

Important Notice on Payment of Out-of-Network Benefits

Certain health care plans administered or insured by affiliates of UnitedHealth Group, Incorporated provide “out-of-network” medical and surgical benefits for members. With out-of-network benefits, members may use doctors and other health care providers outside of the UnitedHealthcare network. The member or provider, depending on whether or not the member has assigned his or her claim, sends a claim to be paid to a UnitedHealth Group affiliate. The UnitedHealth Group affiliate will pay based on language in the member’s health plan that in most cases requires the amount to be the lower of either:

- the out-of-network provider’s actual charge billed to the member,
- or
- “the reasonable and customary amount,” “the usual, customary, and reasonable amount,” “the prevailing rate,” or other similar terms that base payment on what other healthcare providers in a geographic area charge for their services.

What Do These Terms Mean?

The terms “the reasonable and customary amount,” “the usual, customary, and reasonable amount,” and “the prevailing rate” are standards that health plans use to pay out-of-network benefits based on what other health care providers in geographic areas or regions charge for their services. These terms do not apply to plans with payment based solely on Medicare rates.

How Does This Affect Me as a Member?

If your health care plan requires payment using “reasonable and customary” or similar language mentioned above, affiliates of UnitedHealth Group currently refer to a schedule of provider charges created by Ingenix, Inc., a wholly owned subsidiary of UnitedHealth Group, when determining the maximum amount they will pay for such benefits. Ingenix publishes two databases called the Prevailing Healthcare Charges System database (“PHCS Database”) and the Medical Data Research database (“MDR Database”). The information in these databases is updated and published by Ingenix at scheduled times each year, and it is loaded for use upon update by the UnitedHealth Group affiliates. By using the provider charge information in these databases, the maximum payment a UnitedHealth Group affiliate makes to members will, at times, be less than the amount billed by a provider for a particular service. This then affects the member’s “out-of-pocket” cost they must pay to the out-of-network provider because the member is responsible for the difference between the provider’s charge and what the UnitedHealth Group affiliate pays.

How are the Ingenix Schedules Prepared and Used for Payments?

The PHCS database is designed to use actual, non-discounted provider charges for private sector health care services, or as explained below, when not enough information is available, it reports values based on a methodology using derived charges and relative values. Ingenix collects information from insurers nationwide, including information from Puerto Rico and the Virgin Islands. Ingenix asks these contributors to submit only actual, non-discounted, fee-for-service charges that providers have billed. Insurers that contribute information receive a discount on their license fees for the PHCS or MDR Databases based on how much of their information is accepted and used by Ingenix.

After Ingenix collects billed charge information from contributors, Ingenix reviews the information before using it to create the PHCS Database. Specifically, Ingenix excludes information that (i) is out of date, (ii) is incomplete (missing data fields such as a procedure code, zip code, or billed charge), (iii) contains invalid zip codes or procedure codes, (iv) has billed amounts that fall outside of certain high and low charges set by Ingenix to identify what it deems “outliers,” or (v) it deems unreliable.

The PHCS database provides amounts determined by the Ingenix process, organized by medical procedure codes, known as CPT codes, and geographic area (geozips). For CPT code/geozip combinations with 9 or more actual charges used by Ingenix in its database, the PHCS product reports those charges at the 50th, 60th, 70th, 75th, 80th, 85th, 90th, and 95th “percentiles.” By way of definition, the 90th percentile is the amount equal to or greater than 90% of the charges used by Ingenix in its database for that CPT code/geozip combination. Affiliates of UnitedHealth Group most frequently use the 80th percentile, but plan sponsors may choose different percentiles for use with their plans. For CPT code/geozip combinations with less than 9 actual charges in the Ingenix database, the PHCS product reports “derived charges” in the percentile tables. To calculate derived charges, Ingenix pools billed charges for similar services from the same geographic area. The charge data is standardized using “relative values,” which are numbers that are assigned to procedure codes based on an assessment of the difficulty and expense of the procedures. More complex and more expensive procedures receive higher relative values, while less complex and less expensive procedures receive lower relative values. The MDR database consists entirely of derived charges. A sample PHCS percentile table is provided below.

CPT Code	Description ¹	50th	60th	70th	75th	80th	85th	90th	95th
45378	COLONOSCOPY	\$764	\$783	\$859	\$887	\$907	\$939	\$1008	\$1105
71020	RADIOLOGICAL EXAMINATION (2 VIEWS)	\$102	\$103	\$106	\$107	\$107	\$107	\$113	\$122
99211	OFFICE VISIT; EVALUATION AND MANAGEMENT; MINIMAL PRESENTING PROBLEM	\$62	\$70	\$75	\$80	\$85	\$85	\$100	\$100

In determining “the reasonable and customary amount,” “the usual, customary, and reasonable amount,” “the prevailing rate,” or other similar terms under plans that provide “out-of-network” medical and surgical benefits for members:

Golden Rule Insurance Company currently considers the 75th percentile of the MDR Database in every state except Alaska, where it is required by law to use the 80th percentile.

American Medical Security Life Insurance Company currently considers the 60th percentile of the PHCS Database.

PacifiCare Life and Health Insurance Company currently considers the 60th percentile of the PHCS Database for its individual market business.

PacifiCare Life Assurance Company currently considers the 60th percentile of the PHCS Database for its individual market business in every state except Oregon where it uses the 70th percentile.

PacifiCare of California currently considers the 75th percentile of the MDR database for its individual market business.

PacifiCare Health Plan Administrators, Inc. currently uses the 75th percentile of the MDR database for its individual market business...

Oxford Health Insurance, Inc. and *Oxford Health Plans (NJ) Inc* currently consider the 80th percentile of the PHCS Database for most of their individual market business, but may consider the 70th percentile for some older “grandfathered” plans.

¹ The descriptions of the CPT codes in the above sample PHCS percentile table have been simplified for the purpose of this disclosure. The sample PHCS percentile table is being provided for illustrative purposes only and is not intended to reflect actual output from the PHCS database. Also, dollar amounts for CPT codes vary depending on the geozip.

UnitedHealthcare Insurance Company markets individual business in Louisiana, Golden Rule Insurance Company is the administrator and currently considers the 75th percentile of the MDR Database.

New Database to Replace Existing System

The Attorney General of the State of New York (“NYAG”) initiated an investigation concerning conflicts of interest related to the ownership and use of the PHCS and MDR Databases and the fairness of their rates. Under a January 2009 settlement agreement between UnitedHealth Group and the NYAG, the PHCS and MDR Databases will close and a new, independent database (“New Database”) will be established. The New Database will be owned and operated by a qualified university/nonprofit organization selected by the NYAG. When the university is announced information will be posted on the NYAG’s website: www.oag.state.ny.us

After the New Database is operational, the university will make it available both for research and as a tool for use by health insurance companies to determine out-of-network payment. Until the New Database is available, Ingenix will continue to create and publish the PHCS and MDR Databases, and health plans managed by UnitedHealth Group affiliates will continue to use either of these databases to determine payment for out-of-network benefits.

Important Exclusions

Neither the PHCS or MDR Databases, nor the New Database, will be used to determine out-of-network benefits if your health plan does not require payment under standards such as “the reasonable and customary amount,” “the usual, customary, and reasonable amount,” “the prevailing rate” or similar terms. For example, if your plan provides for payment solely based upon Medicare rates, your plan is not affected by the agreement between UnitedHealth Group and the NYAG.

Reimbursement Policies

Regardless of whether a UnitedHealth Group affiliate uses the PHCS or MDR Databases to determine the amount it will allow for out-of-network benefits, all affiliates apply certain payment policies that can affect both the amount they pay for such benefits and a member's out-of-pocket costs. For example, the Multiple Procedure Policy applies when multiple procedures are performed on the same day, by the same individual physician or other healthcare professional. Under this policy coverage for the primary/major procedure is 100% of the allowable amount, and 50% of the allowable amount for the secondary procedure. Coverage for all subsequent procedures is 25 or 50% of the allowable amount, depending on your plan. This accounts for the fact that many medical and surgical services include pre-procedure and post-procedure work, as well as generic services integral to the standard medical/surgical service (like recording preoperative, intraoperative, and postoperative documentation) that would be performed for the primary procedure and not duplicated for additional procedures. For descriptions of the Multiple Procedure Policy and other payment policies, please go to:

<https://www.unitedhealthcareonline.com/b2c/CmaAction.do?channelId=0e22f2ccadd1c010VgnVCM100000c520720a>

Glossary

Allowable amount – as used in circumstances covered by this notice, the dollar amount eligible for reimbursement to the physician or health care professional on the claim based on the lower of either the provider's charge or the "reasonable and customary amount," as explained in the beginning of this notice. This dollar amount may not be the amount ultimately paid to the member or provider as it may be reduced by any co-insurance or deductible that is owed by the member.

Provider network – doctors and other health care professionals who agree to provide medical care to our members, under the terms of a contract.

Out-of-network benefits – benefit plan coverage for services provided by doctors and other health care professionals who are not under a contract with UnitedHealth Group.

Out-of-pocket cost – portion of the cost of health services that the plan member must pay, including the difference between the amount charged by an out-of-network provider and what a UnitedHealth Group affiliate pays for such services.

Prevailing Healthcare Charges System database ("PHCS Database") – one of two compilations of information on provider charges created by Ingenix, Inc., a wholly owned subsidiary of UnitedHealth Group.

MDR database – one of two compilations of information on provider charges created by Ingenix, Inc., a wholly owned subsidiary of UnitedHealth Group.

CPT codes – a set of codes and descriptions of services and procedures performed by physicians and other health care providers. Each service and procedure is identified by its own five-digit code. Physicians and other health care providers use CPT codes in making claims for payment. CPT codes are maintained by the American Medical Association.

Ingenix – a wholly-owned subsidiary of UnitedHealth Group (NYSE: UNH).

UnitedHealth Group – UnitedHealth Group (NYSE: UNH) is a diversified health and well-being company dedicated to making health care work better. Headquartered in Minneapolis, Minn., UnitedHealth Group offers a broad spectrum of products and services through six operating businesses: UnitedHealthcare, Ovation, AmeriChoice, OptumHealth, Ingenix, and Prescription Solutions. Through its family of businesses, UnitedHealth Group serves more than 70 million individuals nationwide.

The New Database – a new, independent database to be owned, developed and operated by a qualified university/nonprofit organization selected by the New York Attorney General. When the university is announced information will be posted on the NYAG's website: www.oag.state.ny.us

Attorney General of the State of New York – Andrew M. Cuomo is the New York State Attorney General. For more information, go to www.oag.state.ny.us

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