

Government Agency Finds Systemic Problems With Grandfathered Plans Plague Anthem Blue Cross Policyholders in California

Despite a civil lawsuit, enforcement action and administrative penalty, Anthem implements "unreasonable" rate increase, according to CA Department of Insurance.

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EINPresswire.com/ -- California insurance law firm [Gianelli & Morris](#) filed a lawsuit against insurance giant Anthem on March 3, 2019, in Los Angeles County Superior Court, (Fiona Sahakian v. Anthem Blue Cross Life and Health Insurance Company, case #19STCV10927). The civil complaint alleged breach of contract and bad faith on Anthem's part for repeatedly applying a deductible to health claims that the policy said a deductible does not apply to. In consequence of the lawsuit, Anthem self-reported issues to the California Department of Managed Health Care (DMHC). This led to a DMHC enforcement action and the imposition of a \$750,000 penalty on the insurer.

However, issues continue to abound regarding the misapplication of deductibles by Anthem to holders of grandfathered plans, according to California insurance law attorney Robert S. Gianelli of Gianelli & Morris.

"Although Anthem represented to the DMHC that it has resolved the problem it identified, it appears that Anthem continues to improperly apply deductibles under its grandfathered plans,"



Robert S. Gianelli, Los Angeles Insurance Attorney



Gianelli & Morris



Anthem is improperly applying deductibles to various types of office visit claims, preventive care claims, and mental health claims.”

Robert Gianelli, California Insurance Law Attorney

Gianelli says. “Anthem is improperly applying deductibles to various types of office visit claims, preventive care claims, and mental health claims.”

In a Letter of Agreement issued by the California DMHC on May 17, 2022 (Enforcement Matter Number 20-226), Anthem was issued an administrative penalty of \$750,000 for incorrectly applying office visit costs to enrollee deductibles to 6,561 grandfathered enrollees from 2015 through 2020. As part of the settlement, Anthem agreed to submit to a Corrective Action Plan (CAP) developed by the

agency. In addition to reimbursing the 6,651 enrollees approximately \$9.2 million for the improperly applied deductibles, the CAP required Anthem to change its plan policies and procedures to ensure these issues don’t happen again.

According to the Letter of Agreement, Anthem admitted to a claim processing error that occurred during a benefit update for Evidence of Coverage (EOC) that affected 16 grandfathered plans. The EOCs provided that office visits were not subject to the plans’ annual deductibles, but thousands of policyholders nevertheless had deductibles applied to their covered office visits. As a result of the coding error, 59,443 individual claims were applied incorrectly, according to Anthem’s own audit.

Anthem self-reported the coding error after Gianelli & Morris filed a lawsuit on behalf of an Anthem customer. In the Letter of Agreement that followed, Anthem agreed to pay the fines imposed by DMHC and complete corrective actions including identifying and reimbursing enrollees impacted by the incorrect office visit costs.

Rate Filing Determined Unreasonable by California Department of Insurance

Since the Letter of Agreement, Anthem has been systematically pulling out of the individual insured market in California and canceling all grandfathered plans. Simultaneously, Anthem continues to raise rates on all grandfathered plans against the recommendation of the California Department of Insurance.

In a statement issued by the Department of Insurance (DOI) on April 1, 2022, the DOI expressed, “The California Department of Insurance (“Department”) finds the rate increases submitted by Anthem Blue Cross Life & Health Insurance Company (“Anthem”) in its filing HAO-2021-0310 to be unreasonable.” (Anthem Blue Cross Life & Health Insurance Company Rate Filing, Grandfathered Individual Major Medical Policies, State Tracking Numbers: HAO-2021-0310, Effective date: April 1, 2022). The determination explains that the rate filing would impact up to 39,000 grandfathered plan members with an average rate increase of 8.7%, with some customers hit by as much as a 24.9% increase.

“Anthem continues with exorbitant rate increases and then every year cancels more and more individuals with grandfathered plans,” Gianelli says.

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