UnitedHealth to Close Database, Settled Suit

BY MARY ELLEN SCHNEIDER
New York Bureau

As part of an agreement with New York Attorney General Andrew Cuomo, UnitedHealth Group has agreed to shut down a national billing database used by health plans to determine reimbursements to members who use out-of-network physician services.

The billing database, which is operated by the UnitedHealth Group (UHG) subsidiary Ingenix Inc., will be replaced with a new, independent database run by a qualified nonprofit organization. Under the terms of the agreement, UHG will pay $50 million to help establish the new database. In addition, the nonprofit organization will develop a public Web site where consumers can research—before seeking services—how much they may be reimbursed for common out-of-network medical services in their area.

Aetna, the nation's third largest insurer, also has entered into an agreement with the New York attorney general to abandon its use of the Ingenix database in favor of the new one. Aetna also will contribute $20 million over 5 years for the creation of the new database.

In February 2009, Aetna reached an agreement with the New York Attorney General's office to pay $5.1 million to reimburse patients and physicians for claims involving out-of-network care. The settlement addresses charges that Aetna underpaid college student health insurance claims between 1998 and 2008 by more than $5 million. Aetna will now pay back the students, and in some cases their physicians, for the underpayments plus interest and penalties as calculated under state law. The agreement reached with the New York Attorney General will affect underpayments made to students across the country.

The agreements follow an investigation by Mr. Cuomo's office into allegations that insurers were systematically underpaying consumers for their out-of-network medical expenses by saying that physician charges were higher than the "usual, customary, and reasonable" rates as calculated by the Ingenix database. As a result, insurers would only pay a percentage of the lower "usual, customary, and reasonable" rate, leaving consumers to pay their own portion plus the balance of the bill.

The investigation found that insurers were underpaying consumers for out-of-network expenses by 10%-28% for medical services across the state.

According to UHG officials, the agreement with the New York attorney general will help increase the transparency of information related to physician fees for out-of-network services.

Just days after reaching an agreement with Mr. Cuomo's office, UHG also settled a lawsuit with the American Medical Association and two state medical associations over the use of the Ingenix database. The $350 million settlement is the largest monetary settlement of a class action lawsuit against a single health insurer in the United States, according to the AMA.

The suit, which has been pending since 2000, alleged that UHG had been understating the "usual, customary, and reasonable" charges in payments to physicians and in reimbursing patients for out-of-network expenses. Under the class action settlement, UHG subscribers who submitted a claim for out-of-network services and were not properly reimbursed are eligible to receive part of the settlement. Physicians also could be eligible to receive payment under the settlement if they were underpaid by UHG and did not receive the balance from the patient.

But the biggest gain for physicians under both the AMA settlement and the agreement with the New York attorney general won't be money, but the rebuilding of the trust lost between patients and physicians, said Dr. Nancy H. Nielsen, president of the AMA.

When UHG and other insurers refused to pay the physician's charge, they were telling patients that the charge was unreasonable, creating tension between the patient and physician, said Dr. Michael H. Rosenberg, president of the Medical Society of the State of New York, which was part of the AMA's class action lawsuit. "This was always a wedge between patients and physicians." ■