

“Reasonable and Customary” Payment Methodology Survey to Plans and Capitated Providers

March 18, 2015

Sandra M. Gallardo

Attorney

Office of Legal Services

www.HealthHelp.ca.gov

What is “Reasonable and Customary” Amount?

- Health plans are required to reimburse providers the “reasonable and customary” (“R&C”) amount for non-contracted services. 28 CCR 1300.71(a)(3)(B)
- In calculating the R&C payment the amounts must be determined using statistically credible information updated annually that “takes into consideration” six criteria, often known as the *Gould* criteria.

www.HealthHelp.ca.gov

What are the “Gould” Criteria?

1. The provider's training, qualifications, and length of time in practice
2. The nature of the services provided
3. The fees usually charged by the provider
4. Prevailing provider rates charged in the general geographic area in which the services were rendered
5. Other aspects of the economics of the medical provider's practice that are relevant
6. Any unusual circumstances in the case

www.HealthHelp.ca.gov

Children's Hospital Decision

- The "reasonable" value of non-contracted services is not solely determined from the provider's billed charges.
- The range of payments paid to and **accepted by** the provider are also relevant, such as Medi-Cal rates and commercial contract rates.
- *Gould* criteria are merely the floor for determining the R&C payment.

www.HealthHelp.ca.gov

What DMHC is Doing?

- Survey of licensed health plans and capitated provider groups
- Evaluating the methodologies used to determine R&C
- Focus on non-contracted emergency services

www.HealthHelp.ca.gov

Why Now?

- Petition before the DMHC to reopen the R&C Regulation in light of *Children's Hospital* decision
- Request to investigate violations of the R&C regulation
- Last time the DMHC looked at the regulation was pre-*Prospect*, pre-ACA and pre-*Children's Hospital*

www.HealthHelp.ca.gov

The Survey Explained

- Submit methodologies for payment of non-contracted emergency services for:
 - Physician services
 - Facility/institutional services
- Describe how the *Gould* criteria is considered
- Any anticipated changes due to the *Children's Hospital* decision
- The health plan's percentage enrollment by county

www.HealthHelp.ca.gov

Next Steps

- Plans and capitated providers must submit data by March 16th and March 30th, respectively
- DMHC will:
 - Evaluate payment methodology trends
 - Produce a high-level report using aggregated data
 - Determine whether the regulation needs to be revised

www.HealthHelp.ca.gov

Questions?

www.HealthHelp.ca.gov