



# Sheppard Pratt

**Written Testimony  
Senate Finance Committee  
House Health and Government Operations Committee  
SB638 / HB919 Maryland Insurance Commissioner –  
Specialty Mental Health Services and Payment of Claims – Enforcement**

**February 17, 2021**

**Position: Support**

Sheppard Pratt thanks the Maryland General Assembly for your longstanding leadership and support of mental and behavioral health providers in Maryland. This testimony outlines the Sheppard Pratt **support for SB638/HB919 Maryland Insurance Commissioner – Specialty Mental Health Services and Payment of Claims – Enforcement**. It is our hope that the Maryland General Assembly vote a favorable report on this legislation.

Sheppard Pratt does acknowledge and appreciate the efforts of the Maryland Department of Health and especially the leadership at the Department who have tried to make the Administrative Service Organization (ASO) transition seamless through estimated payments and participation in meetings. We also commend the Maryland General Assembly for the continued oversight and debate of the legislation before you today.

However, challenges continue to persist with a transition that is over a year long process. Given the size and scope of the services Sheppard Pratt provides throughout the State, this ASO transition is an extraordinary challenge especially as we also try to keep our doors open during a pandemic. The legislation before you is necessary to ensure that the transition comes to a successful conclusion. It authorizes the Maryland Insurance Commissioner to enforce minimum performance standards for the ASO that is responsible for managing care and paying claims for the Maryland public behavioral health system. This immediate action is needed to prevent continued harm that reduces our capacity to treat Maryland residents at a time when the pandemic is driving need higher than ever.

The Sheppard Pratt mission is to improve the quality of life of individuals and families by compassionately serving their mental health, addiction, special education, and community support needs. This mission is severely compromised by our experience with Optum and is illustrated by the examples below:

## **Authorization Issues**

From the very start of a long, tumultuous year, we have had and continue to have issues with routine authorizations, including the following:

- No explanation for authorization denials.
- Inconsistency with authorizations.
- Time to enter authorizations and follow-up have increased.



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- System was set up by provider type which creates challenges moving authorizations for a single patient between provider types.

## **Claims Processing Issues**

We continue to experience claims processing errors, including:

- Insufficient plan outlined for reconciliation process for estimated payment period claims which represents bulk of claims (all claims through August 2<sup>nd</sup>), requiring additional workforce.
- Overpayments (duplicate payments for new day claims, secondary payments processing as primary).
- Inpatient and residential claims not paying for the discharge date.
- Services paid at incorrect rate (universal, inpatient, outpatient, residential treatment).
- Insurance issues creating large percentage of denials.
- Payments being made out to clinicians.
- Patients that were not billed are being paid.
- Receiving patient claims data from other organizations.

## **Audit and Reporting Issues**

Lack of accurate reporting resulting in the following:

- Current payment summary report for all corporations within Sheppard Pratt are off by millions in billed charges verses internal records.
- Lack of valid reports coupled with the reprocessing of claims multiple times as well as high rate of denials and authorization issues means that management believes balance sheet accounts are not reliable.

## **Call Center**

Staff at the call center have not been adequately trained on Maryland Medicaid and Behavioral Health programs and billing. This results in inconsistent messaging from call center staff. While issues are escalated, they remain unresolved.

## **Sheppard Pratt Financial Exposure with Optum**

The continued problems with Optum and the Incedo system coupled with sustained losses resulting from COVID-19 leaves Sheppard Pratt exposed to (1) cash on hand issues; (2) loss of margin; (3) continued audit issues and (4) resource constraints. The impact to Sheppard Pratt continues to be in the range of tens of millions of dollars.

- Based on Optum documents, for billed charges for one corporation, 23 percent of claims were denied, and an additional 12 percent were disallowed resulting in millions in underpayment. Prior denial rates were below 10 percent.



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- Based on Optum documents, 99.94 percent of claims were adjudicated and paid within 14 days
  - This is because Optum paid, retracted, and then denied claims
- Overpayments and resulting liability to Optum from duplicate payments and Optum not recognizing primary insurance is currently unknown.
- Auditors are unable to test and confirm balances and rely on Optum reports.
- Workforce issues include:
  - Additional time to process authorizations;
  - Claims management time and effort have dramatically increased; and
  - The expense and impact beyond time and workforce stress is not known.

Sheppard Pratt urges you to act now to preserve Maryland's treatment capacity and vote a favorable report on **SB638/HB919 Maryland Insurance Commissioner – Specialty Mental Health Services and Payment of Claims – Enforcement**.

## **About Sheppard Pratt**

Sheppard Pratt is the nation's largest private, nonprofit provider of mental health, substance use, developmental disability, special education, and social services in the country. A nationwide resource, Sheppard Pratt provides services across a comprehensive continuum of care, spanning both hospital- and community-based resources. Since its founding in 1853, Sheppard Pratt has been innovating the field through research, best practice implementation, and a focus on improving the quality of mental health care on a global level. Sheppard Pratt has been consistently ranked as a top national psychiatric hospital by *U.S. News & World Report* for nearly 30 years.