Health Net and the Cost of Addiction Treatment

The Los Angeles Times recently released an article exposing Health Net for abruptly cutting off payments to hundreds of for-profit substance abuse centers that had treated its patients. Health Net subjected treatment centers to a "dragnet audit demanding extensive documentation of patient treatments in 2015 and 2016 even though the treatments often had been subject to the insurer's prior authorization."

Even after notifying some centers that they had passed their audit, Health Net paid them only a fraction of what they were owed. Health Net asserts that its "blanket investigation was aimed at verifying that all the treatment claims were legitimate," but the timing of Health Net's investigation suggests it may have had ulterior motives of "[dressing] up its financial results after its acquisition by Centene, a St. Louis insurance company, in a $6.3-billion deal announced in 2015."

Hundreds of complaints have poured in from treatment centers that allege "Health Net stiffed them," and subjected policyholders seeking treatment for family members to "unexpected roadblocks."

In addition, some centers that received belated payments from Health Net say the reimbursements are only a fraction of what they're owed under their patients' insurance policies. This gives rise to another issue for families battling addiction and substance abuse, as many of the facilities are outside Health Net's network, and "some can balance bill their patients, coming after them for whatever remains unpaid after insurance reimbursements." These families and patients, who are already stressed and struggling as a result of drug and alcohol addiction could "now face bills for tens of thousands of dollars."

The exact numbers are difficult to gauge, but Hiltzik reports that Centene disclosed at least "$92 million as of April 2016" for "disputed substance abuse treatment center claims." These delays and underpayments have brought many individual treatment centers "to the point of having to shut down."

The surge in the drug treatment claims in 2014 coincided with the Affordable Care Act's designation of mental health and substance abuse treatment as an essential health benefit mandated for inclusion in individual health plans. According to Nelson Hardiman attorney John A. Mills, who represents numerous providers in disputes with Health Net, "Health Net seemed content to sign up numerous new policyholders and collect their premium payments. But when Health Net realized that the policies committed them to paying a reimbursement rate of 75% of billed charges, they had to figure out a way to put the brakes on. Unfortunately for Health Net, the providers and the Department of Insurance recognized that Health Net could not rewrite the policies to start paying 190% of Medicare without being able to point to a Medicare benchmark for the type of treatment of treatment being provided." At a health industry conference in September 2016, Centene's investor relations chief, Edmund E. Kroll, essentially "acknowledged that Health Net had underpaid many of its drug treatment providers" and "had denied a lot of claims that we subsequently determined should be on the books…. They were owed."

However, to date many treatment centers are still awaiting settlements, and have yet to receive "little or no explanation for the delay or underpayment." Healthcare Attorneys at Nelson Hardiman are well versed in the ever-changing regulatory climate and shifting insurance industry standards and offer many resources to help addiction treatment providers avoid fraud and abuse claims. For more information please visit our website www.nelsonhardiman.com.

Resources

We offer the following resources to help addiction treatment providers avoid fraud and abuse claims:

- Avoiding Fraud and Abuse Claims in Addiction Treatment: Tips for Getting and Staying in Compliance
- American Addiction Treatment Association (AATA): We led the launch of AATA to establish guidelines for addiction and recovery professionals to operate ethically and comply with industry standards.
- Kathryn F. Edgerton has developed a significant niche practice representing behavioral care providers in transactions and regulatory matters, with a strong focus on compliance issues for substance abuse treatment providers.

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