American Medical Association v. United HealthCare, 588 F.Supp.2d 432 (S.D.N.Y. 2008)

Topics Covered: Payment Issues (for Physicians), Managed Care Payments and Usual, Customary and Reasonable Payments

Outcome: Very Favorable

Issue

The issue in this class action lawsuit was whether United HealthCare (UHC) had been systematically understating its calculation of "usual, customary, and reasonable" charges when paying physicians or reimbursing patients for out-of-network medical services.

AMA Interest

The AMA supports fair policies and practices regarding payment for physician services.

Case Summary

Most reimbursement health insurance policies provide that out of network insurance benefits are to be based on whichever of the following amounts is lowest: (i) the physician's actual charge; (ii) the physician's usual charge; or (iii) the "reasonable and customary charge" for the services. The "reasonable and customary charge" is defined as "the usual charge of other doctors or other providers of similar training or experience in the same or similar geographic area for the same or similar service or supply." This payment scheme is commonly called "usual, customary and reasonable" or UCR. The insurance company determines the reasonable and customary portion of the UCR charge, supposedly based on information available to it but not to the general public.

This suit alleged that UHC's subsidiary, Ingenix Corp., had developed a database to determine UCR and frequently used unreliable or insufficient data to make that determination. The plaintiffs asserted that the reasonable and customary charges for certain procedures were substantially higher than UHC had allowed.

The AMA, the Medical Society of the State of New York, the Missouri State Medical Association, individual physicians and subscribers/beneficiaries, and several unions of New York State employees were named plaintiffs. The suit alleged that the plaintiffs were representatives of a large class of physicians, subscribers, and beneficiaries.

Based primarily on the information provided by the plaintiffs in this lawsuit, the New York Attorney General undertook a broad investigation into the use by insurers of defective databases when determining "usual, customary and reasonable" payments made to out of

network healthcare providers. Following that investigation, the Attorney General publicly reported that UHC had been fraudulently underpaying New York consumers through its use of the flawed Ingenix database. The United States Senate Committee on Commerce, Science and Transportation subsequently released its own report, which similarly concluded that major health insurers had been underpaying out-of-network benefits, based on the Ingenix database.

To resolve the consumer fraud claim of the Attorney General, UHC announced that it would discontinue its defective database. As part of its settlement with the Attorney General, UHC also paid $50 million to a not-for-profit corporation, which was then to develop a replacement database, using more transparent methodologies. Several other large health insurance companies, which had also been using the defective Ingenix database to determine UCR payments, made their own settlements with the Attorney General and made their own contributions to the development of the replacement database. As a result, close to $100 million in insurance company funds was paid for that purpose.

Pursuant to its settlements with the insurance companies, the New York Attorney General appointed the trustees of a new not-for-profit corporation, known as FAIR Health, to develop and manage the replacement database. He also designated a coalition of universities in New York State to assist in that effort. The data and methodology in the new database was to be accessible to the general public. Hence, the new database was to be more transparent than the old one, and it was to be free from conflicts of interest.

One day after it settled with the New York Attorney General, United signed a settlement agreement with several of the plaintiffs in the American Medical Association lawsuit, including the three medical societies. Under the settlement, United paid $350 million to resolve the claims against it.

The aggregate payment to physicians came to approximately $200 million.

Although the vast majority of the UHC settlement payment was distributed years ago, $500 thousand was left over to fund a “Joint Insurer-Provider Institute,” which was intended to “facilitate cooperation between private sector healthcare insurers and healthcare providers in the delivery of patient healthcare.” On August 12, 2014, the court approved payment of the contemplated $500,000 to the Joint Insurer-Provider Institute. This money, which now has been distributed, is being used to support the efforts of the AMA and UHC to reduce the incidence and severity of Type 2 diabetes.

AMA Involvement

The AMA was the lead plaintiff in the case.