

**SOAH DOCKET NO. 453-05-5450.M4  
TWCC MDR NO. M4-04-1374-01**

<b>VISTA MEDICAL CENTER HOSPITAL,</b>	§	
<b>Petitioner</b>	§	<b>BEFORE THE STATE OFFICE</b>
	§	
<b>V.</b>	§	
	§	<b>OF</b>
<b>AMERICAN MANUFACTURERS</b>	§	
<b>MUTUAL INSURANCE COMPANY,</b>	§	
<b>Respondent</b>	§	<b>ADMINISTRATIVE HEARINGS</b>

**DECISION AND ORDER**

Vista Medical Center Hospital (Provider) requested a hearing on a decision by the Medical Review Division (MRD) of the Texas Department of Insurance, Division of Workers' Compensation (Division),<sup>1</sup> denying additional reimbursement to Provider for a hospital stay provided to Claimant, an injured worker. Provider argued that reimbursement for this admission should be based on the Stop-Loss Exception to the per diem reimbursement methodology contained in the 1997 Acute Care Inpatient Hospital Fee Guideline (1997ACIHFG).<sup>2</sup> The Administrative Law Judge (ALJ) finds the Stop-Loss Exception should be followed in this proceeding. Accordingly, American Manufacturers Mutual Insurance Company (Carrier) is ordered to pay additional reimbursement in the amount of \$75,673.99, plus any applicable interest.

**I. PROCEDURAL HISTORY, NOTICE AND JURISDICTION**

The MRD issued its decision on March 15, 2005. Petitioner filed a timely and sufficient request for hearing. Notice of the hearing was appropriately issued to the parties, and the hearing convened on October 25, 2007. The record was left open at the parties request until November 14,

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<sup>1</sup> Effective September 1, 2005, the legislature dissolved the Texas Workers' Compensation Commission (Commission) and created the Division of Workers' Compensation within the Texas Department of Insurance. Act of June 1, 2005, 79th Leg., R.S., ch. 265, § 8.001, 2005 Tex. Gen. Laws 469, 607. This Decision and Order refers to the Commission and its successor collectively as the Division.

<sup>2</sup> The 1997 ACIHFG established a general reimbursement scheme for all inpatient services provided by an acute care hospital for medical and/or surgical admissions using a service-related standard per diem amount. Independent reimbursement is allowed on a case-by-case basis if the particular case exceeds the stop-loss threshold as described in paragraph (6) of 28 TEX. ADMIN. CODE (TAC) § 134.401(c). This independent reimbursement mechanism, the Stop-Loss Method or Stop-Loss Methodology, is sometimes referred to as the Stop-Loss Exception or the Stop-Loss Rule.

2007, for the possibility of settlement. The ALJ has received no notice of settlement. The record closed on November 14, 2007. This case was joined with other Stop-Loss cases for reasons of efficiency.<sup>3</sup>

## **II. DISCUSSION**

### **A. Factual Overview**

The basic facts were uncontested. Claimant sustained a compensable injury and was admitted to Provider, where Claimant underwent treatment. After Claimant was discharged from the hospital, Provider submitted a bill to Carrier in the amount of \$154,194.16 based on Provider's usual and customary charges for the inpatient stay and surgical procedure. To date, Carrier has paid \$39,609.83.

### **B. Issues**

#### **1. Summary of Positions and ALJ's Decision**

In summary, the parties' positions and ALJ's findings are as follows:

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<sup>3</sup> Beginning in 2003, the Division began referring a significant number of ACIHFG cases to SOAH. Between 2003 and August 31, 2005 approximately 885 ACIHFG cases were referred to SOAH for contested case hearings on issues including the Stop-Loss Exception, audits, and the reimbursement of implantables. In order to efficiently and economically manage this growing number of cases, SOAH in late 2004 and early 2005 began to join the cases into a Stop-Loss Docket, and the cases were abated. By the close of the 2005 regular legislative session, SOAH realized a finite, but still unknown, number of Stop-Loss cases would be referred to SOAH by the Division through August 31, 2005.

	<b>MRD</b>	<b>Provider</b>	<b>Carrier</b>	<b>ALJ <sup>4</sup></b>
<b>Charges</b>	\$154,160.16	\$154,194.16	\$154,194.16	<b>\$153,711.76</b>
<b>Reimbursement Methodology</b>	per diem <sup>5</sup>	x 75%	unknown <sup>6</sup>	<b>x 75%</b>
<b>Reimbursement Amount</b>	\$3,575.00	\$115,645.62	\$39,609.83	<b>\$115,283.82</b>
<b>Less Payment</b>	(\$39,609.83)	(\$39,609.83 )	(\$39,609.83 )	<b>(\$39,609.83)</b>
<b>Balance Due Provider</b>	\$0.00	\$76,035.79	\$0.00	<b>\$75,673.99</b>

<sup>4</sup> The amount to which the Stop-Loss payment of 75 percent of total audited charges should be calculated is reduced on the following bases. As a starting point, the ALJ includes slightly lesser amounts for charges, at \$154,160.16, and amount in dispute, at \$76,010.29, based on Provider's table of disputed services and request for medical dispute resolution which placed those amounts in dispute, and on the MRD decision which indicated \$76,010.29 as the amount in dispute. Ex. 1 at 22-24, 48. Second, in its audit, Carrier reduced Provider's bill by \$34.00 for personal items not covered, as is permitted under the Stop-Loss Exception, and \$414.40 for duplicate charges. Ex. 1 at 15. Those amounts are deducted from total audited charges to arrive at a final figure of \$153,711.76 for applying the Stop-Loss Exception, at 75 percent of total audited charges.

Carrier also denied \$99,106.36 of Provider's charges based on its assertion that they were not appropriately documented. At the hearing, Carrier identified this lack of documentation, or at least the large majority of it, as involving the need for invoices for implantables. However, these invoices are not needed for and are not applicable to the Stop-Loss Exception which requires reimbursement at 75 percent of total audited charges, rather than payment of implantables at cost plus 10 percent. Any additional claims that were denied on the basis of lack-of-documentation were not adequately identified. The ALJ concludes that further reduction of the amount to which the Stop-Loss Exception applies, on the basis of Carrier's undocumented assertion, is unwarranted.

Finally, Carrier denied \$1,826.30 in unidentified services as medically unnecessary. However, the services were preauthorized. Ex. 1 at 40.

<sup>5</sup> MRD determined that the Stop-Loss Exception did not apply on the basis of its finding that the services were not unusually extensive. It determined the per-diem amount for a five-day hospital stay at \$1,118.00 per day for a total of \$5,590.00, but stated that Provider billed only \$3,575.00. It said an additional amount should be paid for implantables, but because no invoices were submitted, it could not determine any amount of additional reimbursement. On the basis of Carrier's payment of \$39,609.83, it concluded that no additional reimbursement was owed.

<sup>6</sup> Carrier's payment methodology was not entirely apparent.

## 2. Background

When a hospital's total audited bill is greater than \$40,000, the Division's Stop-Loss Exception applies, and the hospital is reimbursed at 75% of its total audited bill. The purpose of the Stop-Loss Methodology is "to ensure fair and reasonable compensation to the hospital for unusually costly services rendered during treatment to an injured worker."<sup>7</sup> The following legal issues in this case were decided by a SOAH En Banc Panel<sup>8</sup> (En Banc Panel), and those determinations are incorporated herein. Legal arguments related to these issues will not be addressed, other than in the Conclusions of Law.

3. The ALJs conclude that a hospital's post-audit usual and customary charges for items listed in 28 TAC § 134.401(c)(4) are the audited charges used to calculate whether the Stop-Loss Threshold has been met for a workers' compensation admission. The ALJs decline to adopt the Carriers' argument to use the carve-out reimbursement amounts in § 134.401(c)(4) as audited charges, and they decline to adopt the Division's argument to use a fair-and-reasonable amount as determined by a carrier in its bill review as audited charges.
4. The ALJs find that when the stop-loss reimbursement methodology applies to a workers' compensation hospitalization, all eligible items, including items listed in § 134.401(c)(4), are reimbursed at 75% of their post-audit amount. Items listed in § 134.401(c)(4) are not reimbursed at the carve out amounts provided in that section when the stop-loss reimbursement methodology is applied.
5. The ALJs conclude that any reasons for denial of a claim or defenses not asserted by a Carrier before a request for medical dispute resolution may not be considered, whether or not they arise out of an audit. The ALJs also conclude that Carriers' audit rights are not limited by § 134.401(c)(6)(A)(v) when the stop-loss reimbursement methodology applies. In such cases, carriers may audit in accordance with § 134.401(b)(2)(c).
6. The ALJs find that a hospital establishes eligibility for applying the stop-loss reimbursement methodology under § 134.401(c)(4) when total eligible amounts exceed the Stop-Loss Threshold of \$40,000. There is no additional requirement for a hospital to establish that any or all of the services were unusually costly or unusually extensive.<sup>9</sup>

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<sup>7</sup> 28 TAC § 134.401(c)(6).

<sup>8</sup> En Banc Panel Order in Consolidated Stop Loss Legal Issues Docket, SOAH Docket No. 453-03-1487.M4 (Lead Docket), issued January 12, 2007.

<sup>9</sup> Because of a typographical error, the En Banc Panel's decision incorrectly cites § 134.401(c)(4) rather than § 134.401(c)(6) as the applicable rule.

Finally, in reply to a request for clarification, the En Banc Panel found that when referring to a hospital's usual and customary charges, the rules are referring to the hospital's own usual and customary charges and not to charges that are an average or median of other hospitals' charges.<sup>10</sup> Provider is required to charge its usual and customary charges, and Carrier failed to prove any of the charges assessed were not Provider's usual charges for that particular item or service.

In summary, the ALJ concludes that the Stop-Loss Threshold was met in this case and that the amounts in dispute should be calculated accordingly.

### **III. FINDINGS OF FACT**

1. Claimant sustained a compensable injury in the course and scope of his employment; his employer had coverage with American Manufacturers Mutual Insurance Company (Carrier).
2. Vista Medical Center Hospital (Provider) provided medical treatment to Claimant for the compensable injury.
3. Provider submitted itemized billing totaling \$154,194.16 for the services provided to Claimant for the treatment in issue.
4. Provider's bill included charges in the amount of \$79,880.00 for surgical implantables used to treat Claimant.
5. The \$154,194.16 billed was Provider's usual and customary charges for these items and treatments.
6. Carrier has issued payments of \$39,609.83 to Provider for the services in question.
7. Carrier denied further reimbursement to Provider.
8. Provider requested Dispute Resolution Services from the Medical Review Division (MRD) of the Texas Workers' Compensation Commission (Commission) on charges totaling \$154,160.16.
9. Effective September 1, 2005, the legislature dissolved the Commission and created the Division of Workers' Compensation within the Texas Department of Insurance. The Commission and its successor are collectively referred to as the Division.

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<sup>10</sup> Letter from ALJ Catherine C. Egan dated February 23, 2007.

10. Based on its finding that the Stop-Loss Exception did not apply because the services were not unusually extensive and that Carrier paid \$39,609.83, but owed only \$3,575.00, MRD found that Carrier owed no additional reimbursement.
11. Provider 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 October 25, 2007, Administrative Law Judge James W. Norman convened a hearing on the merits at the hearing facilities of the State Office of Administrative Hearings (SOAH) in Austin, Texas. Carrier and Provider were present and represented by counsel. The Division did not participate in the hearing. The hearing concluded and the record closed on November 14, 2007.
14. Provider's total audited charges under § 134.401(c)(6)(A)(v) are \$153,711.76, which allows Provider to obtain reimbursement under the Division's Stop-Loss Methodology.
15. In its request for medical dispute resolution and table of disputed services, Provider stated total charges at \$154,160.16 and amount in dispute at \$76,010.29.
16. In its audit of Provider's charges, Carrier reduced Provider's claim by \$34.00 for personal items and \$414.40 for duplicate charges.
17. There was insufficient evidence to find that Carrier's reduction of Provider's claim for personal items and duplicate charges was inappropriate.
18. In its audit of Provider's charges, Carrier reduced Provider's claim by \$99,106.36 based on its assertion that certain charges were not properly documented.
19. The undocumented charges referred primarily to Provider's failure to provide invoices for its implantables; other undocumented charges were not identified and the record does not show which charges were referred to.
20. Invoices for implantables are not needed for and are not applicable to the Stop-Loss Exception, which requires reimbursement at 75 percent of total audited charges, rather than payment for implantables at cost plus 10 percent.
21. In its audit of Provider's charges, Carrier reduced Provider's claim by \$1,826.30 in unidentified services based on its conclusion that they were medically unnecessary.
22. Carrier preauthorized the services.
23. Under the Stop-Loss Methodology, Provider is entitled to total reimbursement of \$115,283.82 on the basis of total audited charges of \$153,711.76 times 75 percent. After deduction of Carrier's prior payment of \$39,609.83, Provider is entitled to additional reimbursement of \$75,673.99 under the Stop-Loss Methodology.

#### IV. CONCLUSIONS OF LAW

1. 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.
2. Provider timely requested a hearing, as specified in 28 TEX. ADMIN. CODE (TAC) §148.3.
3. Proper and timely notice of the hearing was provided to the parties in accordance with TEX. GOV'T CODE ANN. §§ 2001.051 and 2001.052.
4. Petitioner had the burden of proof in this proceeding pursuant to 28 TAC § 148.21(h) and (i).
5. All eligible items, including the items listed in 28 TAC § 131.401(c)(4), are included in the calculation of the \$40,000 Stop-Loss Threshold.
6. In calculating whether the Stop-Loss Threshold has been met, all eligible items are included at the hospital's usual and customary charges in the absence of an applicable MARS or a specific contract.
7. The carve-out reimbursement amounts contained in 28 TAC § 134.401(c)(4) are not used to calculate whether the Stop-Loss Threshold has been met.
8. When the Stop-Loss Methodology applies to a workers' compensation admission, all eligible items, including items listed in 28 TAC § 134.401(c)(4), are reimbursed at 75% of their post-audit amount.
9. Under the Stop-Loss Methodology, items listed in 28 TAC § 134.401(c)(4) are not reimbursed at the carve-out amounts provided in that section when the Stop-Loss Methodology applies.
10. Carriers' audit rights are not limited by 28 TAC § 134.401(c)(6)(A)(v) when the Stop-Loss Methodology applies. In such cases, carriers may audit in accordance with 28 TAC § 134.401(b)(2)(C).
11. Pursuant to 28 TAC § 133.307(j)(2), any defense or reason for denial of a claim not asserted by a carrier before a request for medical dispute resolution may not be considered at the hearing before SOAH, whether or not it arises out of an audit.
12. A hospital, Provider in this case, establishes eligibility for applying the Stop-Loss Methodology under 28 TAC § 134.401(c)(6) when total eligible charges exceed the Stop-Loss Threshold of \$40,000. There is no additional requirement for a hospital to separately establish that any or all of the services were unusually costly or unusually extensive.
13. The Stop-Loss Methodology applies to this case.

14. The February 17, 2005 Staff Report (Staff Report) by MRD Director Allen C. McDonald, Jr., is not consistent with the Stop-Loss Rule, 28 TAC § 134.401(c)(6), and is not consistent with the Division's prior interpretation of the rule that the \$40,000 Stop-Loss Threshold alone triggered the application of the Stop-Loss Methodology.
15. The Staff Report is not consistent with the Stop-Loss Rule, the preambles to the Stop-Loss Rule published in the Texas Register, or MRD decisions issued prior to February 17, 2005.
16. The Staff Report has no legal effect in this case.
17. If a specified health care treatment or service is preauthorized, that treatment or service is not subject to retrospective review of the medical necessity of the treatment or service. TEX. LAB. CODE ANN. § 413.014.
18. Applying the Stop-Loss Methodology in this case, Provider is entitled to total reimbursement of \$115,283.82.
19. As specified in the above Findings of Fact, Carrier has already reimbursed Provider \$39,609.83 of this amount.
20. Based on the foregoing findings of fact and conclusions of law, Carrier owes Provider an additional reimbursement of \$75,673.99, plus any applicable interest.

### **ORDER**

It is hereby **ORDERED** that American Manufacturers Mutual Insurance Company reimburse Vista Medical Center Hospital the additional sum of \$75,673.99, plus any applicable interest, for services provided to Claimant.

**SIGNED January 11, 2008.**

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**JAMES W. NORMAN  
ADMINISTRATIVE LAW JUDGE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS**