

STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES  
Before the Director of Insurance and Financial Services

In the matter of:

████████████████████  
Petitioner

v  
Blue Cross Blue Shield of Michigan  
Respondent

File No. 146825-001

Issued and entered  
this 9<sup>th</sup> day of April 2015  
by Joseph A. Garcia  
Special Deputy Director

ORDER

I. PROCEDURAL BACKGROUND

On March 16, 2015, ██████████, on behalf of his wife ██████████, (Petitioners) filed a request with the Director of Insurance and Financial Services for an external review under the Patient's Right to Independent Review Act, MCL 550.1901 *et seq.* On March 23, 2015, after a preliminary review of the information submitted, the Director accepted the request.

The Petitioners receive health care benefits through a group plan underwritten by Blue Cross Blue Shield of Michigan (BCBSM). The benefits are defined in BCBSM's *Simply Blue HSA Group Benefits Certificate with Prescription Drugs LG*. Two riders, which concern deductibles and out-of-pocket maximums, amend the certificate.

The Director notified BCBSM of the external review request and asked for the information it used to make its adverse determination. BCBSM submitted the material on March 31, 2015.

The issue in this external review can be decided by a contractual analysis. The Director reviews contractual issues pursuant to MCL 550.1911(7). This matter does not require a medical opinion from an independent review organization.

## II. FACTUAL BACKGROUND

From March 10 through March 12, 2014, [REDACTED] received treatment at [REDACTED] Hospital Center, a participating provider in [REDACTED]. The hospital charged \$11,934.20. BCBSM approved the charge and calculated that the Petitioners' required deductible was \$1,264.47 and the coinsurance was \$1,779.76. These amounts appeared on the Explanation of Benefits (EOB) form BCBSM issued on May 9, 2014. The EOB also indicated that the balance due was \$1,964.64. The balance due is not consistent with the total of the deductible and coinsurance amounts.

The Petitioners appealed BCBSM's payment decision through its internal grievance process, arguing that the \$1,964.64 was the amount they should pay, not the larger deductible and coinsurance which totaled \$3,044.23. At the conclusion of the internal grievance process, BCBSM issued a final adverse determination dated January 21, 2015, affirming its decision. The Petitioners now seeks a review of that final adverse determination from the Director.

## III. ISSUE

Did BCBSM correctly process the claims for the treatment provided by the [REDACTED] Hospital Center?

## IV. ANALYSIS

### Petitioner's Argument

In the request for an external review, the Petitioners wrote:

Blue Cross Blue Shield of Michigan provided an explanation of benefits statement that clearly stated that a lower amount of money was owed to the provider and that this statement replaced other determination. BCBSM has been incredibly slow to respond and never provided revised EOB's either.

In a December 18, 2014 letter to BCBSM Petitioner [REDACTED] wrote:

My Explanation of Benefits Statement explanation message states "We reviewed this service, this decision replaces an earlier one and may change the amount you owe this provider. This EOB shows your correct balance for this service." It clearly outlines that I have a total balance of \$1,964.64. This is due to a total charge of \$11,934.20 minus total covered by BCBSM and paid to provider of \$9,969.56.

The EOB indicated that the balance due was \$1,964.64 — \$1,079.59 less than the combination of \$1,264.47 deductible and \$1,779.76 coinsurance. The Petitioners argue that BCBSM must pay them an additional \$1,079.59 or make an adjustment with the hospital of the remaining balance on his bill.

### BCBSM's Argument

In its final adverse determination, BCBSM wrote:

Under the terms of your contract, you have a \$4,000 family deductible requirement for covered services provided by in-network providers. Our records indicate that you had not met your in-network family deductible requirement at the time the referenced claims were processed. Therefore, \$1,264.00 of the approved amounts was applied correctly to your family in-network deductible and remains your responsibility. In addition, your 20 percent in-network coinsurance applied once you met your in-network family deductible, and you remain responsible for the \$1,779.76 in coinsurance.

\* \* \*

In this case, ██████████ Hospital Center ██████████ reported inpatient hospital services totaling \$11,934.20. The approved amount by BCBSM was \$11,934.20. Pursuant to the terms of your health care plan we subtracted \$1,264.47 to satisfy your in-network family deductible; having met your in-network family deductible we applied your contractual 20 percent coinsurance, totaling \$1,779.76 as reflected on the Explanation of Benefit Payments statement (EOB). This makes your total liability for the claim \$3,044.23. As I stated in my November 24, 2014 letter, we regret any inconvenience that may have been caused by the amounts reflected on the EOB. However, the claim was paid based on the terms of your contract.

### Director's Review

The Petitioners argue that the EOB indicates that the amount they are required to pay is only \$1,964.64, not \$3,044.23. BCBSM states that there is an error on the final line of the EOB which shows the Petitioners balance is \$1,964.64. However, that amount is not consistent with BCBSM's calculation of the Petitioners' deductible and coinsurance amounts which also appear on the EOB and which total \$3,044.23.

Deductibles and coinsurance are known as “cost sharing” — the payments a member is required to remit to a provider before the insurer issues its own payment. The methods of calculating deductibles and coinsurance are described on pages 9-11 of the *Simply Blue* certificate of coverage. The deductibles and out-of-pocket maximums are established in the *Simply Blue* certificate's riders. These cost sharing obligations appear on the EOB. There is no

evidence that the Petitioners' cost sharing amounts (\$1,264.47 deductible and \$1,779.76 coinsurance) are not accurate. The Petitioners met their annual deductible, coinsurance, and out-of-pocket maximum in connection with the [REDACTED] Hospital Center claim.

The Director finds that BCBSM application of a \$1,264.47 deductible and \$1,779.76 coinsurance is consistent with the provisions of the *Simply Blue* certificate, applicable riders, and claims history.

#### V. ORDER

The Director upholds BCBSM's January 21, 2015, final adverse determination. BCBSM is not required to pay any additional amount for the March 10 through March 12, 2014 hospital care. The \$1,264.47 deductible and \$1,779.76 coinsurance are the Petitioners' responsibility.

This is a final decision of an administrative agency. Any person aggrieved by this order may seek judicial review no later than 60 days from the date of this order in the circuit court for the Michigan county where the covered person resides or in the circuit court of Ingham County. See MCL 550.1915(1). A copy of the petition for judicial review should be sent to the Department of Insurance and Financial Services, Office of General Counsel, Post Office Box 30220, Lansing, MI 48909-7720.

Annette E. Flood  
Director

For the Director:



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Joseph A. Garcia  
Special Deputy Director