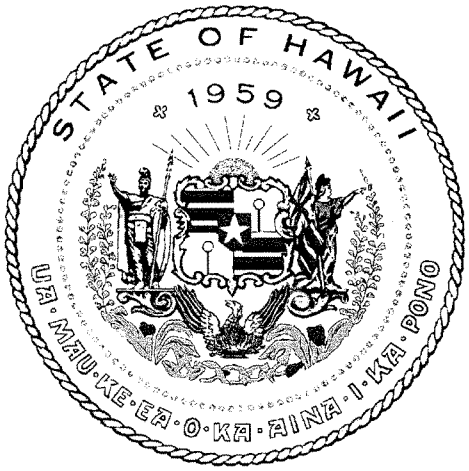



# Annual External Review Report

In Accordance with Hawaii Revised Statutes §432E-13

Prepared by the

INSURANCE DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII

December 2005

## Foreword

Hawaii Revised Statutes ("HRS") section 432E-13 requires the Insurance Commissioner to submit to the legislature a report that contains the number of external review hearing cases reviewed, the type of cases reviewed, a summary of the nature of the cases reviewed, and the disposition of the cases reviewed. Furthermore, the identities of the plan and the enrollee shall be protected from disclosure in the report.

The external review process is an important component to the Patients' Bill of Rights and Responsibilities Act, HRS chapter 432E. As such, the Insurance Division has provided a general overview of the external review statistics for fiscal year 2004-2005.

J.P. SCHMIDT
Insurance Commissioner

## External Review Report for Fiscal Year 2004-2005

This annual report is filed pursuant to Hawaii Revised Statutes ("HRS") section 432E-13, which requires the Insurance Commissioner to submit an annual report concerning external review cases to the legislature.

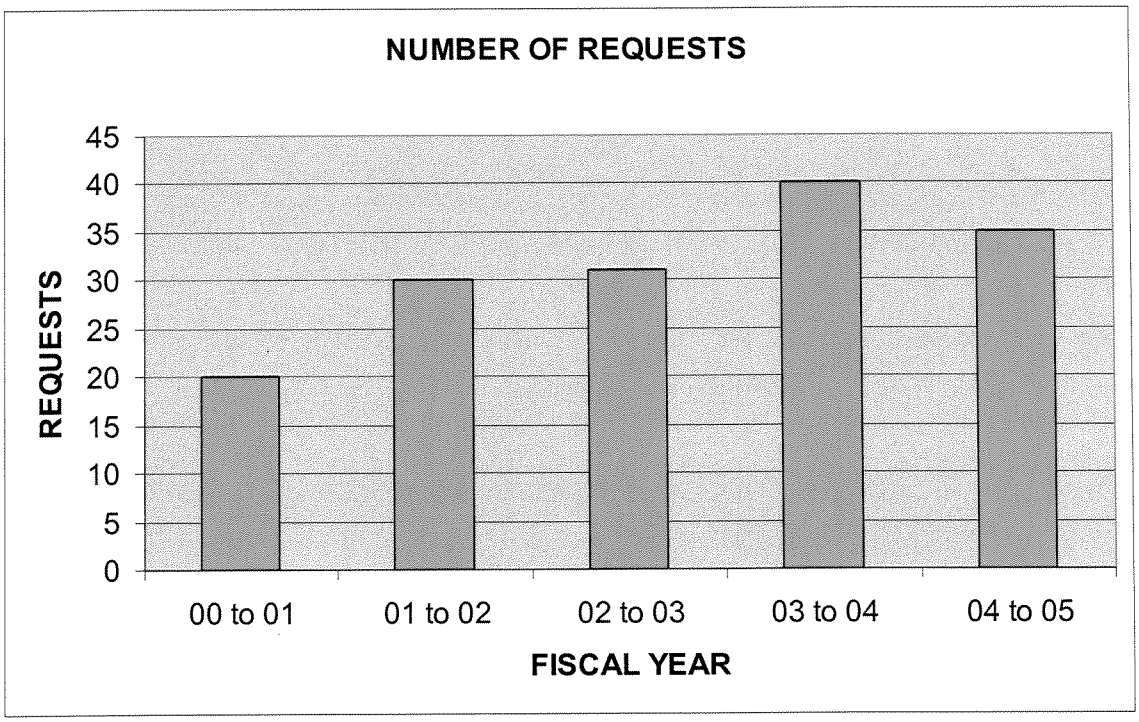
The Insurance Division administers the external review process under the Patients' Bill of Rights and Responsibilities Act, HRS chapter 432E ("Act"). The Act provides patients with a mechanism for appealing adverse decisions made by their health plans. After exhausting the health plans' internal appeals process, patients may file a petition for external review with the Insurance Commissioner. If the Commissioner finds that there is good cause for a petition, a hearing is scheduled on the petition. The Insurance Commissioner may conduct the hearing for cases where the amount in controversy is less than $500. Cases in excess of $500 are heard by a three-member panel, consisting of the Commissioner or his representative, a representative of a health plan not involved in the case, and a practicing physician. The Act also provides for expedited hearings in cases involving serious jeopardy to life or health.

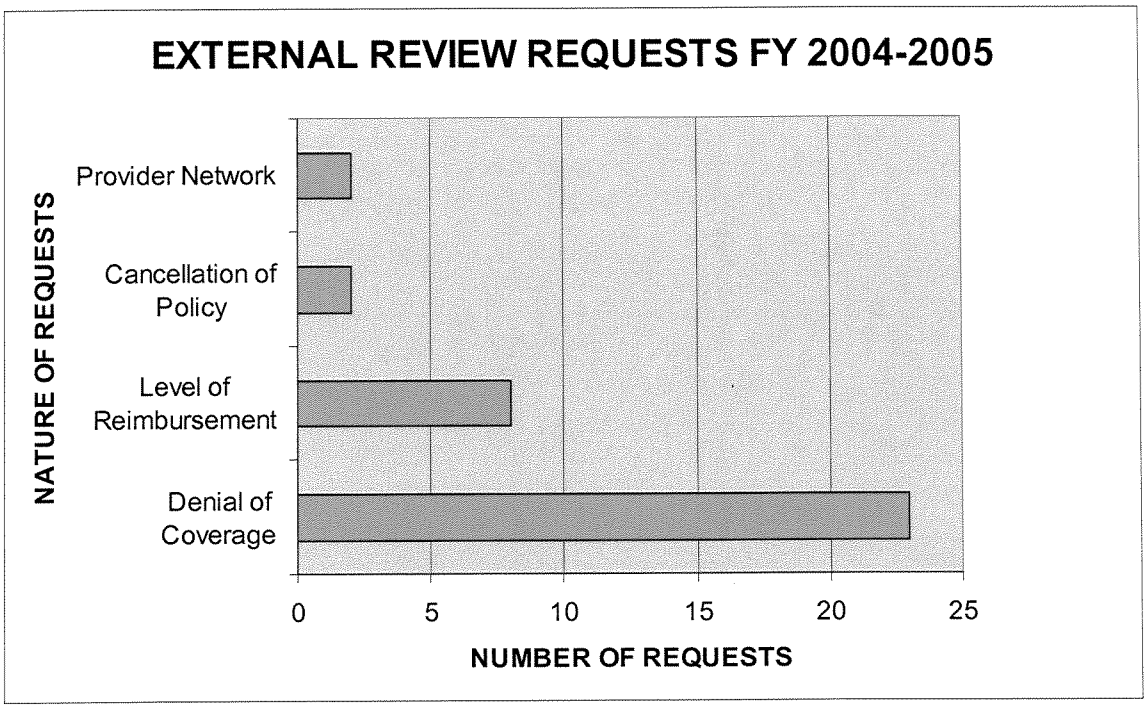
For fiscal year '04-'05 thirty-five (35) external review requests were filed. Twenty-six (26) were dismissed, seven were withdrawn, and two (2) were decided in favor of the managed care plan.

Of the thirty-five (35) requests, three (3) were heard by a three-member panel. Two (2) of the cases were decided in favor of the managed care plan, the remaining case was withdrawn.

The nature of cases reviewed is as follows. The majority of the requests involved a denial of coverage. There were twenty-three (23) cases involving denial of coverage; eight (8) cases involving level of reimbursement; two (2) cases regarding the cancellation of a policy; and two (2) regarding the plan's provider network. The following page provides graphs with a breakdown of these cases.

In November 2004, the Hawaii Supreme Court ruled in Hawaii Management Alliance Association v. Insurance Commissioner, 106 Haw. 21 (2004), that the external review process is pre-empted by the federal Employees Retirement Income Security Act ("ERISA") as to health plans that fall under ERISA. The vast majority of health plans fall under ERISA because they are provided by private employers. As a result, the number of external review cases has fallen.


NUMBER OF REQUESTS
REQUESTS
45
40
35
30
25
20
15
10
5
0
00 to 01
01 to 02
02 to 03
03 to 04
04 to 05
FISCAL YEAR


EXTERNAL REVIEW REQUESTS FY 2004-2005
NATURE OF REQUESTS
Provider Network
Cancellation of Policy
Level of Reimbursement
Denial of Coverage
0
5
10
15
20
25
NUMBER OF REQUESTS