

STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Before the Director of Insurance and Financial Services

In the matter of

██████████

Petitioner

v

File No. 146420-001

Health Alliance Plan of Michigan

Respondent

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Issued and entered  
this 18<sup>th</sup> day of March 2015  
by Randall S. Gregg  
Special Deputy Director

**ORDER**

**I. PROCEDURAL BACKGROUND**

On February 20, 2015, ██████████ (Petitioner) filed a request for external review with the Director of Insurance and Financial Services under the Patient's Right to Independent Review Act, MCL 550.1901 *et seq.*

The Petitioner is a member of Health Alliance Plan of Michigan (HAP), a health maintenance organization. The Director notified HAP of the request for review and requested the information used to make its final adverse determination. HAP provided its response on February 24, 2015. On February 27, 2015, after a preliminary review of the material submitted, the Director accepted the request.

The issue in this external review can be decided by a contractual analysis. The Director reviews contractual issues under MCL 500.1911(7). This matter does not require a medical opinion from an independent review organization.

**II. FACTUAL BACKGROUND**

On June 25, 2014, the Petitioner had replacement surgery on her right knee. HAP provided coverage for the surgery. On June 26, 2014, the Petitioner received notice that her employer group's health plan was changing effective August 1, 2014 and would require a deductible and coinsurance for most covered services.

Between August 4 and September 9, 2014, Petitioner received physical therapy for her knee at the [REDACTED] – [REDACTED] in [REDACTED]. HAP provided coverage for the therapy but applied a \$500.00 deductible and a \$169.81 coinsurance charge.

The Petitioner appealed HAP's benefit determination through its internal grievance process requesting that it waive the deductible and coinsurance amounts and pay her physical therapy claims based on benefits that were in effect prior to August 1, 2014 (i.e., no deductible or coinsurance requirements). HAP issued a final adverse determination on December 23, 2014 affirming its claim processing. The Petitioner now seeks review of that adverse determination from the Director.

(The Petitioner is requesting that HAP waive the individual deductible and coinsurance requirements for the August 4 through September 9, 2014 service dates. However, the grievance submitted to HAP by the Petitioner only addressed the August 4 through August 28, 2014 dates of service. This external review cannot be expanded beyond the scope of the internal grievance. Therefore, this review will be limited to the period of August 4 through August 28, 2014.)

### III. ISSUE

Did HAP correctly apply a deductible and coinsurance to the Petitioner's August 4-28, 2014 physical therapy?

### IV. ANALYSIS

#### Respondent's Argument

In its final adverse determination to the Petitioner, HAP explained its application of the deductible and coinsurance:

The Committee reviewed your case...regarding the waiver of your applicable Co-insurance and Individual/Family Deductibles for services you incurred on August 4, 2014 to August 28, 2014 at the [REDACTED]...

As you indicated in your First Level letter, you had a knee replacement on June 25, 2014 while you were covered under another HAP Plan that had no deductibles and coinsurance. Effective August 1, 2014, all Detroit Public School Employees had to switch to HAP's Premium Plan and you feel you were forced into electing this coverage.

Health Alliance Plan is a Health Maintenance Organization (HMO) policy that offers various benefit designs to our employers. The specific HAP HMO contract that you have includes Rider HK45 and that includes a \$500/\$1000 In-

network Individual/Family Deductible and a \$500/\$1000 In-network Co-Insurance benefit.

The Committee carefully considered all the information during the Appeal Hearing review. However, after a detailed discussion, it was determined that we are unable to approve your request to waive your Individual/Family Deductible incurred on August 4, 2014 to August 28, 2014. If you have any questions concerning the terms of your policy, please contact your Employer Benefits Administrator.

### Petitioner's Argument

In a letter dated February 17, 2015, accompanying the Petitioner's request for external review, the Petitioner wrote:

I am writing to request an external review of health care charges that I am receiving. On June 25, 2014, I underwent total knee replacement on my right knee. On June 26, 2014, the day after my surgery, [REDACTED] announced to its employees new healthcare plan options to take effect on August 1, 2014, which negated the terms of the previous contract that were suppose to be effective until December 31, 2014.

I feel that [REDACTED] and Health Alliance Plan (HAP) committed an egregious violation of their contractual obligation by changing the terms of my benefits in the middle of a contract. Under HAP's Continuity of Care program, I requested for HAP to honor the original terms of my contract. My appeal was denied and so I am seeking an external review in hopes of not being held liable for the charges that I am receiving from The [REDACTED]

\* \* \*

According to [REDACTED] I have a total outstanding balance of \$1,212.17<sup>1</sup>. However, according to HAP, the balance owed to [REDACTED] is \$669.81 for individual deductible and coinsurance. I've also enclosed copies of correspondences received from HAP's Second Level Medical Review/Case Summary.

### Director's Review

Effective August 1, 2014, *Rider HK45* amended The Petitioner's subscriber contract to include the following provisions:

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1. The \$1,212.17 may include amounts for September 2014 dates of services. For the August 2014 claim (#100878368-00), HAP indicates on the Explanation of Benefits form that the amount owed in deductible and coinsurance totals \$689.81.

The Section entitled **Payment of Premiums and Copayments** is amended by adding the following:

The annual Deductible shall be \$500 per Member (not to exceed \$1,000 per family).

The Coinsurance under the Contract shall be 10% of HAP's reimbursement after the Deductible is satisfied.

The annual Coinsurance Maximum shall be \$500 per Member (not to exceed \$1,000 per family).

Services that are subject to the Deductible, Coinsurance and Coinsurance Maximum include the following:

- Outpatient Services
- Inpatient Hospital Services
- Ambulatory Services
- Maternity Services
- Ancillary Services
- Laboratory testing, radiology and other services in conjunction with an office visit that is not preventative in nature

HAP covered the Petitioner's physical therapy services but applied cost-sharing requirements of \$669.81 (a \$500.00 deductible and a 10 percent coinsurance charge of \$169.81).

The Petitioner argues HAP should waive the amounts applied to the individual deductible and coinsurance because she believes her employer and HAP changed her benefit plan in the middle of the year in violation of their contractual obligations. However, the subscriber contract, in **Section 10-General Provisions** allows HAP to make benefit changes as long as it provides advanced notice to the employer group:

### **10.3 Changes in Contract**

HAP reserves the right to change benefits, terms and conditions provided under this Contract by giving your Group not less than a 30 day notice prior to the effective date of such change.

In her February 17, 2015 letter to DIFS, the Petitioner acknowledges that on June 26, 2014 she received notice from the [REDACTED] that effective August 1, 2014 her health plan options would be changing. Based on this notification from [REDACTED], HAP implemented the changes in compliance with the Subscriber Contract that requires that the group receive at least a 30-day notice prior to implementing a change in benefits. Under the Patient's Right to Independent Review Act, the Director's role is limited to determining whether an insurer or HMO has properly administered health care benefits under the terms and conditions of

the applicable insurance contract and any relevant state law. The Director has no authority to amend the terms of a health care plan by requiring HAP to waive the contract's deductible or coinsurance requirements which had been amended according to the terms of that contract.

The Director finds that HAP's application of the deductible and coinsurance for Petitioner's August 4, 2014 through August 28, 2014 physical therapy services was consistent with the terms of the Subscriber Contract.

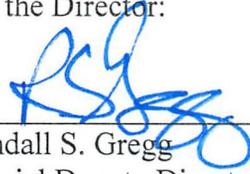
**V. ORDER**

The Director upholds HAP's December 23, 2014 final adverse determination.

This is a final decision of an administrative agency. Under MCL 550.1915, 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 county where the covered person resides or in the circuit court of Ingham County. 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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Randall S. Gregg  
Special Deputy Director