

SOAH DOCKET NO. 453-04-4338.M5

VISTA MEDICAL CENTER HOSPITAL,	§	BEFORE THE STATE OFFICE
Petitioner	§	
	§	
VS.	§	OF
	§	
AMERICAN MANUFACTURERS	§	ADMINISTRATIVE HEARINGS
MUTUAL INSURANCE CO.,	§	
Respondent		

DECISION AND ORDER

Vista Medical Center Hospital (Vista) has appealed the Findings and Decision issued by the Medical Review Division (MRD) of the Texas Workers' Compensation Commission (TWCC) in a hospital fee dispute. The MRD ruled that Vista failed to submit adequate documentation of the disputed services and denied reimbursement on that ground. Vista argues that it properly submitted documentation to MRD and that it is entitled to recover the remaining balance on its bill in the amount of \$5,461.56. The Administrative Law Judge (ALJ) agrees with Vista and finds that it is entitled to additional reimbursement of \$5,461.56 plus interest.

I. PROCEDURAL HISTORY, JURISDICTION, AND NOTICE

On June 17, 2004, ALJ Thomas H. Walston convened a hearing on the merits at the SOAH hearing facilities in Austin, Texas. Attorney Christina Williams represented Vista and attorney Brandi Young represented American Manufacturers Mutual Insurance Co. (Carrier). Jurisdiction and notice were not contested and will be addressed in the findings of fact and conclusions of law. The hearing concluded and the record closed the same day.

II. DISCUSSION

A. Factual Overview

The basic facts are not disputed. On ____, Claimant ____ sustained a compensable injury, and on ____, she underwent a spinal fusion at L4-5 and L5-S1. Her condition deteriorated and on April 22, 2002, ____ was examined and found to have evidence of graft absorption and possible hardware loosening in the base of her spine in the S-1 screws, with possible joint disease at that level. Therefore, she was again admitted to Vista Medical Center Hospital for removal of hardware and re-fusion. Vista's bill for this hospitalization totaled \$103,849.19. After crediting payments made by Carrier and applying the stop-loss methodology under the TWCC's Medical Fee Guidelines, the remaining balance in dispute is \$5,461.56.

Carrier denied reimbursement for some of these services as not medically necessary. Vista appealed that decision and an Independent Review Organization (IRO) found the services were medically necessary. Carrier did not appeal that decision and those fees are no longer in dispute. MRD reviewed additional disputed services not addressed by the IRO. The MRD Resolution Officer stated that Vista failed to submit medical records to support its claim. Therefore, MRD stated that it was unable to determine how much was in dispute and recommended no reimbursement. Vista appeals the MRD decision.

B. Parties' Evidence and Arguments

1. Vista

Vista introduced various documents into evidence but did not call any witnesses. The documents included Carrier's Explanations of Benefits (EOBs), Vista's bill, the MRD decision, an itemized statement, and a list of payments made by Carrier. Vista stated that Carrier's EOBs failed to specify what charges were being denied, and Carrier simply used the TWCC denial codes D (duplicate bill), N (not appropriately documented), and U (unnecessary treatment) without any explanation.

Although the specific hospital services denied cannot be determined, the EOBs do specify the amounts denied. On Carrier's initial EOB, dated May 23, 2002, Carrier denied the following amounts with the codes noted:

<u>Amount</u>	<u>Denial Code</u>
\$ 620.89	D
12,602.67	N
<u>3,258.52</u>	<u>U</u>
\$16,482.08	Total

TWCC's stop-loss methodology (which Vista does not dispute) produces a net denial by Carrier of \$12,361.56 (\$16,482.08 x 0.75 + \$12,361.56). On September 5, 2002, Carrier issued a second EOB authorizing a supplemental payment of \$6,900.00, although it again did not specify what services were covered by this payment. However, applying this payment to the total amount due leaves the net balance claimed by Vista of \$5,461.56 (\$12,361.56 - \$6,900.00 + \$5,461.56).

Vista points out that Carrier denied \$3,258.52 in fees (\$2,443.89 after application of stop-loss methodology) as medically unnecessary. However, the IRO decided that issue in Vista's favor. Therefore, the remaining balance at issue, excluding the medical necessity issue and after application of the stop-loss reduction, is \$3,017.67 (\$5,461.56 - \$2,443.89 + \$3,017.67). Vista argues that its bills and itemized statements in the record, along with the IRO's decision on medical necessity and Carrier's failure to provide any documentation or explanation of the denied charges, establish that it is entitled to recover the remaining balance due.

2. Carrier

Carrier offered documents into evidence but did not call any witnesses. The documents included copies of some of Vista's materials and Carrier's answers to discovery. They also included one undated document purporting to specify some disallowed items, but counsel for Carrier could not state when the document was prepared or whether it was provided to Vista or MRD. In argument, Carrier merely suggested that Vista's evidence was not sufficient to overcome the presumptive weight of the MRD decision.

III. ALJ's Analysis

The ALJ finds that Vista is entitled to additional reimbursement of \$5,461.56. This includes the amount previously excluded based on medical necessity, which the IRO decided against Carrier. The evidence was limited, but Vista did establish that this balance is due and that Carrier's EOBs were insufficient. First, it is not possible to determine from the EOBs what charges Carrier disallowed. Instead, the EOBs only contain a dollar amount and a TWCC letter code for duplicate charge or not appropriately documented. But the EOB does not explain what expense Carrier claims was charged twice, what expense lacked appropriate documentation, or how the documentation was lacking. Because the specific charges that Carrier disallowed are unknown, it was not possible for Vista to adequately respond to Carrier's objections. TEX. LABOR CODE ' 408.027(d) provides:

If an insurance carrier disputes the amount of payment or the health care provider's entitlement to payment, the insurance company shall send to the commission, the health care provider, and the injured employee a report that sufficiently explains the reasons for the reduction or denial of payment for health care services provided to the employee.

Likewise, TWCC's rules at 28 TEX. ADMIN. CODE ' 133.304(c) provides:

At the time an insurance carrier makes payment or denies payment on a medical bill, the insurance carrier shall send . . . the explanation of benefits to the appropriate parties. The explanation of benefits shall include the correct payment exception codes required by the Commission's instructions, and shall provide sufficient explanation to allow the sender to understand the reason(s) for the insurance carrier's actions(s). A generic statement that simply states a conclusion such as A not sufficiently documented@ or other similar phrases with no further description of the reason for the reduction or denial of payment does not satisfy the requirements of this section. . . .

Carrier failed to comply with these statutory and regulatory requirements when it disallowed the charges at issue in this case. It was impossible for Vista to determine from the EOBs what hospital services Carrier disallowed or the reason for the disallowance, other than the TWCC payment exception code. Further, Carrier provided no evidence or argument to refute Vista position.

Therefore, the ALJ concludes that Vista's appeal should be granted and that Carrier should pay Vista additional reimbursement of \$5,461.56, plus interest.

IV. FINDINGS OF FACT

1. On ____, ____ sustained a compensable injury in the course and scope of her employment with Miami Aircraft Support Association.
2. At the time of ____'s compensable injury, American Manufacturers Mutual Insurance Co. (Carrier) provided workers' compensation insurance for ____'s employer.
3. On April 22, 2002, ____ was admitted to Vista Medical Center Hospital (Vista) for surgery for a failed lumbar spinal fusion. During the hospitalization, Vista provided medical treatment and services to ____ for her workers' compensation injury.
4. Vista submitted itemized billing totaling \$103,849.19 for the services provided to ____
5. In an Explanation of Benefits (EOB) dated May 23, 2002, Carrier denied payment of charges of \$620.89 under denial code D (duplicate bill); \$12,602.67 under denial code N (not appropriately documented); and \$3,258.52 under denial code U (unnecessary treatment).
6. Carrier's EOB failed to specify what services it disputed or how Vista's charges were not appropriately documented.
7. On September 5, 2002, Carrier issued a second EOB in which approved a supplemental payment of \$6,900.00.
8. After credit for Carrier's payments and reduction of Vista's charges under TWCC's stop-loss methodology, the remaining balance due is \$5,461.56. Vista timely appealed Carrier's denial of payment.
9. On August 5, 2003, Independent Review Incorporated, an Independent Review Organization (IRO) granted Vista's appeal with respect to charges denied by Carrier as unnecessary treatment in the amount of \$3,258.52 (\$2,443.89 after application of the stop-loss methodology).
10. On January 22, 2004, the TWCC Medical Review Division (MRD) denied Vista's appeal of the remaining charges that Carrier denied as duplicate charges or not appropriately documented.
11. Vista timely filed a request for a contested case hearing on the MRD's decision.
12. All parties were provided not less than 10 days notice of hearing and of their rights under the applicable rules and statutes.

13. On June 17, 2004, ALJ Thomas H. Walston convened a hearing on the merits at the SOAH hearing facilities in Austin, Texas. Attorney Christina Williams represented Vista and attorney Brandi Young represented Carrier. The hearing concluded and the record closed the same day.
14. Vista is entitled to additional reimbursement of \$5,461.56 (which includes the IRO decision that approved recovery of the amount disallowed by Carrier as unnecessary treatment) plus interest.

V. CONCLUSIONS OF LAW

- 1 The Texas Workers' Compensation Commission has jurisdiction to decide the issue presented, pursuant to TEX. LAB. CODE ANN. ' 413.031.
- 2 The State Office of Administrative Hearings has jurisdiction over matters related to the hearing in this proceeding, including the authority to issue a decision and order, pursuant to TEX. LAB. CODE ANN. " 402.073 and 413.031(k) and TEX. GOV'T CODE ANN. ch. 2003.
- 3 Vista timely filed notice of appeal, as specified in 28 TEX. ADMIN. CODE (TAC) '148.3.
- 4 Proper and timely notice of the hearing was provided to the parties according to TEX. GOV'T CODE ANN. " 2001.051 and 2001.052.
- 5 Vista had the burden of proof in this proceeding pursuant 28 TAC ' 148.21(h) and (i).
- 6 After applying the Commission's stop-loss methodology, Vista is entitled to additional reimbursement of \$5,461.56.

ORDER

It is hereby ORDERED that American Manufacturers Mutual Insurance Company shall reimburse Vista Medical Center Hospital the additional sum of \$5,461.56, plus interest, for hospital services rendered to ___ during April 2002.

SIGNED June 30, 2004.

**THOMAS H. WALSTON
ADMINISTRATIVE LAW JUDGE
STATE OFFICE OF ADMINISTRATIVE HEARINGS**