Health Insurance
SMART NC

ANNUAL REPORT ON
EXTERNAL REVIEW ACTIVITY
2012

North Carolina Department of Insurance
Wayne Goodwin, Commissioner

A REPORT ON EXTERNAL REVIEW REQUESTS IN NORTH CAROLINA

Health Insurance Smart NC

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All reports on external review are available on the N. C. Department of Insurance web site at: www.ncdoi.com

Executive Summary

Health Insurance Smart NC (Smart NC), a division of the North Carolina Department of Insurance (Department), administers the state's Health Benefit Plan External Review law, which was enacted in 2002. External review is the independent medical review of a health plan denial and offers another option for resolving coverage disputes between a covered person and their health plan. Requests for external review are made directly to the Department and screened for eligibility by HCR Program staff, but the actual medical reviews are conducted by independent review organizations (IROs) that are contracted with the Department. There is no charge to the consumer for requesting an external review.

In 2012, 261 individuals requested an external review and 144 cases were accepted. Of those accepted, 130 cases were processed on a standard basis and 14 cases were processed on an expedited basis. Overall, outcomes of accepted cases were decided in favor of the consumer 39.6 percent of the time.

Smart NC captures the cost of allowed charges for overturned or reversed services each year, as well as the cumulative charges for these services. In 2012, the average cost of allowed charges from all cases that were reversed by the health plan or overturned by an IRO was $10,295.47 with a cumulative total for the year of $483,887.18, not including the costs of cases yet to be captured due to the prospective nature of the services. Since July 1, 2002, the cumulative total of services provided to consumers as a result of external review is $5,411,291.13.

Smart NC continues to utilize a consumer satisfaction survey with all accepted cases in order to obtain feedback from consumers regarding their external review experience. Overall, responders were generally pleased with the customer service they receive while contacting Smart NC. Consumers reported satisfaction with Smart NC staff and information about the external review process. Most individuals responding to the survey who went through the external review process stated they would tell a friend about external review, suggesting that external review is viewed to be a valued and important consumer protection.

Introduction

North Carolina's external review law (N. C. Gen. Stat. §§ 58-50-75 through 95) provides for the independent medical review of a health plan noncertification, and offers another option for resolving coverage disputes between the covered person and their insurer. A noncertification is a decision made by a health plan that a requested service or treatment is not medically necessary, cosmetic or experimental for the person's condition.

Ten years into operation, North Carolina's Health Insurance Smart NC (Smart NC) continues to provide North Carolinians with the opportunity to request an independent review of their health plan's noncertification if appeals made directly to the health plan have failed to win coverage.

In North Carolina, external review is available to persons covered under a fully insured health plan, the North Carolina State Health Plan Preferred Provider Organization plan (North Carolina SHP-PPO Plan), and the North Carolina High Risk Pool (Inclusive Health).

For a request to be accepted for external review, the covered person must meet eligibility requirements. Requests for external review are made directly to Smart NC and each case is reviewed for completeness and eligibility. If accepted for external review, the case is assigned to an independent review organization (IRO) for clinical review and final decision.

The Smart NC staff utilizes nurses with broad clinical, health plan and utilization review experiences to process external review requests. Smart NC contracts with two Board certified physicians to provide on-call case evaluations of expedited external review requests. The scope of these evaluations is limited to determining whether a request warrants an expedited handling of the review. The consulting physician is available to consult with Program staff and review consumer requests for expedited review at all times.

Smart NC also contracts with IROs to perform the independent medical review of external review cases. IROs are subject to many statutory requirements regarding the organization's structure and operations, the reviewers that they use, and their handling of individual cases. Smart NC engages in a variety of activities to provide appropriate monitoring, ensuring compliance with statutory and contract requirements.

This report, which is required under N. C. Gen. Stat. § 58-50-95, is intended to provide a summary of the external review activities for the calendar year of 2012, as it relates to the nature and outcomes of the requests accepted for review, the health plans whose decisions are subject to review, and the IROs whose performance of the reviews are essential to Smart NC's successful operations. Cumulative analysis is provided for the captured costs relating to the services that have been overturned or reversed as a result of external review services to demonstrate the ongoing value that is provided to North Carolina citizens.

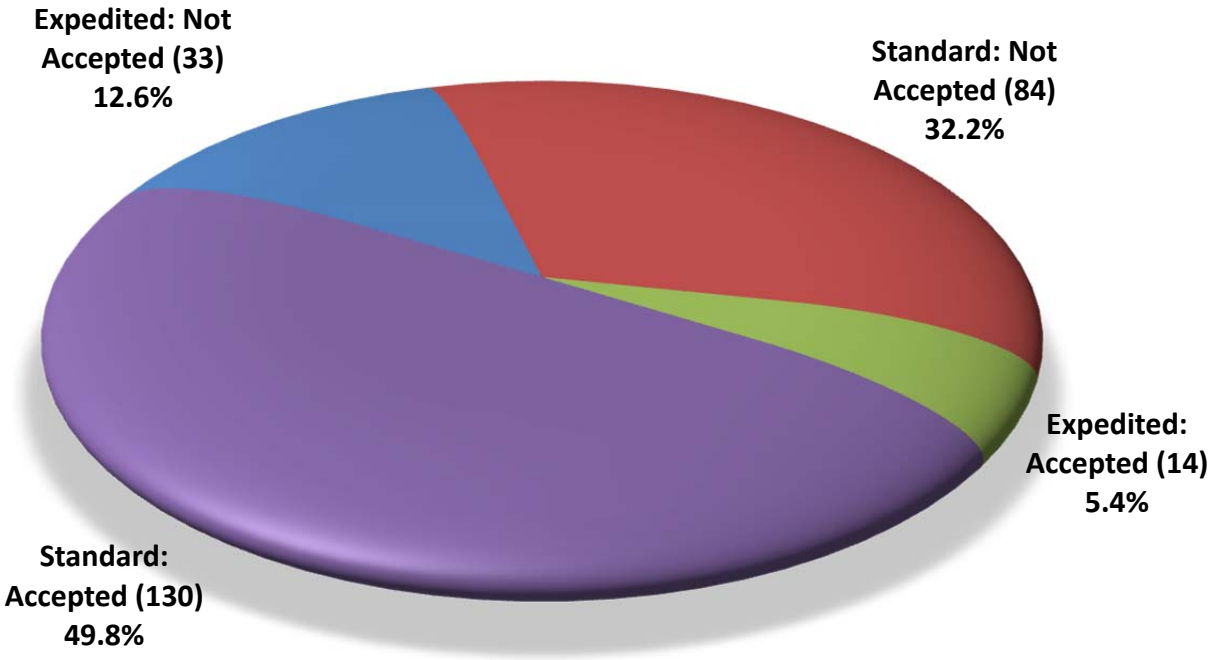
External Review

Smart NC staff receives requests for external review from consumers or their authorized representative. In most cases, external review is available only after all appeals made directly to a health plan have failed to secure coverage. Upon receipt, requests are reviewed to determine eligibility and completeness. Cases accepted for review are assigned to an IRO. The IROs assign clinical experts to review each case, issuing a determination as to whether a health plan's denial should be upheld or overturned. Decisions are required to be made within 45 days of the request for a standard review. Cases accepted for expedited review require a decision to be rendered within four business days of the request.

Eligibility

During 2012, Smart NC received 283 requests for external review. Of these requests, 22 involved a re-submission of a previously incomplete request by the same individual. Therefore, 261 individuals requested external review. Figure 1 shows the disposition of requests for external review made to the Program during 2012. During this time, 55.2 percent of the requests received by Smart NC were determined to be eligible and were comprised of both standard and expedited requests.

Figure 1: Disposition of External Review Requests Received in 2012

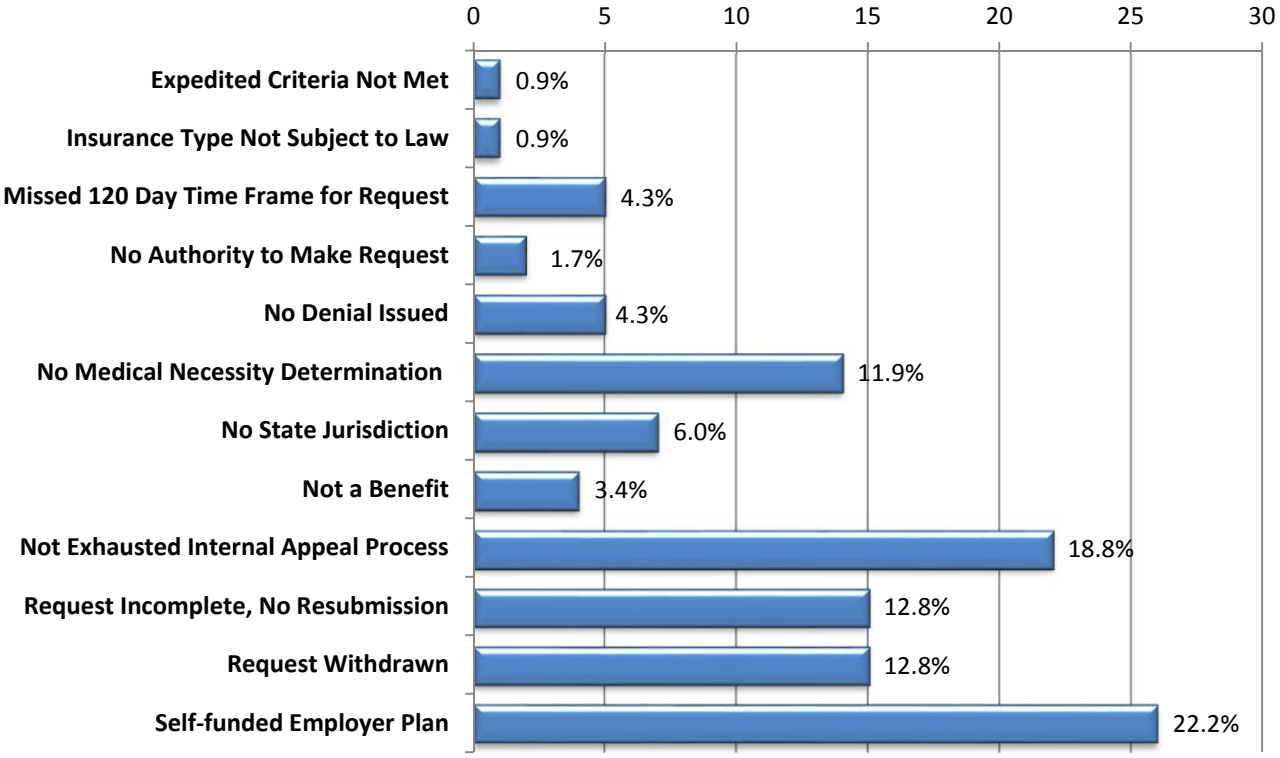


The reason why a case would not be accepted falls into any number of specific categories. Generally, however, a request may be deemed ineligible if the request does not meet the

statutory requirements for eligibility or if the plan itself does not fall under North Carolina regulatory authority.

Figure 2 shows the number of cases that were not accepted for review and the reasons for which they were not accepted for the year 2012. During this time, of the 117 requests that were deemed to be not eligible, consumers who were not eligible because they were covered under a self-funded employer plan made up the largest group of ineligible requests with 26 cases not accepted. Requests from consumers who had not yet exhausted the insurer's internal appeal process were the second largest group with 22 cases not accepted. Requests that involved consumers who had submitted requests that were not related to medical necessity made up the third greatest number of ineligible requests with 14 cases. These three reasons made up 52.9 percent of the cases not accepted for review.

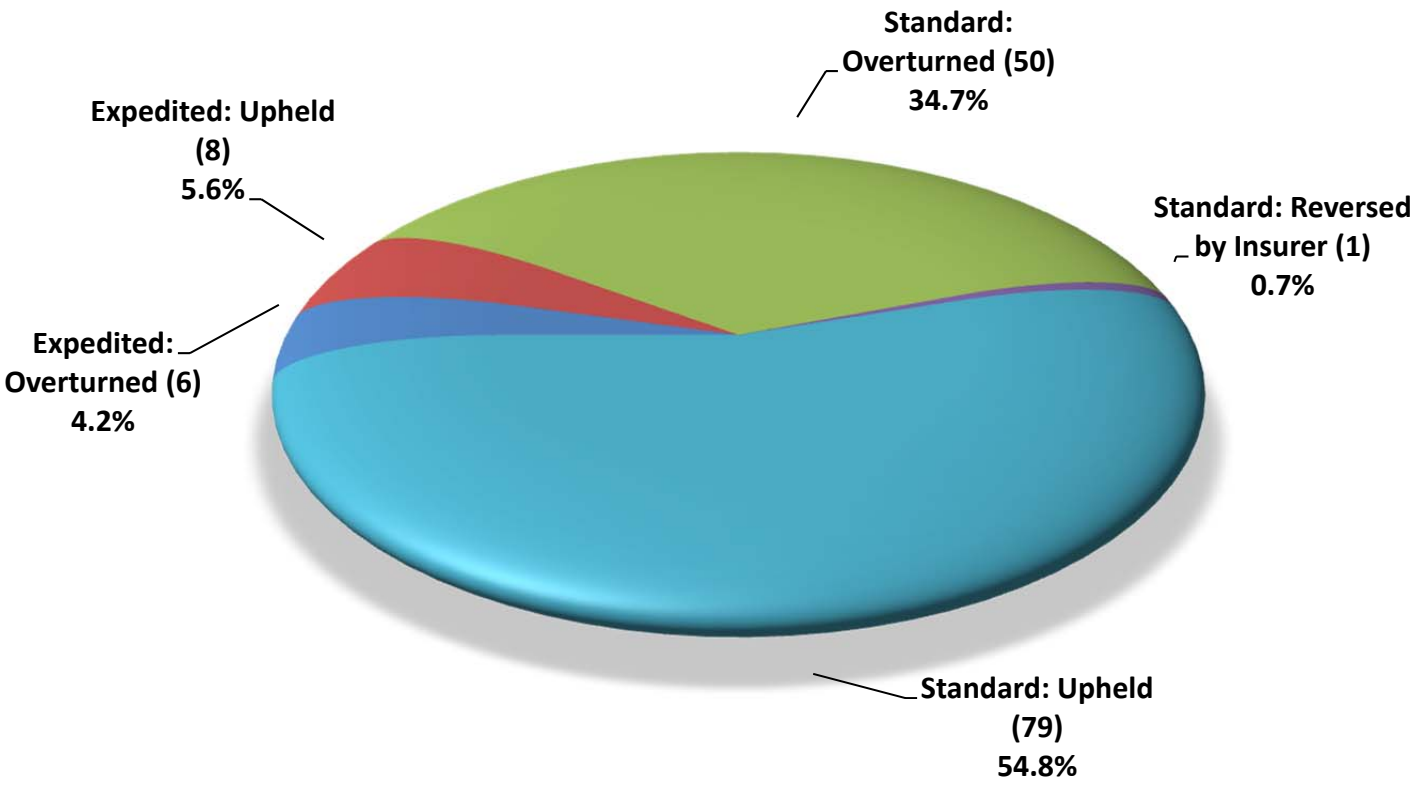
Figure 2: Reasons for Non-Acceptance of an External Review Request in 2012



Outcomes

In 2012, 144 cases were accepted for external review. Of those accepted, 130 were accepted to be processed on a standard basis. Fourteen cases throughout the year were processed on an expedited basis. Figure 3 shows the outcomes of all cases that were accepted for review during the year 2012. Overall in 2012, cases that were accepted for external review were decided in favor of the consumer 39.6 percent of the time.

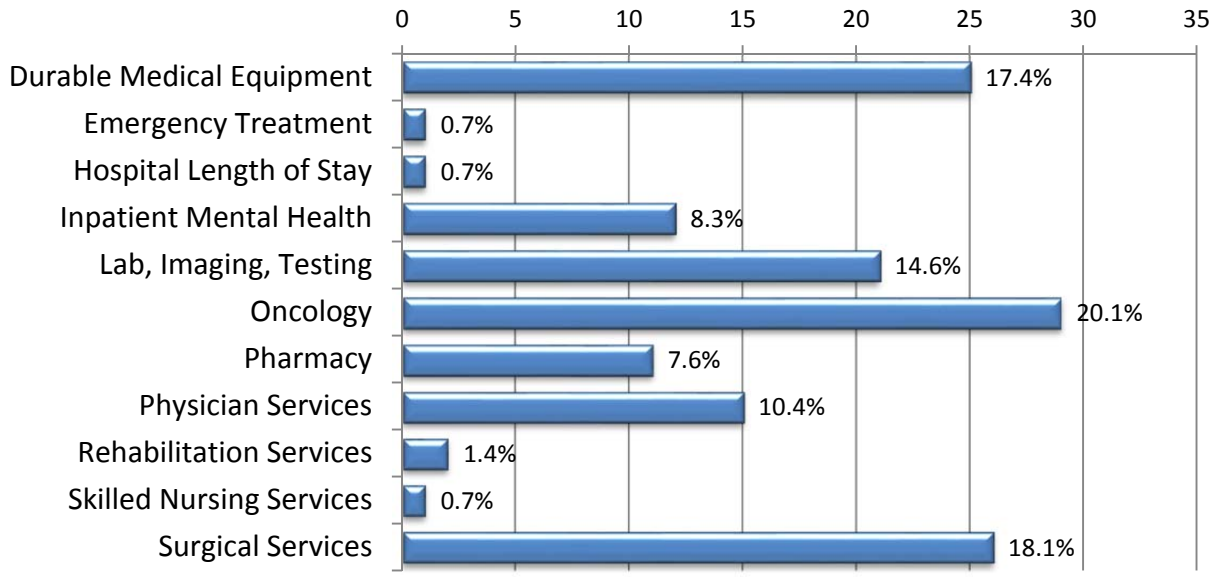
Figure 3: Outcomes of Cases Accepted for External Review by Request Type in 2012



Activity by Type of Service Requested

Smart NC classifies accepted cases into "general" service categories. Figure 4 shows the number of accepted cases for each general service category for 2012. With 29 accepted cases, *Oncology* services had the largest number cases representing 20.1 percent of the cases. *Surgical Services,* representing a variety of different types of surgery, comprised 18.1 percent of the requests accepted in 2012 with 26 cases and *Durable Medical Equipment* was the third largest number of requests with 25 requests, representing 17.4 percent each of the requests. All together, these three general service types made up over 50 percent of the accepted requests.

Figure 4: Accepted Cases by Type of Service Requested in 2012



Although Smart NC reports primarily on the basis of the general types of services under dispute, data on specific service types relating to the request is also kept by the Program to analyze activity and identify trends. Information regarding the specific service types is available upon request to Smart NC.

Table 1 shows the percentage of outcomes for all accepted cases by general service type as well as the percentage share of total outcomes for all services for 2012. *Oncology*, the largest category of requests, was decided in favor of the consumer only 31 percent of the time. Requests involving *Surgical Services* were decided in favor of the consumer 46.2 percent of the time. Requests made for *Durable Medical Equipment* services had outcomes that favored the consumer 40 percent of the time. All requests made to Smart NC were overturned in favor of the consumer or reversed by the insurer 39.6 percent of the time.

Table 1: Percentage of Outcomes by Type of Service Requested in 2012

Type of Service	Percentage Overturned	Percentage Reversed	Percentage Upheld
Durable Medical Equipment	40.0	0.0	60.0
Emergency Services	0.0	0.0	100.0
Hospital Length of Stay	100.0	0.0	0.0
Inpatient Mental Health	41.7	0.0	58.3
Lab, Imaging, Testing	38.1	0.0	61.9
Oncology	31.0	0.0	69.0
Pharmacy	45.5	0.0	54.5
Physician Services	26.7	0.0	73.3
Rehabilitation Services	100.0	0.0	0.0
Skilled Nursing Services	100.0	0.0	0.0
Surgical Services	46.2	3.8	50.0
Percentage of Outcomes for all Cases	**38.9**	**0.7**	**60.4**

Because of the types of services that are denied and the basis upon which the noncertification is issued, it is important to differentiate between a denial based solely on medical necessity and other types of noncertification decisions (i.e., experimental/investigational or cosmetic). For example, a health plan may base its denial decision only on the medical necessity of the procedure, evaluating whether the procedure meets its guidelines for appropriateness for the covered person's condition. However, noncertifications may also include any situation where the health plan makes a decision about the covered person's condition to determine whether a requested treatment is experimental, investigational or cosmetic, and the extent of coverage is affected by that decision. Table 2 further analyzes the breakdown of case outcomes from decisions rendered by IROs as they relate to the service type and the nature of the noncertification for the year 2012.

Table 2: Outcomes of Accepted External Review Requests by Service Type and Nature of Denial in 2012

Service Type	Medical Necessity		Experimental / Investigational		Cosmetic Services	
	Overturned/ Reversed	Upheld	Overturned/ Reversed	Upheld	Overturned/ Reversed	Upheld
Durable Medical Equipment	4	1	6	14	0	0
Emergency Services	0	1	0	0	0	0
Hospital Length of Stay	1	0	0	0	0	0
Inpatient Mental Health	5	7	0	0	0	0
Lab, Imaging, Testing	3	1	5	12	0	0
Oncology	0	1	9	19	0	0
Pharmacy	5	5	0	1	0	0
Physician Services	3	6	1	6	0	0
Rehabilitation Services	1	1	0	0	0	0
Skilled Nursing Facility	1	0	0	0	0	0
Surgical Services	8	7	3	4	2	1
Percentage of Outcomes	**54.4%**	**34.5%**	**42.1%**	**64.4%**	**3.5%**	**1.1%**
Percentage of All Cases:	**42.3%**		**55.6%**		**2.1%**	

In 2012, 42.3 percent of the cases decided by IROs involved the medical necessity of the procedure. The remainder of the cases primarily involved whether the service was considered to be experimental or investigational for the patient's condition, with 55.6 percent of the cases decided on the experimental or investigational nature of the treatment and only 2.1 percent decided on whether the services were considered to be cosmetic. These percentages are similar to previous years.

All of the general service types involved a medical necessity determination by the insurer. Cases involving *Surgical Services* (15) and *Inpatient Mental Health* (12) represented the categories with the most number of cases decided on the merits of medical necessity. Cases involving a determination by the insurer that the service is experimental or investigational did not involve *Emergency Services*, *Hospital Length of Stay, Inpatient Mental Health*, *Rehabilitation Services* and *Skilled Nursing Facility*. *Oncology* (25) and *Durable Medical Equipment* (20), involved the highest number of cases with an experimental denial. *Lab, Imaging, Testing* had 17 cases that were denied for experimental or investigational reasons. There were only three cases in 2012 that were denied due to the insurer's decision that the service was cosmetic in nature and they all involved *Surgical Services.*

In 2012, the majority of cases that were accepted for review were those that were requested on a standard basis, with 90.3% of all cases falling into this 45 day time frame for processing cases.

Table 3 shows the outcomes of cases by the general type of service by type of review requested. The largest number of expedited cases fell into the general service type categories of *Oncology,* with 6 cases and *Surgical Services* case types having the second largest number at four. Standard cases involved all general service category types.

Table 3: Outcomes of all Requests by General Service Type and Review Type in 2012

Service Type	Standard Review		Expedited Review	
	Overturned/ Reversed	Upheld	Overturned/ Reversed	Upheld
Durable Medical Equipment	10	14	0	1
Emergency Services	0	1	0	0
Hospital Length of Stay	1	0	0	0
Inpatient Mental Health	5	6	0	1
Lab, Imaging, Testing	8	13	0	0
Oncology	7	16	2	4
Pharmacy	4	6	1	0
Physician Services	4	11	0	1
Rehabilitation Services	1	1	0	0
Skilled Nursing Facility	1	0	0	0
Surgical Services	10	11	3	1
Percentage of Case Volume	90.3%		9.7%	

Health Plan Oversight

The external review laws place several requirements on health plans. Health plans are required to provide notice of external review rights to covered persons in their noncertification decisions and notices of decision on appeals and grievances. Health plans are also required to include a description of external review rights and external review process in their certificate of coverage or policy language. When Smart NC receives a request for external review, the health plan is required to provide requested information to the Program within statutory time frames, so that an eligibility determination can be made. When a case is accepted for review, the health plan is required to provide information to the IRO assigned to the case and a copy of that same information to the covered person or the covered person's representative. The health plan is required to send the information to the covered person or the covered person's representative by the same time and same means as was sent to the IRO.

When a case is decided in favor of the covered person, the health plan must provide notification that payment or coverage will be provided. This notice must be sent to the covered person and

their provider, as well as the Program, and is required to be sent within three business days in the case of a standard review decision and one calendar day in the case of an expedited review decision. The Program then monitors the payment status of the claims.

Additionally, Smart NC acts as the liaison between health plans and IROs for invoicing and payment of IRO services. As set forth in N. C. Gen. Stat. § 58-50-92, the health plan whose denial decision is the subject of the review provides payment to the IRO for conducting the external review to the Department. This may include a cancellation fee for work performed by the IRO for a case that was terminated prior to the health plan notifying the organization of the reversal of its own noncertification decision, or when a review is terminated because the health plan failed to provide information to the review organization. As the entity that is contracted with the IROs, it is the responsibility of the Department to insure that IROs are paid in a timely manner for their services. Weekly auditing of health plan compliance with payment for IRO services is conducted by the Program.

The Program's experience to date has been that health plans are compliant with the handling of external review cases and are meeting their statutory obligations with respect to deadlines and payment notifications.

External Review Activity by Health Plan and Type of Service

Of the 144 cases that were accepted for external review in 2012, cases originating from Blue Cross Blue Shield of North Carolina (60), the North Carolina SHP-PPO Plan (61) comprised 84 percent of the external review activity. Eleven other health plans made up the remaining 16 percent of cases. Of these remaining health plans, only United Healthcare Insurance Company had more than three cases with nine cases accepted for external review.

The volumes of cases for insurers and health plans are consistent with the numbers of accepted cases that the larger plans have had in past years. The percentage share of health plan activity for 2012 is depicted in Figure 5.

Figure 5: Health Plans Share of Accepted External Review Requests in 2012

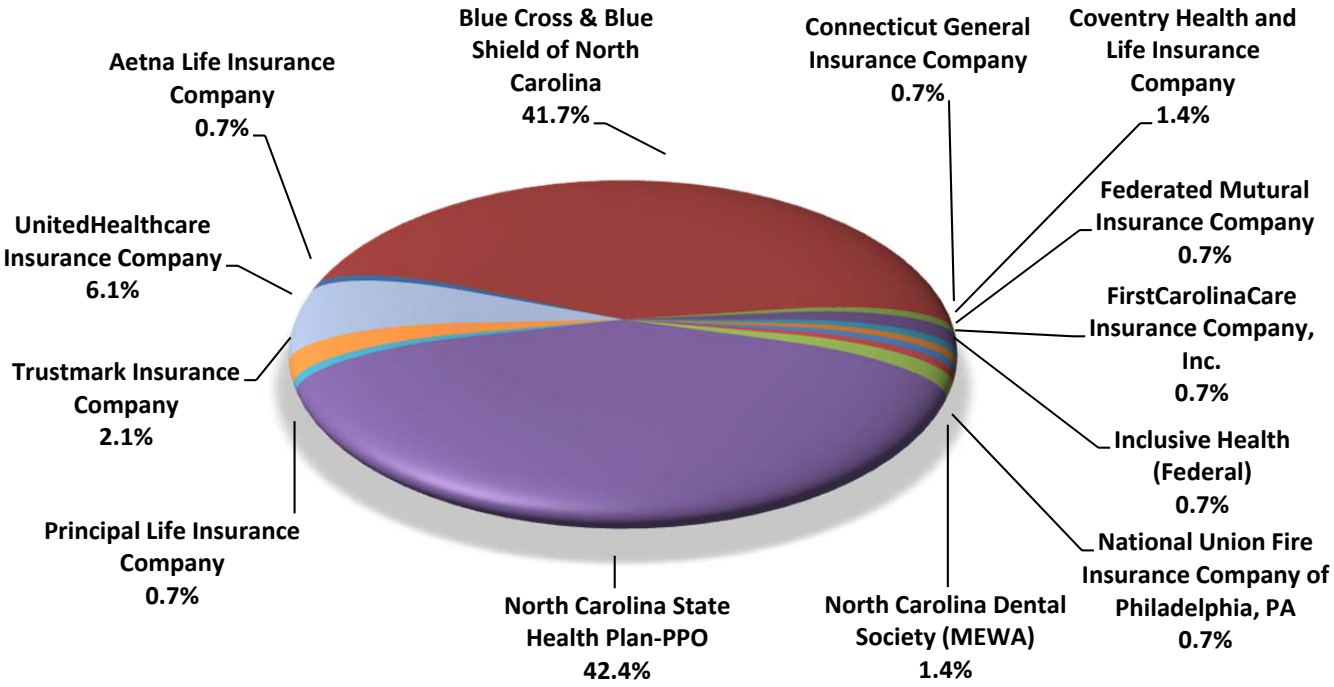


Table 4 demonstrates the outcomes of external review activity by the health plan whose decision is subject to review and the general type of service that the denial involved. This data is presented for informational purposes only. The number of requests per health plan is too small to draw any conclusions or identify trends as it relates to the health plan and the type of service that was denied. Blue Cross & Blue Shield of North Carolina's decisions were decided in favor of the consumer by IROs 30.3 percent of the time with 27 cases overturned by an IRO. The North Carolina SHP PPO Plan's decisions were decided in favor of the consumer by IROs 34.4 percent of the time and United Healthcare Insurance Company's cases were decided in favor of the consumer 55.6 percent of the time.

Because an IRO is not involved in the outcome decision when a health plan reverses their own denial, this table only includes those 143 cases that were decided by an IRO.

Table 4: Accepted Case Activity by Health Plan and Type of Service Requested in 2012

Health Plan and Type of Service	Number of Requests	Percentage Overturned	Percentage Upheld
Aetna Life Insurance Company	**1**		
• Lab, Imaging, Testing	1	--	100.0
Total Percentage for Health Plan		**--**	**100.0**
Blue Cross Blue Shield of North Carolina	**60**		
• Durable Medical Equipment	13	30.8	69.2
• Inpatient Mental Health	2	100.0	--
• Lab, Imaging, Testing	9	55.6	44.4
• Oncology	12	33.3	66.7
• Pharmacy	4	50.0	50.0
• Physician Services	6	33.3	66.7
• Surgical Services	14	57.1	42.9
Total Percentage for Health Plan		**30.3**	**69.7**
Connecticut General Insurance Company	**1**		
• Lab, Imaging, Testing	1	--	100.0
Total Percentage for Health Plan		**--**	**100.0**
Coventry Health and Life Insurance Company	**2**		
• Emergency Treatment	1	--	100.0
• Inpatient Mental Health	1	--	100.0
Total Percentage for Health Plan		**--**	**100.0**
FirstCarolinaCareInsurance Company, Inc.	**1**		
• Inpatient Mental Health	1	--	100.0
Total Percentage for Health Plan		**--**	**100.0**
Inclusive Health (Federal)	**1**		
• Oncology	1	--	100.0
Total Percentage for Health Plan		**--**	**100.0**
National Union Fire insurance Company of Pittsburgh, PA.	**1**		
• Surgical Services	1	--	100.0
Total Percentage for Health Plan		--	**100.0**
North Carolina Dental Society (MEWA)	**2**		
• Inpatient Mental Health	1	--	100.0
• Rehabilitative Services	1	--	100.0
Total Percentage for Health Plan		**--**	**100.0**

Table 4: Accepted Case Activity by Health plan and Type of Service Requested in 2012 (Cont.)

Health Plan and Type of Service	Number of Requests	Percentage Overturned	Percentage Upheld
North Carolina State Health Plan-PPO	**61**		
• Durable Medical Equipment	11	45.5	54.5
• Inpatient Mental Health	7	28.6	71.4
• Lab, Imaging, Testing	7	42.9	57.1
• Oncology	14	28.6	71.4
• Pharmacy	6	33.3	66.7
• Physician Services	8	12.5	88.5
• Skilled Nursing Services	1	100.0	--
• Surgical Services	7	42.6	57.1
Total Percentage for Health Plan		**34.4**	**65.6**
Principal Life Insurance Company	**1**		
• Hospital Length of Stay	1	100.0	--
Total Percentage for Health Plan		**100.0**	**--**
Trustmark Insurance Company	**3**		
• Lab, Imaging, Testing	1	--	100.0
• Oncology	1	--	100.0
• Physician Services	1	100.0	--
Total Percentage for Health Plan		**33.3**	**66.7**
United Healthcare Insurance Company	**9**		
• Durable Medical Equipment	1	100.0	--
• Lab, Imaging, Testing	2	--	100.0
• Oncology	1	100.0	--
• Pharmacy	2	100.0	--
• Physician Services	1	--	100.0
• Rehabilitative Services	1	100.0	--
• Surgical Services	2	50.0	50.0
Total Percentage for Health Plan		**55.6**	**44.4**

IRO Oversight

The Program currently contracts with three IROs—Maximus, Inc., Medwork of Wisconsin, Inc., and Michigan Peer Review Organization (MPRO). A contract with National Medical Review, Inc. (NMR) expired on June 30, 2012 so this report will reflect decisions rendered by NMR prior to the expiration date of that contract. All IROs that are contracted with the Program to provide independent external reviews are companies that were determined via the solicitation and evaluation process, to meet the minimum qualifications set forth in N. C. Gen. Stat. § 58-50-87 and have agreed to contractual terms and written requirements regarding the procedures for handling an external review.

IROs are contracted to perform an independent medical review of contested health plan noncertifications. Specifically, the scope of service for the IRO is to:

- Accept assignment of cases from a wide variety of health plans without the presence of conflict of interest.
- Identify the relevant clinical issues of the case and the question to be asked of the expert clinical peer reviewer.
- Identify and assign an appropriate expert clinical peer reviewer who is free from conflict and who meets the minimum qualifications of a clinical peer reviewer, to review the disputed case and render a decision regarding the appropriateness of the denial for the requested treatment of service.
- Issue determinations that are timely and complete, as defined in the statutory requirements for standard and expedited review.
- Notify all required parties of the decision made by the expert clinical reviewer.
- Provide timely and accurate updates regarding their business relationships, as requested by the Department.

Smart NC is responsible for monitoring IRO compliance with statutory requirements on a continual basis. Smart NC staff screens each IRO case assignment to assure that no material conflict of interest exists between any person or organization associated with the IRO and any person or organization associated with the case.

When a case is assigned to an IRO for a determination, the IRO must render a decision within the time frames mandated under North Carolina law. For a standard review, the decision must be rendered by the 45th calendar day following the date of Smart NC's receipt of the request. For an expedited request, the IRO has until the 4th business day following Smart NC's receipt of the request. Smart NC audits all IRO decisions for compliance with requirements pertaining to the time frame for issuing a decision and for the content of written notice of determinations. All decisions have been rendered within the required time frames.

External Review Activity by IRO

Although 144 cases were accepted for external review during this period, one case was reversed by the health plan prior to an IRO decision being rendered, so reporting on IRO activity will represent only those 143 cases actually reviewed by an IRO. Table 5 compares the number of cases assigned to each IRO that held a contract with Smart NC throughout the year, with the percentage of their review decisions for the year 2012. The outcome of cases reviewed by IROs was decided in favor of the consumer 39.2 percent of the time during 2012.

Table 5: IRO Activity Summary for 2012

IRO	Number Assigned	Percentage Overturned	Percentage Upheld
Maximus, Inc.	41	46.3	53.7
Medwork of Wisconsin, Inc.	43	30.2	69.8
MPRO	40	47.5	52.5
NMR, Inc.	19	26.3	73.7
Total and Percentage of Outcomes for All Cases	**143**	**39.2**	**60.8**

IRO Decisions by Type of Service Requested and Health Plan

During 2012, four IROs rendered 143 external review decisions for consumers: Maximus, Inc., Medwork of Wisconsin, Inc., MPRO, and NMR. External review cases are not assigned to an IRO if the IRO has a conflict of interest involving the health plan whose decision is the subject of the review or if the IRO does not have an appropriate reviewer available to whom they would assign the case. Table 6 breaks down the number of cases involving the general service type that each IRO reviewed for the calendar year 2012. This table only gives an accounting of the cases assigned and does not analyze outcomes by virtue of the type of noncertification issued. This data is presented as informational only as the overall number of cases does not allow for trends to be identified or assumptions to be made.

Table 6: Accepted Case Activity by IRO and Type of Service Requested in 2012

IRO and Type of Service	Number of Accepted Cases	Percentage Overturned	Percentage Upheld
Maximus, Inc.	**41**		
• Durable Medical Equipment	8	12.5	87.5
• Inpatient Mental Health	4	75.0	25.0
• Lab, Imaging, Testing	4	75.0	25.0
• Oncology	9	44.4	55.6
• Pharmacy	6	50.0	50.0
• Physician Services	1	100.0	--
• Rehabilitation Services	1	100.0	--
• Surgical Services	8	37.5	62.5
All Services:		**46.3**	**53.7**
Medwork of Wisconsin, Inc.	**43**		
• Durable Medical Equipment	8	25.0	--
• Inpatient Mental Health	3	33.3	66.7
• Lab, Imaging, Testing	7	42.9	57.1
• Oncology	8	25.0	75.0
• Pharmacy	3	33.3	66.7
• Physician Services	7	14.9	85.1
• Rehabilitative Services	1	--	100.0
• Surgical Services	6	33.3	66.7
All Services:		**30.2**	**69.8**
MPRO	**40**		
• Durable Medical Equipment	8	75.0	25.0
• Hospital Length of Stay	1	100.0	--
• Inpatient Mental Health	2	50.0	50.0
• Lab, Imaging, Testing	9	22.2	77.8
• Oncology	5	40.0	60.0
• Pharmacy	2	--	100.0
• Physician Services	5	20.0	80.0
• Skilled Nursing Services	1	100.0	--
• Surgical Services	7	71.4	28.6
All Services:		**47.5**	**52.5**
NMR	**19**		
• Durable Medical Equipment	1	100.0	--
• Emergency Services	1	--	100.0
• Inpatient Mental Health	3	--	100.0
• Lab, Imaging, Testing	1	--	100.0
• Oncology	7	16.7-	83.3
• Physician Services	3	33.3	66.7
• Surgical Services	3	33.3	66.750.0
All Services:		**26.3**	**73.7**

Table 7 shows each IRO's decisions by health plan for the year 2012. The total number of cases for any IRO, and the number of assigned cases by health plan that were reviewed by an IRO is still too small to identify trends or make any evaluative statements.

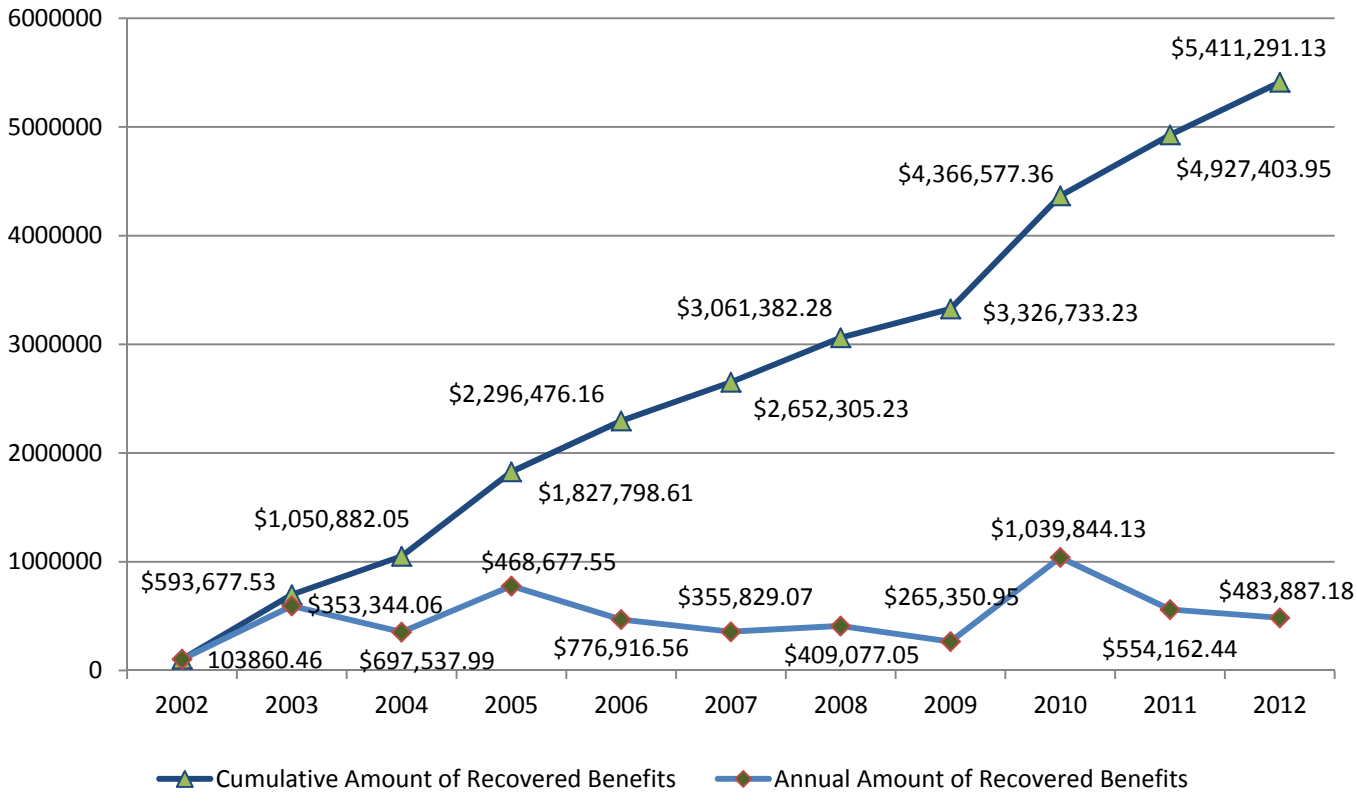
Table 7: IRO Decisions by Health plan in 2012

IRO and Health plan	Number of Decisions	Percentage Overturned	Percentage Upheld
Maximus, Inc.	**41**		
• Blue Cross & Blue Shield of North Carolina	17	52.9	47.1
• Inclusive Health (Federal)	1	--	100.0
• North Carolina State Health Plan-PPO	19	36.8	63.2
• Trustmark Insurance Company	1	--	100.0
• UnitedHealthcare of North Carolina, Inc.	3	100.0	--
All Health plans:		**46.3**	**53.7**
Medwork of Wisconsin, Inc.	**43**		
• Blue Cross & Blue Shield of North Carolina	19	36.8	63.2
• National Union Fire Insurance Company of Pittsburgh, PA	1	--	100.0
• North Carolina Dental Society (MEWA)	2	--	100.0
• North Carolina SHP-PPO	17	23.5	76.5
• United Healthcare Insurance Company	4	50.0	50.0
All Health plans:		**30.2**	**69.8**
MPRO	**40**		
• Aetna Life Insurance Company	1	--	100.0
• Blue Cross Blue Shield of North Carolina	15	56.3	43.7
• Connecticut General Life Insurance Company	1	--	100.0
• FirstCarolinaCare Insurance Company, Inc.	1	100.0	--
• North Carolina SHP-PPO	18	38.9	61.1
• Principal Life Insurance Company	1	100.0	--
• Trustmark Insurance Company	1	100.0	--
• United Healthcare Insurance Company	2	--	100.0
All Health plans:		**47.5**	**52.5**
NMR, Inc.	**19**		
• Blue Cross & Blue Shield of North Carolina	9	30.8	69.2
• Coventry Health and Life Insurance Company	2	--	100.0
• North Carolina SHP-PPO	7	42.9	58.1
• Trustmark Insurance Company	1	--	100.0
All Health plans:		**26.3**	**73.7**

Captured Costs on Overturned or Reversed Services

Figure 6 shows the total of the allowed charges for overturned or reversed services that Smart NC captured each year, as well as the cumulative total of allowed charges for these services. In 2012, consumers received $483,887 worth of services that otherwise would have been denied but for the Program's assistance. While this amount alone may reflect the value that Smart NC brings to consumers, the data presented in its cumulative form shows that North Carolina consumers have been provided $5.4 million worth of services since the Program began and demonstrates the ongoing value that the Program provides. This chart is reflective of the concurrent and retrospective costs for services that were denied. It does not account for cases from 2012 that have been overturned but the claims have not yet been captured due to the prospective nature of the services.

Figure 6: Yearly and Cumulative Value of Allowed Charges for Overturned or Reversed Services



The total cost of services for each year may have changed with this report as a result of capturing the cost of previously overturned services that were completed during this past year.

The average cost of allowed charges per year from all cases that have been reversed by the health plan or overturned by an IRO since the Program began is $491,935.

Cost of External Review Cases for 2012

Table 8 shows the average cost of the IRO review and cost of allowed charges for cases that were reversed by the health plan or overturned (average and cumulative) in 2012, by type of service requested. The totals include the IRO charges for all 143 cases decided by an IRO, but the average and cumulative figures do not include the costs associated with outstanding cases whose costs have yet to be captured due to the prospective nature of the service.

Table 8: Cost of IRO Review, Average and Cumulative Allowed Charges By Type of Service Requested

Type of Service	Average Cost of IRO Review	Average Cost of Service	Cumulative Cost of Service
Durable Medical Equipment	$588.40	$5,280.78	$ 36,965.49
Emergency Services	690.00	0.00	0.00
Hospital Length of Stay	525.00	7,658.50	7,658.50
Inpatient Mental Health	620.42	28,390.58	141,952.89
Lab, Imaging, Testing	575.48	3,258.10	26,064.80
Oncology	650.69	15,138.61	121,108.90
Pharmacy	575.00	20,587.75	61,763.24
Physician Services	635.94	1,304.76	5,219.05
Rehabilitation Services	602.50	1090.72	2,181.43
Skilled Nursing Facility	525.00	190.88	190.88
Surgical Services	610.60	8,975.78	80,782.00
Total for All Cases	**$609.37**	**$10,295.47**	**$483,887.18**

The contracted fees for IRO services that are reflected in this annual report are between $525 and $690 for a standard review, and $825 and $895 for an expedited review. These fees are fixed per-case fees bid by each IRO; they do not vary by the type of service that is covered. The average cost to health plans for the 143 reviews performed during 2012 was $609.

An IRO may charge a health plan a cancellation fee if the health plan reverses its own decision after the IRO has proceeded with the review. These charges range from $150 to $395 for a standard review and $205 to $395 for an expedited review.

HCR Program Evaluation

Smart NC continues to utilize its consumer satisfaction survey with all accepted cases in order to obtain feedback from consumers regarding the external review experience. A consumer satisfaction survey is mailed to the consumer or authorized representative at the completion of each accepted case. Overall, responders were generally pleased with the customer service they receive while contacting Smart NC. Consumers reported satisfaction with Smart NC staff and information about the external review process. Survey results also showed that most individuals responding to the survey who went through the external review process stated they would tell a friend about external review, suggesting that external review is viewed to be a valued and important consumer protection.

Conclusion

Since the Program's inception over ten years ago, consumers and authorized representatives acting on behalf of consumers have availed themselves of external review services. Feedback we receive from consumers and providers is positive regarding their external review experience. The Department believes that public faith in the integrity of the external review process is absolutely essential; the very foundation of an external review is to provide an unbiased way to resolve coverage disputes between a covered person and their health plan. While not all consumers receive the outcome they hoped for, their feedback regarding the external review process remains favorable.

External review remains an important resource for North Carolina consumers and has provided measurable value to the lives of North Carolinians. To date, these services have resulted in consumers obtaining over $5.4 million worth of services that had been denied by their health plan.

Smart NC will continue to track external review results and trends. The Department and Smart NC staff will also continue to monitor developments on the state and federal level which could impact patient protections in North Carolina. The Department is committed to assuring that consumers are informed and are able to access the critical protections that North Carolina's external review law provides.