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California Department of Insurance

Implementation Guidance AB 72:1

Independent Dispute Resolution Process: Relevant Reimbursement Data

Issued: June 9, 2017
Insurance Code § 10112.81(i)

This Implementation Guidance AB 72:1 establishes guidelines regarding the average contracted rates that are relevant for consideration by the independent dispute resolution organization for purposes of deciding a claim dispute between a health insurer and a noncontracting individual health professional for services subject to subdivision (a) of Insurance Code section 10112.8. (Ins. Code § 10112.81(b)(1), (b)(5) & (i).) The Department may issue further Implementation Guidance at a later date.

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1) In determining the appropriate reimbursement amount in a claim dispute, the relevant Average Contracted Rate to be considered by the independent dispute resolution organization is the average as calculated by dividing the total payments for a procedure code by the total number of paid claims incurred in calendar year 2015 for the procedure code in each geographic region.

    a. For this purpose, the following definitions apply:

        i. "Total payments" means, for a covered procedure code, the total dollar amount of all payments made by the insurer plus any patient cost sharing, for all claims incurred in calendar year 2015 in a geographic region for that procedure provided by contracted individual health professionals in connection with the insurer's commercial health insurance coverage. Payments for services provided by contracted individual health professionals include payments made to contracted entities such as medical groups or independent practice associations.

        ii. "Procedure code" means the code used to bill for the medical procedure or service, such as Current Procedural Terminology (CPT) codes or other billing codes as appropriate for the applicable procedure or service, plus any applicable modifiers, conversion factors, and other such billing or reimbursement factors and variables.

b. In resolving a claim dispute for a particular procedure, the independent dispute resolution organization shall also consider circumstances where a base rate is adjusted by factors such as physical status of the patient, the duration, complexity, and/or intensity of the procedure, and any applicable conversion factor (such as conversion factors expressed in dollars per unit in the administration of anesthesia) for a particular episode of care, where appropriate, in reaching a decision in the dispute resolution process.

2) In order to implement the process for the resolution of claim disputes, health insurers subject to Insurance Code section 10112.8 shall complete and submit to the Department the AB 72 Average Contracted Rate Form, along with the methodology documents described in that Form and its instructions, through SERFF by July 1, 2017.

3) Health insurers subject to Insurance Code section 10112.8 shall also provide data, based on claims incurred in the prior calendar year, indicating the total number of payments made to noncontracting individual health professionals for services at a contracting health facility and subject to section 10112.8, and the total number of payments made to contracting individual health professionals for services at a contracting health facility. (Ins. Code § 10112.82(a)(4).) Provide the data through SERFF in a spreadsheet containing the applicable information. The applicable data is due to the Department no later than July 1, 2017, and annually thereafter on June 1.

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