Dynamic Chiropractic

Indiana Appellate Court Rules Against State Farm Appeal

Editorial Staff

On June 19, 1996, the Court of Appeals of Indiana handed State Farm yet another defeat in a court battle that has been ongoing since 1991 (see "State Farm Guilty of Discriminating against Chiropractors" in the October 21, 1994 issue of "DC").

In the case of appellate plaintiffs State Farm Mutual Automobile Insurance Co. and State Farm Fire & Casualty Co. vs. defendants Indiana Dept. of Insurance (and Indiana State Chiropractic Assoc. as an appellee), Judge Riley included these remarks in his 21-page opinion:

> "We have no hesitation in concluding that the finding that State Farm paid chiropractic claims in homeowner and automobile policies at a significantly lower rate than it paid similar non-chiropractic claims is substantially supported by the evidence in the record. As the market conduct examination revealed and as the hearing officer and Commissioner found, State Farm was operating in violation of the Reimbursement Statute and in violation of the UC & DTPA (Unfair Competition and Deceptive Trade Practices Act).
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> "The market conduct examination revealed that State Farm had no objective criteria for determining under what circumstances an outside review agency should be employed to review claims involving chiropractic services and expenses; that claims involving chiropractic services were sent to outside review organizations more frequently than claims for services performed by nonchiropractors; and that State Farm failed to reimburse chiropractors on an equal basis with other health care providers.
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> "The market conduct examination revealed that State Farm rarely reimbursed a non-chiropractic claim in an amount less than the billed charges, while frequently reducing the amount reimbursed for chiropractic claims. Specifically, the examination revealed that on a pure dollar basis, State Farm only paid 41.4% of the billed chiropractic charges on claims that had been independently reviewed. State Farm argues that it paid chiropractors five times more than other providers. It is likely that the use of hands-on chiropractic treatment is more expensive than another provider's treatment plan, and therefore this "net payment" argument adds little to the "equal reimbursement" issue. The evidence supports the finding that State Farm violated the Reimbursement Statute by failing to reimburse chiropractors on an equal basis with other health care providers. State Farm must adopt standards and claims management criteria that are applied uniformly to all medical providers.

CONCLUSION:

> "IDI (Indiana Department of Insurance) acted properly when it ordered State Farm to

implement practices to cure the irregularities which were revealed during the market conduct examination and subsequent investigatory hearing conducted pursuant to the Examination Statute. Further, IDI's interpretation and application of the Reimbursement Statute was correct and the Commissioner's Final Order is supported by substantial evidence in the record."

The saga of ISCA's legal battle with insurance giant State Farm began on January 11, 1991, when ISCA filed a complaint with the Indiana Department of Insurance (IDI) against State Farm claiming that State Farm was discriminating against chiropractors in the payment of claims. On September 20, 1994, upon judicial review, the court found that:

- "For 1990 claims, State Farm did not reimburse chiropractors for their services on an equal basis with physicians and other health care providers..
- "During 1990, State Farm failed to adopt and implement reasonable standards for the prompt investigation of claims for services performed by chiropractors..
- "State Farm did not attempt in good faith during 1990 to effectuate prompt, fair, and equitable settlements of claims in which liability had become reasonably clear when the claim involved services performed by chiropractors...
- "During 1990, State Farm committed or performed, with such frequency as to indicate general practice, unfair claim settlement practices as defined in Indiana Code.."

After conducting hearings on December 11, 1992 and November 6, 1992, the Indiana Insurance Commissioner issued its final order on February 7, 1994:

- "State Farm is hereby ordered to immediately reimburse chiropractors for services under any insurance contract on an equal basis with physicians and other health care providers in compliance with Indiana Code 27-8-6-1.
- "State Farm is hereby ordered to establish and use written guidelines, approved by the Department of Insurance..
- "State Farm is hereby ordered to develop and conduct a training seminar for all claims personnel by June 30, 1994, which seminar shall include instruction on current chiropractic methodology and treatment.
- "State Farm is hereby ordered to immediately refrain from publishing to or making available for review by claims personal inaccurate and outdated information concerning the care and treatment provided by chiropractic physicians..."

State Farm's appeal of the 1994 decision has gone for naught. The June 19, 1996 judgment upholding the decision against State Farm should help not only Indiana DCs, but chiropractors across the nation to demand fair reimbursement from insurance companies for chiropractic claims. The ISCA should be commended for their persistence and determination in setting a precedent other state chiropractic associations should emulate.

Editor's note: For more information, please contact Rick Batesky, ISCA's in-house legal counsel at (317) 684-3020.

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