



**Health Care Service Plans'
Provider Dispute Resolution Mechanisms
2022 Annual Report**

March 15, 2023

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I. Executive Summary

The California Department of Managed Health Care (DMHC) protects consumers' health care rights and ensures a stable health care delivery system. As part of this mission, the DMHC licenses and regulates health care service plans (health plans) under the Knox-Keene Health Care Service Plan Act of 1975. The DMHC regulates the vast majority of commercial health plans and products in the large group, small group, and individual markets, including most of the health plans that participate in Covered California. The DMHC also regulates Medi-Cal managed care plans, Medicare Advantage plans, and specialized health plans, including dental and vision plans.

State law requires health plans to pay health care providers accurately and in a timely manner for services provided and to maintain a fast, fair, and cost-effective system for processing and resolving provider claim disputes (Health and Safety Code section 1367(h).) Health plans are required to annually report the number, type, and summaries of provider claim payment disputes, describe the resolutions including terms and timeliness, and explain how health plans are addressing trends or patterns in disputes. The report includes provider dispute data from health plans' capitated providers such as hospital systems and medical groups.

As required by Health and Safety Code section 1375.7(f), the DMHC annually summarizes the health plans' self-reported provider dispute data in a report to the Governor and the Legislature. The 2022 Provider Dispute Resolution Mechanisms Report summarizes provider claim disputes by type of health plan, including full service and specialized health plans, from October 1, 2021 through September 30, 2022.

Key Findings

Full Service Health Plans

Full service health plans are health plans that provide all of the basic health care services and mandated benefits required under the Knox-Keene Act.

- There are 58 licensed full service health plans in California subject to the reporting requirements of section 1375.7(f).¹
- Health plans processed approximately 182 million claims in the reporting period. Roughly 1% of these claims resulted in disputes.
- Full service health plans received more than 1.9 million provider disputes for the reporting period.

¹ There were 98 licensed full service health plans at September 30, 2022. However, 40 licensed full service health plans are excluded from the report because they are licensed only for Medicare products, are operating as a county organized health system, exempt from Health and Safety Code section 1367(h), were in pre-operations, or had no enrollment in California.

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- Approximately 93% of all provider disputes processed by full service health plans were reported as being resolved within 45 working days.
 - Approximately 89% of provider disputes filed with full service health plans involved claims payment issues.
 - Providers prevailed in 31% of all disputes and health plans upheld their original determinations in 55% of the disputes. Fourteen percent of the disputes were pending at the time the full service health plans reported this data to the DMHC.

Specialized Health Plans

Specialized health plans are health plans that provide coverage in a specialized area of care such as vision, dental, behavioral health, and chiropractic health plans.

- There are 39 licensed specialized health plans subject to the provider dispute reporting requirements of section 1375.7(f).
- Specialized health plans processed over 32 million claims in the reporting period. Less than half of 1% (0.05%) of these claims were the subject of a payment dispute.
- Specialized health plans received 18,961 provider disputes for the reporting period.
- Specialized health plans reported 50% of all provider disputes were resolved in favor of the provider, 49% were upheld by the plans, and 1% of disputes were pending as of the September 30, 2022.
- Approximately 85% of provider disputes with specialized health plans involved claims payment issues.

Capitated Providers

Capitated providers are providers such as hospitals, risk bearing organizations, or provider groups that contract with a full service health plan to assume the financial risk and pay claims for the provision of health care services to the enrollees.

- Full service health plans reported data on 248 capitated providers.
- Capitated providers processed approximately 58 million claims and received 713,567 provider disputes in the reporting period.
- 96% of disputes involved claims payment.
- 36% of all reported provider disputes with capitated providers were resolved in favor of the provider.

II. Introduction

In 2003, the DMHC issued regulations regarding the timely and accurate payment of provider claims and required health plans to establish a fast, fair and cost-effective dispute resolution process. These regulations, known as the Claims Settlement Practice and Dispute Resolution Mechanism Regulations, require all health plans, and their capitated providers that pay claims, to fully implement specific standards and safeguards for payment of provider claims for services rendered on or after January 1, 2004.²

In addition to defining the basic concepts relevant to all dispute resolution mechanisms, the regulations require health plans to submit to the DMHC the Annual Plan Dispute Resolution Mechanism Report, which is public information, and contains the following:

- (1) Information on the number and types of providers utilizing the dispute resolution mechanism;
- (2) A summary of the disposition of all provider disputes, including an informative description of the type, term, and resolution;
- (3) The timeliness of dispute resolution determinations;
- (4) A detailed information statement disclosing any emerging or established patterns of provider disputes, and how that information has been used to improve administrative capacity, plan/provider relations, claims payment procedures, quality assurance systems, and the quality of patient care, as well as dispute results.

Health plans are required to summarize their provider dispute results in three categories:

- Claim Payment Disputes - Provider complaints relating to the health plan's failure to reimburse complete claims with the correct payment, including the automatic payment of all interest and penalties.
- Utilization Management Disputes - Provider complaints relating to medical necessity and authorization determinations.
- Other Disputes - Provider complaints relating to non-monetary issues, such as enrollee eligibility and assignment matters, and provider credentialing and certification.

This report reflects information reported by health plans for October 1, 2021 through September 30, 2022.

² See California Code of Regulations, Title 28, sections 1300.71 and 1300.71.38.

The DMHC conducts regular onsite auditing activities, and reviews quarterly and annual claims payment and dispute resolution reports to monitor the industry's compliance with claims payment standards required by Health and Safety Code section 1371 and California Code of Regulations, Title 28, section 1300.71. The DMHC implements appropriate corrective actions for any identified claims payment deficiencies and monitors them accordingly.

Providers who are not satisfied with the resolution of their disputes may contact the DMHC Provider Complaint Unit. Additional information regarding the provider complaint process can be found in the [DMHC's Provider Complaint Section](#).

The claim and provider dispute examination results are located in the [DMHC's Financial Examination Reports Section](#).

III. Full Service Health Plans

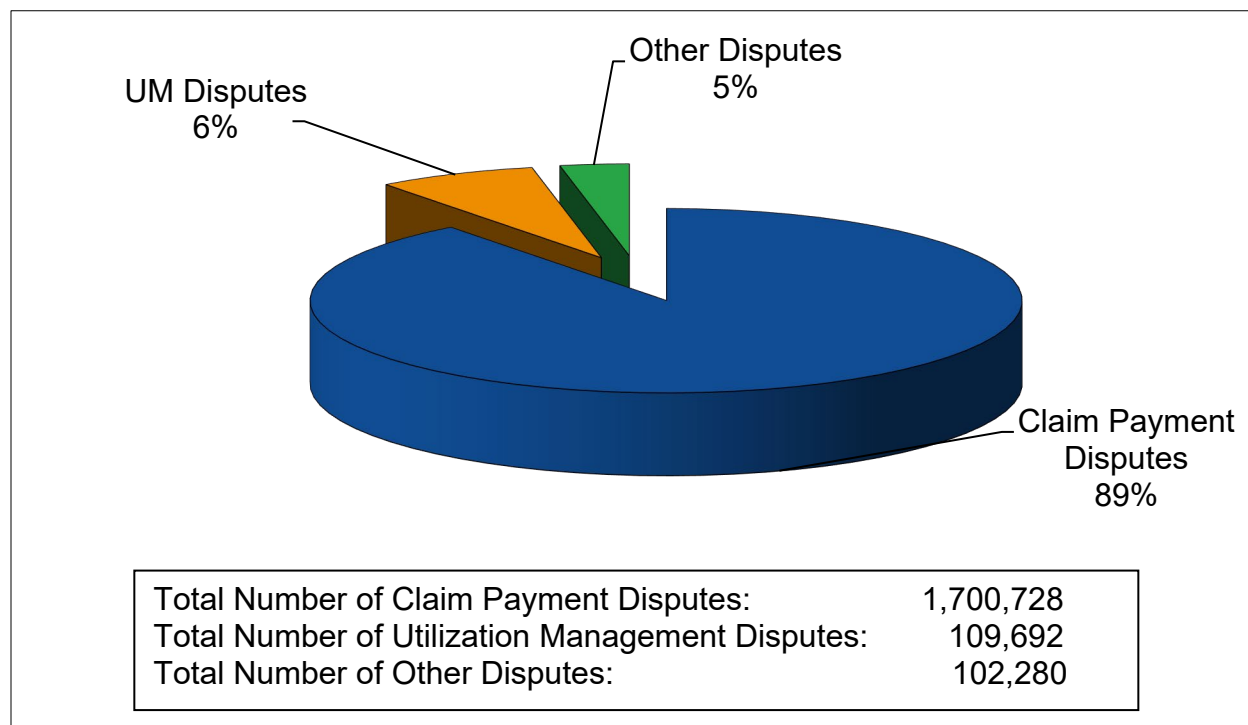
This report reflects information reported by health plans for October 1, 2021 through September 30, 2022.

Of the 98 licensed full service health plans, data from 58 full service health plans are included in this report. Forty licensed full service health plans are excluded from the report because they met one or more of the following criteria: licensed only for Medicare products, operate as a county organized health system, exempt from Health and Safety Code section 1367(h), were in pre-operations, or have no enrollment in California.

The 58 full service health plans reported approximately 182 million claims processed during the reporting period. A claim is considered processed when the health plan adjudicates and classifies the claim as paid, adjusted, contested or denied. The reporting full service health plans received 1,912,700 provider disputes during the 2022 reporting period. This represents a 5% percent decrease in the total amount of claims processed, and a 11% increase in disputes over the 2021 reporting period.

Claim payment disputes, which primarily involve claims of inadequate reimbursement, comprised of 89% of the full service health plan provider disputes (See Chart 1).

Chart 1
Provider Disputes – Full Service Health Plans



Regulations require the health plans to resolve 95% of all completed provider disputes within 45 working days. Collectively, the full service health plans reported that 93% of all provider disputes were resolved within 45 working days.

Thirteen health plans reported noncompliance with the 45 working day requirement to resolve disputes. Health plans that fall below the 95% compliance requirement are required to file and implement a corrective action plan that is monitored by the DMHC quarterly and reviewed as part of the health plan's routine financial examination. Deficient health plans reported that timeliness standards were not met due to a variety of factors. These factors include system configuration changes, the impact of coronavirus disease (COVID-19) on staffing and business functions such as processing mail and call center, and a competitive labor market that made it difficult to recruit staff. Health plans indicated that corrective action plans have been instituted to improve claims timeliness going forward. The corrective actions include reviewing reports to monitor processing timeliness, changing claim vendors, transitioning their phone system to support remote workers, and hiring additional staffing to eliminate dispute backlogs. Health plans collectively declined in their provider dispute resolution timeliness percentages by three percentage points from 96% in 2021 to 93% in 2022.

Provider Disputes Compared to Claims

Approximately 78% of provider claims processed were paid or adjusted by the health plans, and 22% were contested or denied. Nearly all claims (approximately 98%) were processed within 45 working days.

Approximately 182 million claims were processed during the reporting period. Over one million (1,912,700) claims were contested. This represents approximately 1% of all claims processed by full service health plans.

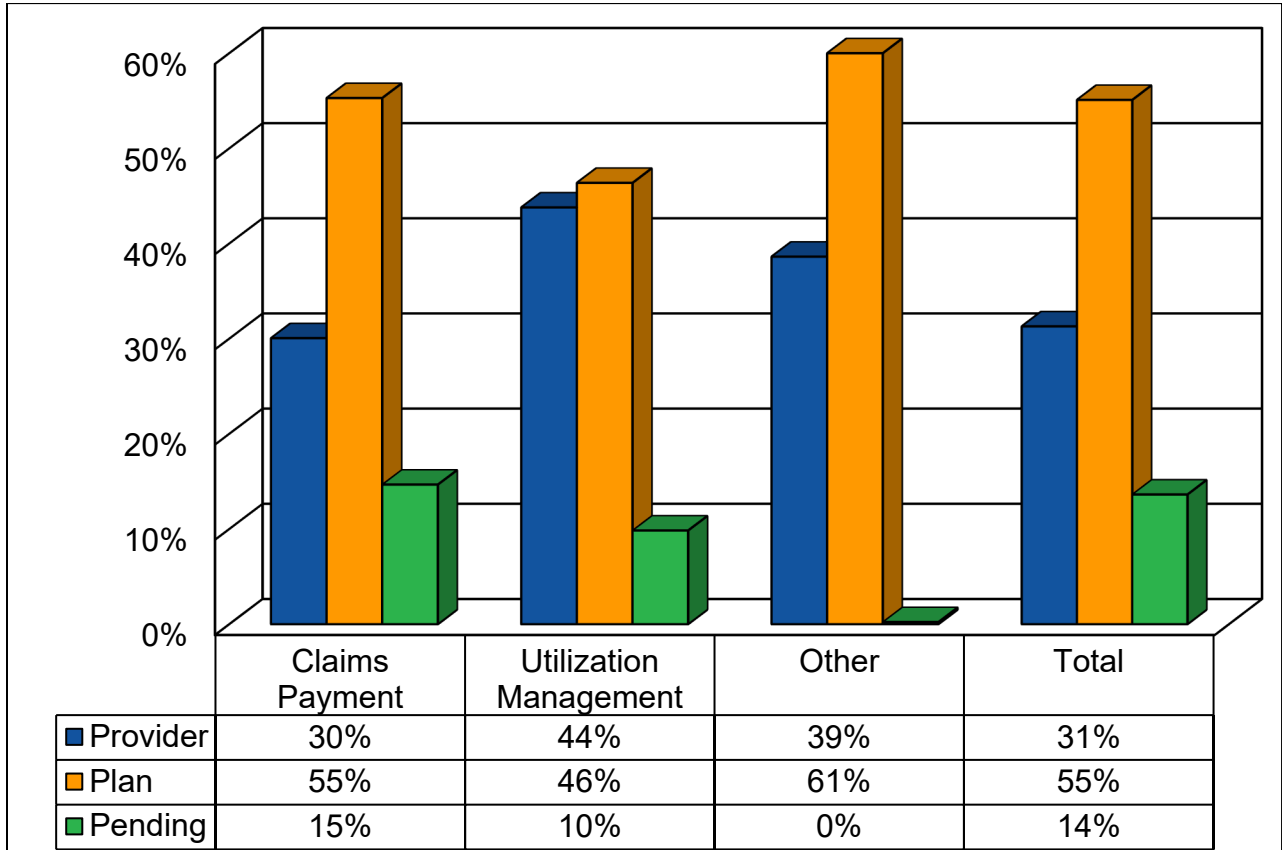
Disposition of Full Service Health Plan Provider Disputes

For the 2022 reporting period, full service health plans reported that 31% of all disputes between providers and health plans were resolved in favor of the provider compared to 32% of provider disputes in 2021.

Of the 1,912,700 provider disputes submitted, 597,793 (31%) disputes resolved in favor of the provider, 1,054,576 (55%) in favor of the plan, and 260,331 (14%) were pending review as of September 30, 2022 (See Chart 2).

Chart 2

Resolution of Provider Disputes – Full Service Health Plans



Seven Largest Full Service Health Plans

California's seven largest full service health plans³ provide health care benefits to approximately 19 million enrollees, representing 66% of the over 28.4 million enrollees enrolled in health plans licensed by the DMHC. For the 2022 reporting period, approximately 71% of provider disputes were filed with these seven plans. Collectively, they processed approximately 135 million claims, accounting for roughly 74% of all claims processed by full service health plans in California (See Table 1).

³ California's seven largest full service health plans are Blue Cross of California (Anthem Blue Cross), Blue Cross of California Partnership, California Physicians' Service (Blue Shield of California), Health Net Community Solutions, Inc., Inland Empire Health Plan (IEHP), Kaiser Foundation Health Plan (Kaiser Permanente), and Local Initiative Health Authority of L.A. County (L.A. Care Health Plan).

Table 1
Seven Largest Full Service Health Plans

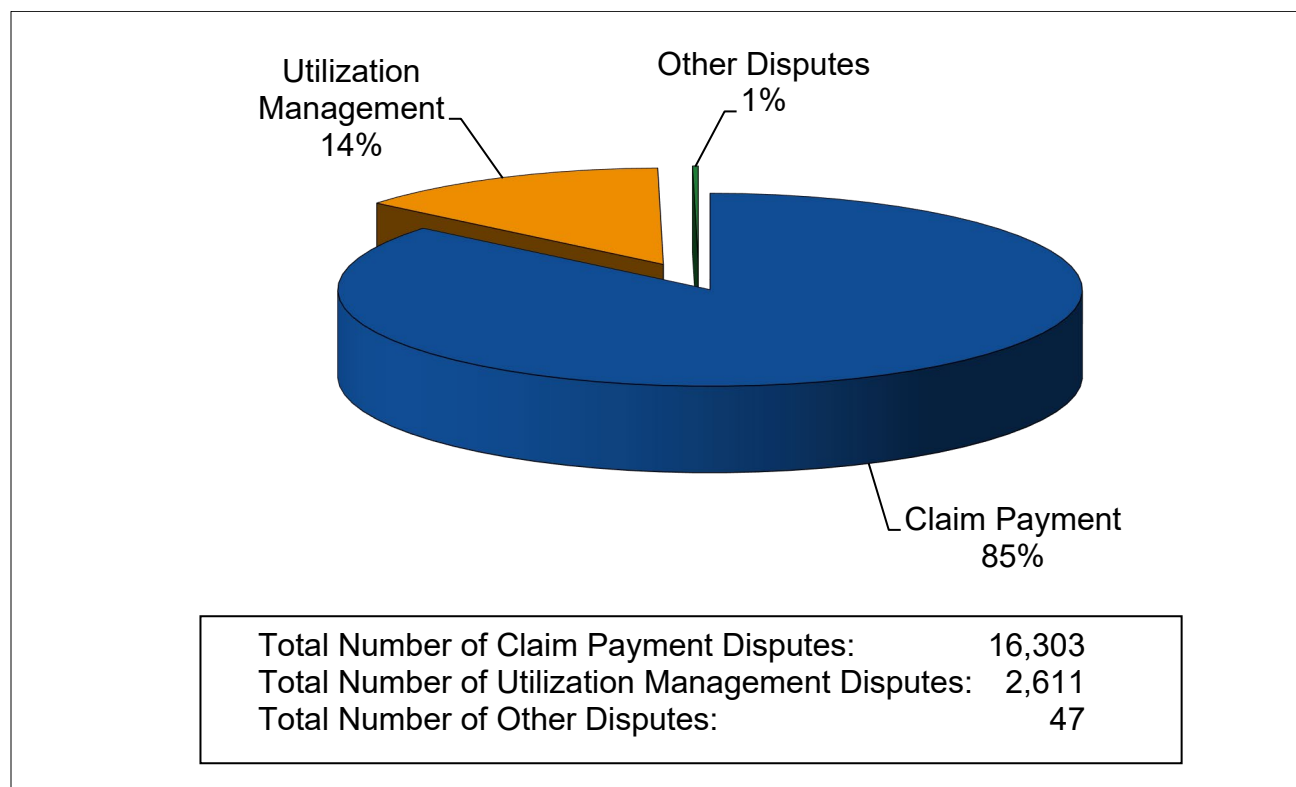
Health Plan	Enrollment as of September 30, 2022	Number of Claims Processed	Number of Disputes Received	Resolved Disputes in Favor of the Provider	Resolved Disputes in Favor of the Health Plan	Disputes Pending	Percentage of Disputes Resolved Within 45 Working Days
Anthem Blue Cross	2,183,223	54,807,886	214,508	73,652 (33%)	140,818 (66%)	38 (1%)	94%
Blue Cross of California Partnership	956,465	5,936,348	274,159	98,121 (35%)	176,000 (64%)	38 (1%)	92%
Blue Shield of California	2,447,572	22,181,455	191,987	48,144 (25%)	117,217 (61%)	26,626 (14%)	99%
Health Net Community Solutions, Inc.	1,630,855	11,882,778	101,341	31,671 (31%)	53,564 (53%)	16,106 (16%)	97%
Inland Empire Health Plan	1,581,913	11,623,411	79,780	15,209 (19%)	43,021 (54%)	21,550 (27%)	100%
Kaiser Permanente	7,111,042	14,927,286	202,661	41,494 (20%)	114,934 (57%)	46,233 (23%)	99%
L.A. Care Health Plan	2,674,770	13,461,015	282,162	86,396 (31%)	84,196 (30%)	111,570 (39%)	71%
Total - Seven Largest Health Plan	18,585,840	134,820,179	1,346,598	394,687 (29%)	729,750 (54%)	222,161 (17%)	92%
All Other Full Service Health Plans	10,977,241	47,273,375	566,102	203,106 (36%)	324,826 (57%)	38,170 (7%)	95%
Total - All Full Service Health Plans	29,563,081	182,093,554	1,912,700	597,793 (31%)	1,054,576 (55%)	260,331 (14%)	93%

IV. Specialized Health Plans

Of the 46 licensed specialized health plans, data from 39 specialized health plans are included in this report. Licensed specialized health plans are excluded from the report because they are licensed only for Medicare products or have no enrollment in California.

The 39 specialized health plans processed approximately 32 million provider claims and received 18,961 provider disputes. There was a 9% increase in the number of disputes in the 2022 reporting period compared to 2021. Approximately 79% of the provider disputes were resolved within 45 working days and a majority of provider disputes submitted to specialized health plans involved claim payment disputes. Chart 3 shows the breakdown of provider disputes.

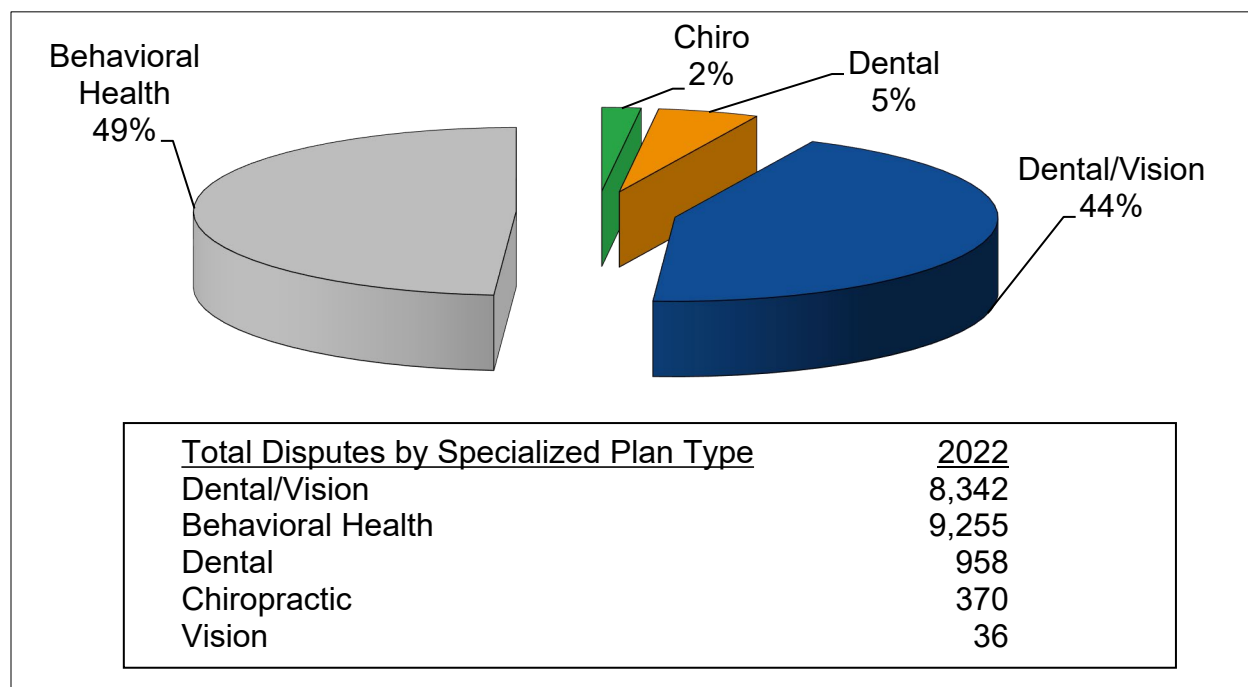
Chart 3
Provider Disputes – Specialized Health Plans



Of the 18,961 provider disputes submitted to specialized health plans during the 2022 reporting period, behavioral health plans accounted for approximately 49% of the disputes, followed by dental plans (including dental/vision plans) with 49% of the disputes, and chiropractic plans with 2% (See Chart 4). Dental plans accounted for approximately 37% of total enrollment for specialized health plans required to report.

Chart 4

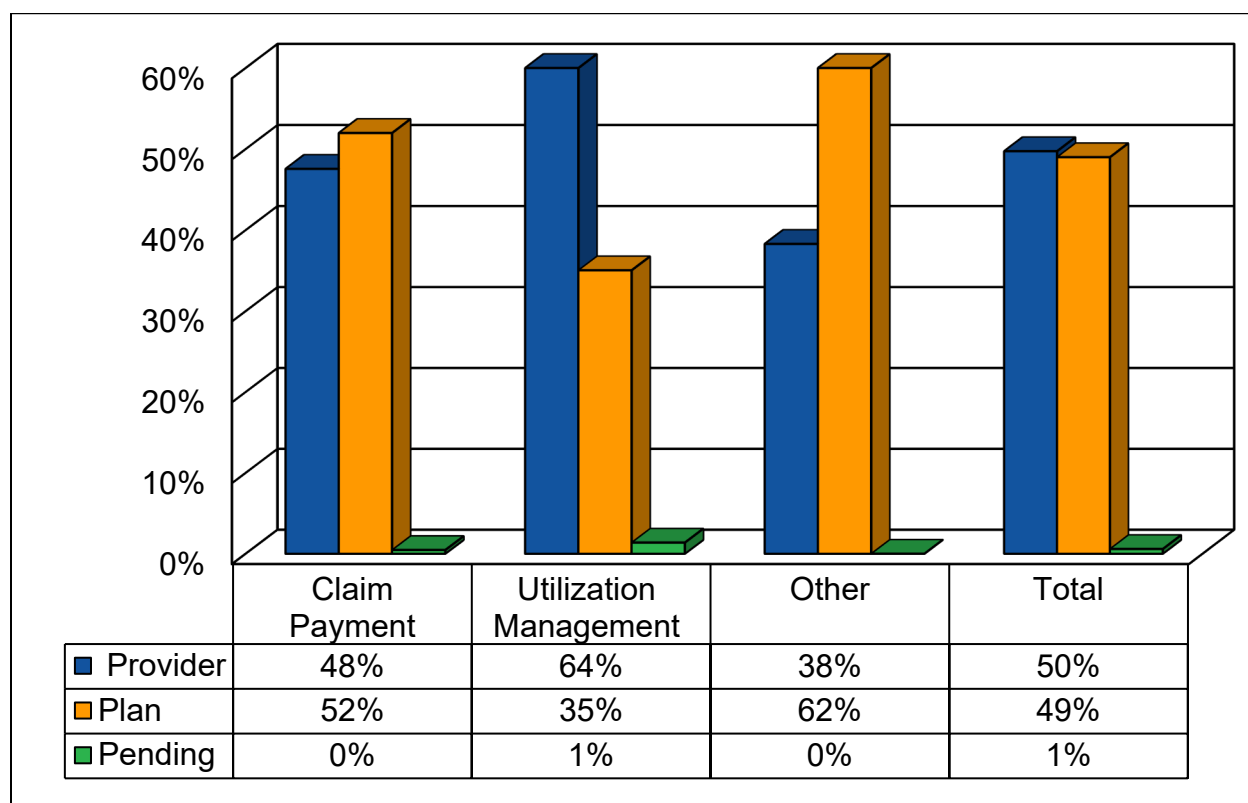
Provider Disputes by Type of Specialized Health Plan



Disposition of Specialized Health Plan Provider Disputes

For specialized health plans, 50% of all provider disputes were resolved in favor of the provider, a 9% increase from the prior year. Forty-eight percent of disputes involving claims payment issues were resolved in favor of the provider while 52% of disputes were resolved in favor of the plan. Utilization management disputes were resolved in favor of providers 64% of the time, 35% were in favor of the plan, and 1% were pending at year-end. Other disputes were resolved in favor of providers 38% of the time, 62% in favor of the plan, and 0% were pending at year-end (See Chart 5).

Chart 5
Resolution of Provider Disputes - Specialized Health Plans



V. Capitated Providers

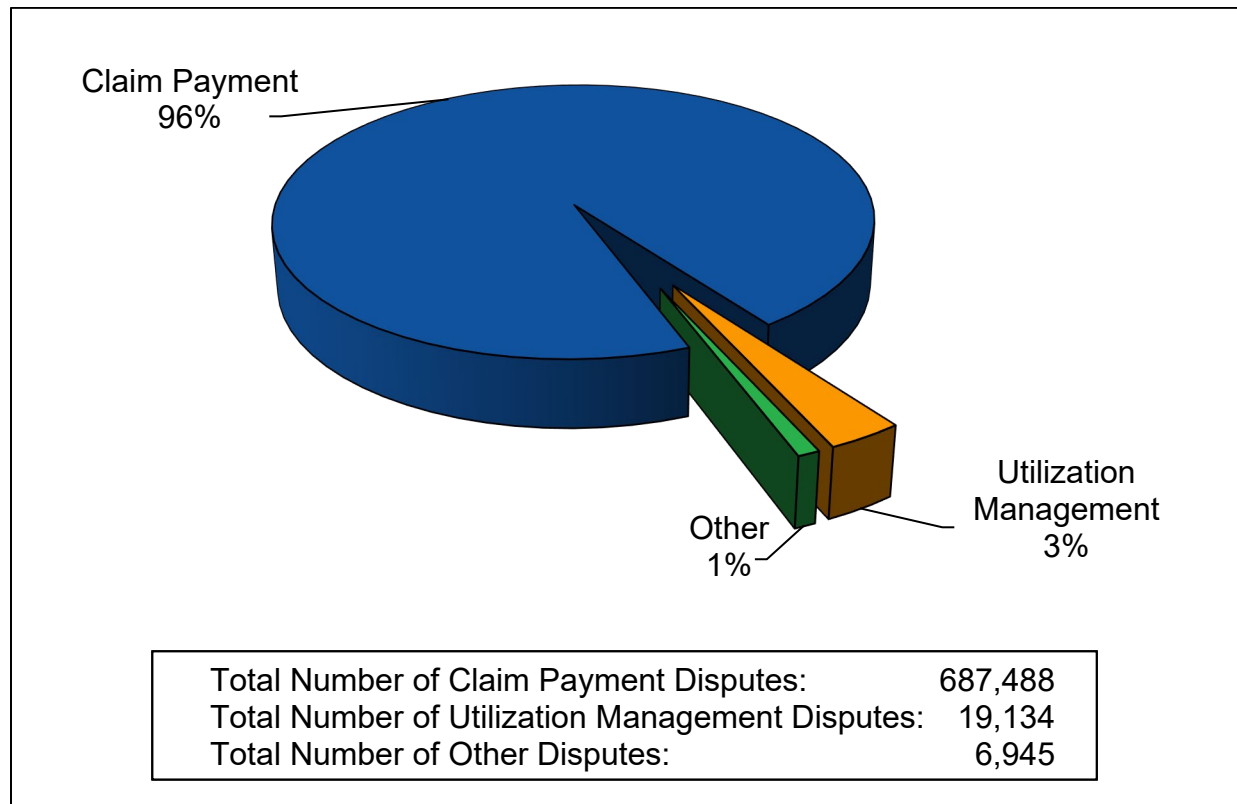
Generally, capitated providers fall within two main categories: (1) medical groups and Independent Practice Associations (IPAs); and (2) hospital systems that receive capitation from health plans, and in turn pay provider claims for health care services rendered to the plan's enrollees. Capitation is a prepaid amount received or paid out, based on the number of enrollees assigned to an organization. This arrangement is usually expressed in units or per member per month (PMPM) payments.

All health plans are required to compile and provide a dispute resolution report for each capitated provider or provider group. Based upon the number of filings received, the DMHC has identified 248 capitated providers that were contracted with full service health plans.

Health plans reported a total of 713,567 provider disputes filed with capitated providers during the reporting period. Any capitated provider that is non-compliant with Health and Safety Code section 1371 and California Code of Regulations, Title 28, section 1300.71 criteria must report to the health plan on a quarterly basis. Capitated providers must also file an annual provider dispute report with each of its contracting health plans. Capitated providers are required to follow the same reporting elements as full service and specialized health plans.

Capitated providers processed approximately 58 million claims in the 2022 reporting period. Ninety-six percent of provider disputes involved claims payment issues. Chart 6 reflects the breakdown of provider disputes.

Chart 6
Provider Disputes – Capitated Providers



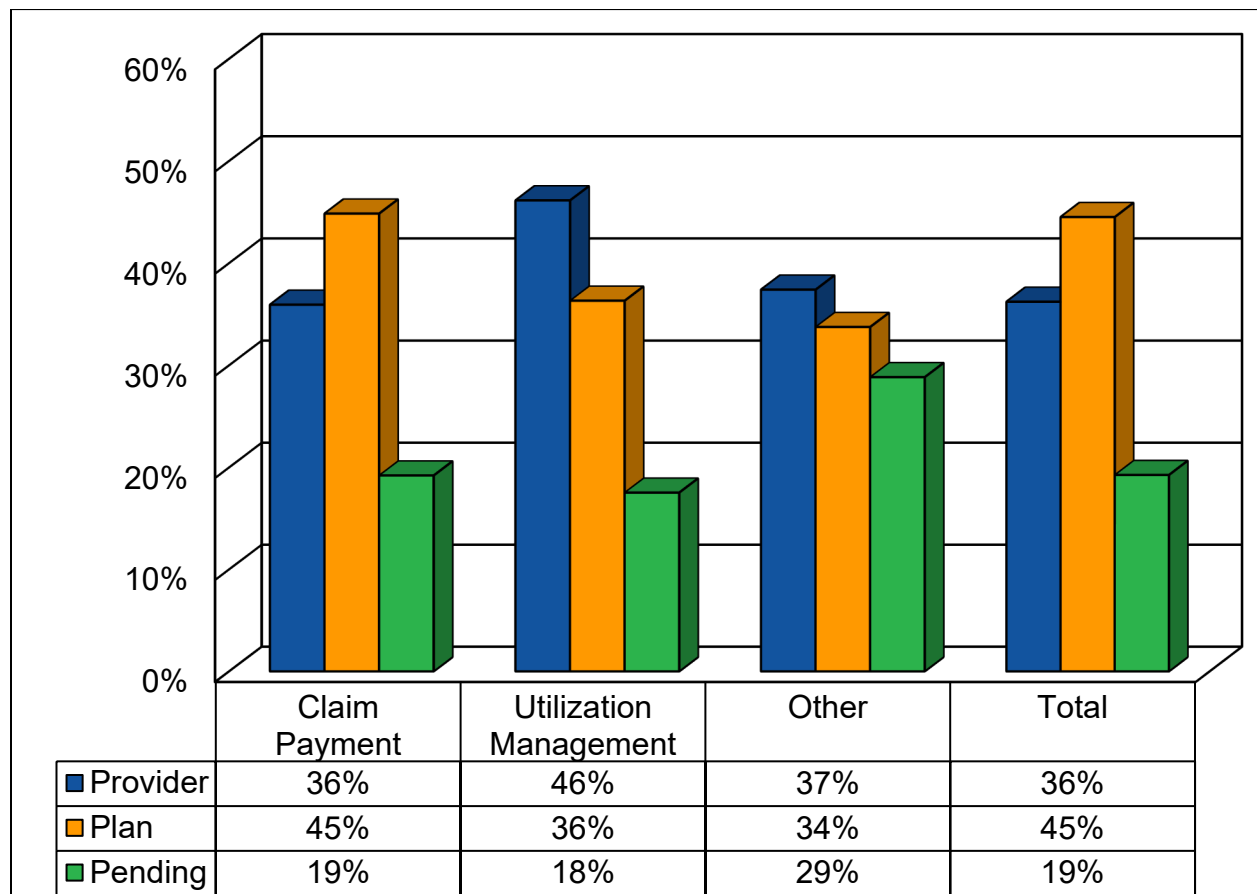
Approximately 83% of all claims processed were paid or adjusted and 17% of the claims processed were contested or denied. Capitated providers processed approximately 98% of claims within the 45-day statutory requirement. For provider disputes not resolved within the prescribed timeframes, the capitated providers self-initiate corrective action plans. These corrective action plans are monitored by the health plans to ensure compliance within the required timeframes.

Disposition of Capitated Providers' Provider Disputes

The capitated providers had a 15% increase in the number of disputes in the 2022 reporting period compared to 2021. Of the 713,567 provider disputes submitted, 36% were resolved in favor of the provider, 45% were resolved in favor of the plan, and 19% were pending review as of September 30, 2022.

Chart 7 illustrates the breakdown by percentages for each category of dispute compared to the total number of disputes.

Chart 7
Resolution of Provider Disputes – Capitated Providers

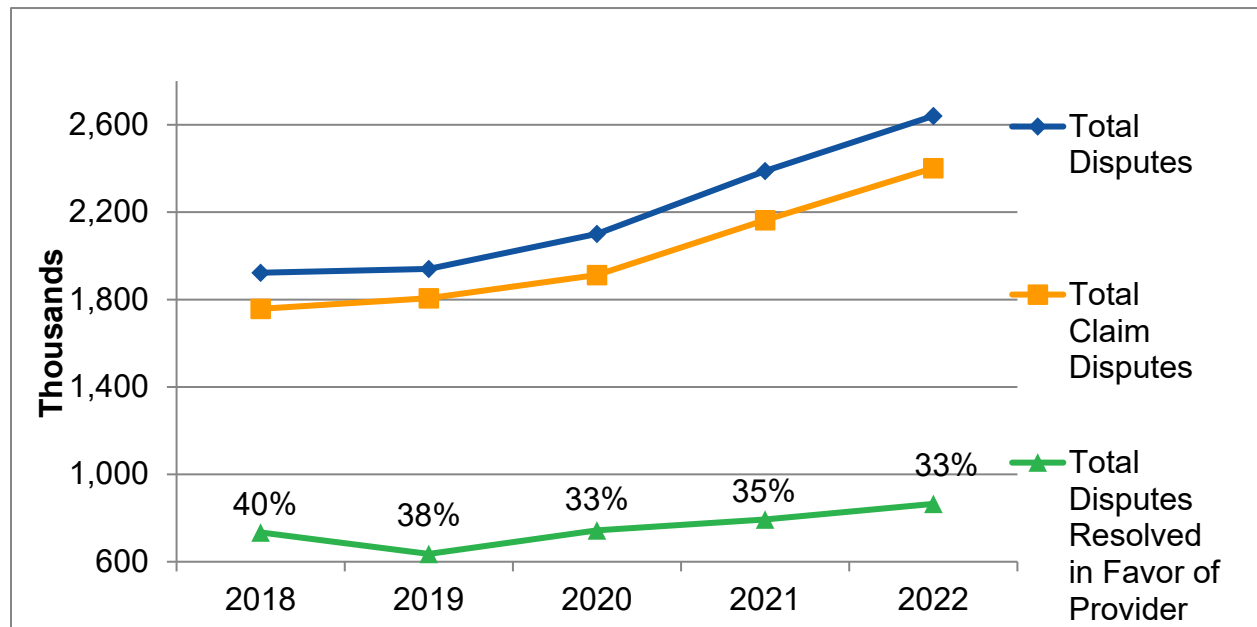


VI. Provider Dispute Trends

Chart 8 displays the trend for the volume of disputes reported by full service health plans, specialized health plans, and capitated providers over a five year period. The blue line represents the total number of disputes reported, the orange line represents total claims disputes reported and the green line represents the total number of disputes in favor of the provider.

From 2021 to 2022, provider disputes increased from 2.4 million to 2.6 million, representing a 11% increase. The number of disputes resolved in favor of the provider has fluctuated between 33% and 40 over the five-year period. For 2022, 33% of provider disputes were resolved in favor of the provider.

Chart 8
Five Year Provider Dispute Information



VII. Summary

The number of provider disputes represents roughly one percent of the total amount of claims processed for 2022. Health plans reported resolving 93% of provider disputes within the required 45-day time frame, a 3% decrease from the prior reporting period.

The percentage of provider disputes resolved by health plans in favor of the provider was 33% in the 2022 reporting period and remained unchanged from the prior year.

There was a 9% increase in provider disputes received by specialized health plans. Fifty percent (50%) of the provider disputes filed were resolved in favor of the provider.

Approximately 36% of provider disputes filed with capitated providers were resolved in favor of the provider and approximately 19% of these disputes were pending as of September 30, 2022.

The provider dispute resolution data summarized in this report is self-reported by health plans and capitated providers. There may be substantive differences in the way health plans and capitated providers identify, quantify, and track provider disputes. The DMHC will continue to work with the health plans to ensure consistent reporting with the updated instructions for the claims and provider dispute reporting by health plans and capitated providers.