

February 27, 1976

SUBJECT: INSURANCE

WITHDRAWN

CIRCULAR LETTER NO. 4(1976)

TO: ALL SELF-INSURERS AND ALL INSURERS WRITING AUTOMOBILE INSURANCE IN THIS STATE*

*Wherever used, insurer also refers to self-insurer.

RE: PAYMENT OF HOSPITAL BILLS UNDER NO-FAULT WHERE THE HOSPITAL'S RATE STRUCTURE IS ON AN ALL-INCLUSIVE RATE BASIS.

It has come to our attention that some insurers are requiring hospitals which utilize an all-inclusive rate structure to break down their inclusive rate to specifically enumerate charges for each item of service rendered, as a condition for payment. An all-inclusive rate structure provides for a flat daily charge covering all hospital services rendered to the patient. In some cases this can result in savings to the insurer when compared to itemized rates, particularly where severe traumatic injuries are involved. In other cases, the actual value of the individual services rendered may be less than an all-inclusive rate.

Hospitals which utilize an all-inclusive rate rather than specific charges for the particular services rendered have advised the Department that large sums of money are owing to them from some automobile insurers and self-insurers who have demanded that the hospitals enumerate and price the services rendered and furnish itemized billings therefor.

It is this Department's position that where a hospital utilizes an all-inclusive rate structure for all of its patient billings, the insurer or self-insurer may not demand a billing based upon charges for specific items of services rendered. The insurer, however, is entitled to a recitation of the services provided and treatment rendered, so that it may verify whether or not the services and treatment provided and rendered were causally related to a covered automobile accident.

If an insurer questions the reasonableness of a hospital's all-inclusive rate it shall, upon receipt of the necessary verification of services rendered pay, within the 30 day period, an amount it has independently determined to be the reasonable all-inclusive rate. The insurer under such circumstances should furnish the eligible injured person or the hospital, if it is the assignee, with a detailed statement on the prescribed Denial Of Claim Form and any supplement thereto, setting forth the basis for its conclusion that the all-inclusive rate demanded by the hospital is unreasonable in part and pay the amount not in dispute. The insurer shall also set forth in its denial statement a detailed statement setting forth the basis for its computation of a reasonable all-inclusive rate.

If hospitalization is necessary for injuries sustained in a covered automobile accident, no deduction shall be made by the insurer for unrelated treatment rendered to the claimant since the incurred costs in an all-inclusive rate hospital are the same whether or not such unrelated treatment is rendered. However, if the claimant's hospital stay is lengthened due to the treatment of conditions not related to the automobile accident, the automobile insurer may deny payment for the additional days of stay necessitated for treatment of the unrelated conditions.

All personnel responsible for the payment of claims should be furnished with a copy of this notice and receipt of

this notice shall be acknowledged forthwith and in writing to John Reiersen, Associate Examiner, Automobile and Compensation Bureau, New York State Insurance Department, 2 World Trade Center, New York, New York, 10047 by a responsible officer of the insurer or self-insurer.

Very truly yours,

[SIGNATURE]

Thomas A. Harnett

Superintendent of Insurance