

July 29, 2021

Dana Popish Severinghaus  
Acting Director  
Illinois Department of Insurance  
320 W. Washington Street  
Springfield, IL 62767

Dear Acting Director Severinghaus:

On behalf of our member hospitals and health systems, the Illinois Health and Hospital Association (IHA) and the Illinois Critical Access Hospital Network (ICAHN) are writing to express our concerns about UnitedHealthcare's (UHC) proposal to change outpatient diagnostic laboratory services from a "network" to "designated" benefit for its fully insured small and large group health plans offered in Illinois, effective January 1, 2022. In addition to creating unnecessary confusion for patients, we believe UHC's proposed policy will inevitably lead to access barriers, particularly in our small and rural communities; increased out-of-pocket costs; and surprise billing.

Subject to state regulatory approval, UHC plans to cover outpatient diagnostic laboratory services at the highest benefit level only when delivered by freestanding or outpatient hospital laboratories that are enrolled as Designated Diagnostic Providers (DDPs). These services will be denied when performed by non-designated laboratories, including those in the plan's network, and the patient will be responsible for payment in full. To become a DDP, laboratories must complete an application and meet UHC-determined efficiency criteria and quality thresholds, such as reporting results within 24 hours.

As hospitals already satisfy national certification and accreditation requirements, UHC's quality standards do not pose a barrier to enrollment. Indeed, many of our members have already successfully completed this portion of the application process. The opaque efficiency standards, however, translate to a material reduction in reimbursement that threatens hospitals' ability to maintain current service levels, as well as the very quality standards applied by UHC.

Moreover, UHC's new benefit design is misleading to consumers, who generally enroll in a network plan with the understanding that services will be covered when rendered by in-network providers. Under the DDP model, a non-designated, network hospital will still appear as "in-network" in the member's plan materials; however, should a member seek lab tests at this facility, UHC will deny coverage. As a result, patients will be left vulnerable to higher out-of-pocket costs and "surprise billing" for in-network care.

The DDP model also allows UHC to create the appearance of a robust network while actually limiting the number of available providers. This attempt to circumvent network adequacy

requirements will have a particularly chilling effect in small and rural communities, where the local hospital is the main—and sometimes only—access point for outpatient laboratory services. To address these serious access gaps, UHC proposes simply to “work with outpatient hospitals to meet quality and efficiency requirements.”<sup>1</sup>

While IHA and ICAHN member hospitals and health systems support value-based initiatives that encourage the delivery of high quality, cost-effective care, we believe that UHC’s proposed DDP benefit design runs counter to this objective. Fundamentally, UHC is attempting to alter the concept of a network plan by carving out specific services from network coverage as an exercise in cost savings for the insurer. We anticipate that diagnostic laboratory services are the first of many such service-specific carve outs as UHC already announced plans to add major imaging services in 2022.<sup>2</sup>

We understand that the Illinois Department of Insurance (IDOI) is in the process of reviewing UHC’s regulatory filings to determine whether this policy may be implemented in Illinois. Consistent with its mission to protect consumers and maintain a strong insurance market, we urge IDOI to evaluate the detrimental effects of this policy on patient costs, surprise billing, network adequacy, good faith contracting, and consumer access to high quality coverage.

We appreciate IDOI’s responsiveness to our concerns and welcome the opportunity to speak further about this important issue.

Sincerely,

Jordan Powell  
Senior Vice President, Health Policy and Finance  
Illinois Health and Hospital Association

Pat Schou  
Executive Director  
Illinois Critical Access Hospital Network

cc: KC Stralka  
Chief of Staff, Illinois Department of Insurance

Ryan Gillespie  
Deputy Director of Health Products, Illinois Department of Insurance

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<sup>1</sup> <https://www.uhcprovider.com/content/dam/provider/docs/public/reports/dpp/designated-diagnostic-provider-outpatient-lab-services-FAQ.pdf> (Updated July 1, 2021)

<sup>2</sup> <https://www.uhcprovider.com/en/reports-quality-programs/designated-diagnostic-provider/designated-diagnostic-provider-imaging.html> (May 12, 2021)