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U.S. Dept of Labor Files Suit in Wisconsin District Court Against UnitedHealth TPA Over Improper Claims Denials for Employer Self-Funded Plans

The U.S. Department of Labor (DOL) filed a lawsuit on July 31 in the U.S. District Court Western Wisconsin District against UMR, Inc., a third-party administrator owned by UnitedHealth Group alleging it improperly denied claims for emergency services and urinary drug screening since 2015. The lawsuit is filed in Wisconsin given that UMR is headquartered in Wausau.

According to the filing, UMR provides services to at least 2,136 self-funded employee plans governed under the Employee Retirement Income Security Act (ERISA). The plans' health benefits are funded directly from the assets of the plan or employer and are not funded through insurance policies.

At issue is the adjudication of emergency department claims, for which DOL asserts that UMR failed to consider the "prudent layperson" standard. Under the Affordable Care Act, an emergency medical condition is defined to consider whether a "prudent layperson" who possesses an average knowledge of health and medicine could reasonably expect the absence of immediate medical attention to result in their health being in serious jeopardy, a serious impairment of bodily functions, or serious dysfunction. Instead, the filing describes how UMR set specific diagnosis codes, and denied claims that did not include these codes without considering the prudent layperson standard. As reported by WHA in June 2021, a similar policy was proposed by United HealthCare for fully insured products, but was rescinded after significant pushback from provider groups, including from the American Hospital Association, which warned that such a policy would have a chilling effect on patients obtaining care and would jeopardize their health and well-being.

In addition to UMR's practice of denying claims for emergency services, the lawsuit is brought in connection with UMR's practices of administering urinary drug screening claims. In particular, from Aug. 2015 to Aug. 25, 2018, UMR "simply denied" all urinary drug screening claims. In Aug. 2018, UMR adjusted its policy to deny all claims that were not from an emergency room setting or urgent care after it found that 98% of claims in an emergency room setting were overturned upon appeal. According to DOL, UMR's practices in adjudicating and denying urinary drug screening claims violated its own plan's documents and UMR failed to administer the plans in full compliance with ERISA.

DOL indicates these practices applied to "thousands of participants." DOL asks the court to require UMR to reform its claims processing procedures for such claims, re-adjudicate the affected claims going back to Jan. 1, 2015, in compliance with ERISA, and enjoin it from committing future violations.

Other Articles in this Issue