2	4	6	13	0	0
Oncology	1	0	3	14	0	0
Outpatient Mental Health	0	0	0	0	0	0
Pharmacy	5	3	3	0	0	0
Physician Services	2	0	1	1	0	1
Rehabilitation Services	2	3	0	0	0	0
Skilled Nursing Facility	1	1	0	0	0	0
Surgical Services	12	12	3	7	2	1
TOTALS	34	37	21	38	2	2
Percentage of Outcomes	25.4%	27.6%	15.7%	28.4%	1.5%	1.5%
Percentage of All Cases:	53.0%		44.0%		3.0%	

In 2013, 53 percent of the cases decided by IROs involved the medical necessity of the procedure. The remainder of the cases primarily involved whether the service was considered to be experimental or investigational for the patient’s condition, with 44 percent of the cases decided on the experimental or investigational nature of the treatment and only 3 percent decided on whether the services were considered to be cosmetic.

IRO External Review Case Activity

In 2013, the Program contracted with five IROs—IMX Medical Management Services (IMX), MAXIMUS CHDR (Maximus), Medwork of Wisconsin, Inc. (Medwork), Michigan Peer Review Organization (MPRO) and National Medical Review, Inc. (NMR).

Reporting on IRO activity will represent 134 cases actually reviewed by an IRO. IMX and NMR began performing reviews July 1, 2013. Maximus, Medwork and MPRO were effective January 1, 2013. Table 3 compares the number of cases assigned to each IRO that held a contract with the Program throughout the year, with the percentage of their review decisions for the year 2012. The outcome of cases reviewed by IROs was decided in favor of the consumer 42.5 percent of the time during 2013.

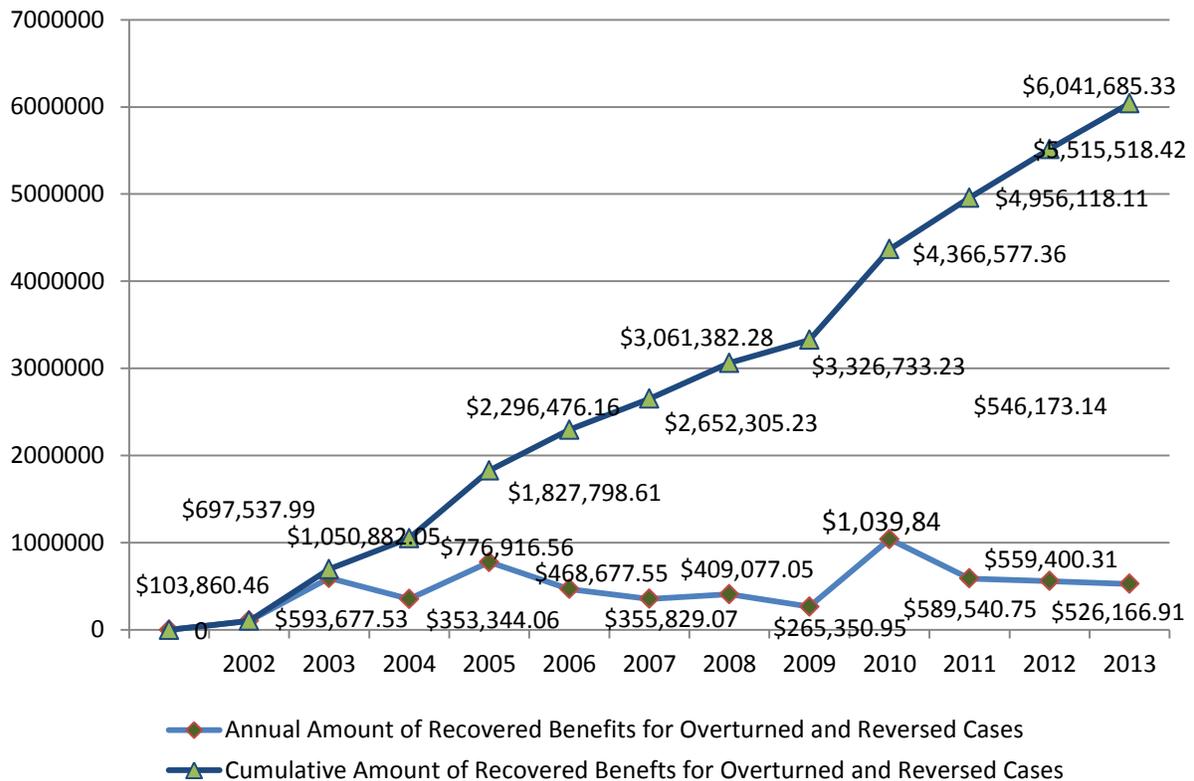
Table 3: IRO Activity Summary for 2013

IRO	Number Assigned	Percentage Overturned	Percentage Upheld
IMX	10	60	40
Maximus	37	43.2	56.8
Medwork	40	32.5	67.5
MPRO	35	51.4	48.5
NMR	12	33.3	66.7
Total and Percentage of Outcomes for All Cases	134	42.5	57.5

Captured Costs on Overturned or Reversed Services

Figure 5 shows the total of the allowed charges for overturned or reversed services that Smart NC captured each year, as well as the cumulative total of allowed charges for these services. In 2013, consumers received \$526,166.91 worth of services that otherwise would have been denied but for the Program’s assistance. While this amount alone may reflect the value that Smart NC brings to consumers, the data presented in its cumulative form shows that North Carolina consumers have been provided more than \$6 million worth of services since the Program began and demonstrates the ongoing value that the Program provides.

Figure 5: Yearly and Cumulative Value of Allowed Charges for Overturned or Reversed Services



The total cost of services for each year may have changed with this report as a result of capturing the cost of previously overturned services that were completed during this past year.

The average cost of allowed charges per year from all cases that have been reversed by the health plan or overturned by an IRO since the Program began is \$558,369.32.

Cost of External Review Cases for 2013

Table 4 shows the average cost of the IRO review and cost of allowed charges for cases that were reversed by the health plan or overturned (average and cumulative) in 2013, by type of service requested. The totals include the IRO charges for all 134 cases decided by an IRO, but the average and cumulative figures do not include the costs associated with any outstanding cases whose costs have yet to be captured due to the prospective nature of the service.

**Table 4: Cost of IRO Review, Average and Cumulative Allowed Charges
By Type of Service Requested in 2013**

Type of Service	Average Cost of IRO Review	Average Cost of Service	Cumulative Cost of Service
Cardiology	\$525.00	\$0.00	\$0.00
Cosmetic	\$675.00	\$1,232.25	\$1,232.25
Durable Medical Equipment	\$629.26	\$4,981.10	\$39,848.77
Emergency Treatment	\$680.00	\$29,188.30	\$29,188.30
Hospital Admission	\$525.00	\$359.62	\$359.62
Hospital Length of Stay	\$525.00	\$39,421.25	\$39,421.25
Inpatient Mental Health	\$692.67	\$75,950.00	\$75,950.00
Inpatient Rehabilitation	\$880.00	\$28,710.81	\$28,710.81
Lab, Imaging, Testing	\$98.50	\$5,630.46	\$39,413.20
Neurology	\$575.00	\$220.00	\$220.00
Oncology	\$734.67	\$27,703.44	\$55,406.87
Pharmacy	\$701.73	\$8,074.88	\$40,374.42
Physical Therapy	\$626.67	\$2,190.44	\$2,190.44
Physician Services	\$633.80	\$17,276.76	\$34,553.51
Private Duty Nursing	\$880.00	\$0.00	\$0.00
Rehabilitation Services	\$825.00	\$0.00	\$0.00
Skilled Nursing Facility	\$825.00	\$19,515.50	\$19,515.50
Surgical Services	\$680.27	\$13,309.11	\$119,781.97
Total for All Cases	\$665.00 (Avg)	\$12,527.78	\$526,166.91

Currently, contracted fees for IRO services are between \$525 and \$759 for a standard review, and \$800 and \$984 for an expedited review. These fees are fixed per-case fees bid by each IRO; they do not vary by the type of service that is covered. The average cost to health plans for the 134 reviews performed during 2013 was \$665.

An IRO may charge a health plan a cancellation fee if the health plan reverses its own decision after the IRO has proceeded with the review. These charges range from \$150 to \$434 for a standard review and \$200 to \$434 for an expedited review.

Smart NC Program Evaluation

Smart NC continues to utilize its consumer satisfaction survey with all accepted cases in order to obtain feedback from consumers regarding the external review experience. A consumer satisfaction survey is mailed to the consumer or authorized representative at the completion of each accepted case. Overall, responders were generally pleased with the customer service they receive while contacting Smart NC. Consumers reported satisfaction with Smart NC staff and information about the external review process. Survey results also showed that most individuals responding to the survey who went through the external review process stated they would tell a friend about external review, suggesting that external review is viewed to be a valued and important consumer protection.

Conclusion

Since the Program's inception ten years ago, consumers and authorized representatives acting on behalf of consumers have availed themselves of external review services. Feedback we receive from consumers and providers is very positive regarding their external review experience. The Department believes that public faith in the integrity of the external review process is absolutely essential; the very foundation of an external review is to provide an unbiased way to resolve coverage disputes between a covered person and their health plan. While not all consumers receive the outcome they hoped for, their feedback regarding the external review process remains favorable.

External review remains an important resource for North Carolina consumers and has provided measurable value to the lives of North Carolinians. To date, these services have resulted in consumers obtaining more than \$6 million worth of services that had been denied by their health plan.

Smart NC will continue to track external review results and trends. The Department and Smart NC staff will also continue to monitor developments on the state and federal level which could impact patient protections in North Carolina. The Department is committed to assuring that consumers are informed and are able to access the critical protections that North Carolina's external review law provides.