

BULLETIN

To: All Health Insurance Carriers

Re: Denial of Ancillary Charges

Date : December 22, 1999

Bulletin: Life & Health 99-25

A recent Market Conduct Examination conducted by the Maryland Insurance Administration ("Administration") resulted in the issuance of Order No. 1081-8/99, in which the Commissioner required a carrier to assure payment for medically necessary and appropriate inpatient ancillary services performed on days for which inpatient hospitalization benefits are otherwise appropriately denied. Diagnostic and therapeutic services are considered ancillary services.

Determination of Medical Necessity of Ancillary Services

Maryland Insurance Article §27-303 prohibits a carrier from refusing to pay a claim for arbitrary or capricious reasons based on all the available information. A denial of inpatient ancillary services *must be based on the medical necessity* of the specific ancillary service. Otherwise, the denial constitutes an arbitrary denial of benefits in violation of Insurance §27-303.

In determining the medical necessity of an ancillary service performed on a denied hospitalization day, consideration must be given to the necessity of providing the ancillary service in the acute setting for each day in question. A carrier may not deny payment of ancillary services based solely on the fact that the denial of the hospitalization day was appropriate.

Contract Provisions

Contracts that contain provisions restricting coverage for inpatient benefits to only those services performed on authorized hospital days must be revised to coincide with the Administration's determination. Contract amendments must be submitted to the Administration no later than February 1, 2000.

This bulletin applies to services rendered on or after January 1, 2000.

If you have any questions regarding this bulletin, please contact the Maryland Insurance Administration at 410-468-2170 and reference the bulletin number above.

Donna B. Imhoff
Associate Commissioner
Life and Health