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New Database to Help Set Payouts by Health Insurers

By [REED ABELSON](#)

[Andrew M. Cuomo](#), the New York attorney general, on Tuesday announced the details of a new national database that would help determine how much insurance companies should reimburse patients who go out of network to see a doctor.

Consumers would also be able to check a new Web site to see what an insurer was likely to pay before they went to an out-of-network doctor.

The [announcement](#) is part of a settlement reached over the last year with more than a dozen insurance companies concerning one of the industry's most controversial practices: the payment of out-of-network claims.

Using a database run by the [UnitedHealth Group](#), the insurance giant, the industry was accused of systematically understating the doctors' fees for more than a decade and shortchanging consumers by hundreds of millions of dollars.

Consumers' reimbursements "will actually go up now because the reimbursements were artificially deflated," said Mr. Cuomo, whose office conducted an investigation into these practices.

Under the new plan, a nonprofit company, FAIR Health, will be set up and will work with [Syracuse University](#) and a group of other state universities to operate the new database and consumer Web site. The system will go into operation within a year, Mr. Cuomo said.

As Congress tries to overhaul the health care system, some policy makers in Washington applauded Mr. Cuomo's attempt to provide patients with better information about the cost of medical care.

"This is an important step forward for consumers, who too often are unable to penetrate the secrecy and bureaucracy of insurance companies," [Nancy-Ann DeParle](#), director of the White House Office of Health Reform, said.

At issue is a reimbursement system that potentially affects about 70 percent of the nation's insured families — ones enrolled in health plans that let them see doctors who are not part of the plan's network. When patients go out of network, insurers typically reimburse patients for only a portion of the medical bill, based on what is called the "reasonable and customary" cost of the services in that city or region.

A patient might receive a doctor's bill for \$100, for example, but the "reasonable and customary" cost as calculated by the database might determine the bill should have been only \$72, based on local rates. If the

out-of-network agreement calls for the insurer to pay only 70 percent of the doctor's fee, the patient would be reimbursed \$50 of that \$72 doctor's bill.

Mr. Cuomo's investigation found that the industry database's determination of \$72 as "reasonable and customary" might have been an unfairly low assessment of the actual prevailing local doctors' fees.

The database, used by the entire insurance industry, has been operated by a unit of UnitedHealth called Ingenix.

As part of the settlement Mr. Cuomo reached with [UnitedHealth last January](#), the insurer agreed to stop operating the database as soon as a new one could be used. UnitedHealth did not acknowledge any wrongdoing as part of the settlement.

Mr. Cuomo also reached related settlements with other insurers with operations in New York, including [Aetna](#), [Cigna](#) and WellPoint. The industry also agreed to provide about \$100 million in financing to help start the new nonprofit company, whose name FAIR Health is derived from Fair and Independent Research.

"We stand ready to work with FAIR Health, Syracuse University and the research consortium on an expeditious transition of the database," UnitedHealth said in a statement.

Mr. Cuomo also noted the value in the information that would be available to consumers about how much their own doctors were charging for services, compared with other local doctors.

Currently, when consumers are told they will be reimbursed for only part of a doctor's bill, they have no way of judging whether the insurer is stingy or their doctor is overpriced.

The industry says that the information will help patients recognize how much their doctors may be overcharging them.

"We hope this database will help shed light on the exorbitant fees that some out-of-network providers are charging patients for health care services," said Robert Zirkelbach, a spokesman for the trade association, American's Health Insurance Plans.

Syracuse will lead a research network composed of SUNY at Buffalo, [Cornell University](#), [University of Rochester](#) and SUNY Upstate Medical University.

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