

## Usual, Customary and Reasonable

### An Explanation for Doctors

**Effective Date:** January 1, 1986

**Amended:** October 1, 1987

June 1, 1991

May 1, 1998

June 1, 2000

August 1, 2001

December 1, 2005

### How are Benefits Paid Under a Usual, Customary and Reasonable

#### Methodology?

Allowable benefits are based on the lesser of:

- the doctor's usual charge,
- the doctor's usual charge on record, or
- the maximum customary allowance\*

A percentage of the maximum allowed amount—in accordance with the subscriber's contract—is paid to the doctor participating in CostWise.

#### What is a Usual Charge?

A usual charge is the fee generally charged by an individual doctor or group practice for a particular service (i.e., the charge submitted on the HCFA 1500 claim form).

#### What is the Usual Charge On Record?

The usual charge on record is a computer-calculated charge, based on usual charges for an individual doctor or group practice for a particular service. Claims are reviewed every six months; approximately half of the services in April and the remainder in October. The April review is based on claims data from the previous April through December; the October review is based on claims data from the previous October through June.

The usual charge on record is initially established at the accumulated 90<sup>th</sup> percentile of charges for an individual doctor or group practice for a particular service. For time-based anesthesia services, a single per-minute conversion factor is established. Once established, a usual charge on record can be increased in April or October depending on the review of claims data. If the usual charge found at the accumulated 90<sup>th</sup> percentile of charges for a particular service is higher than the established usual charge on record, then the usual charge on record is based on the rise, if any, in the all-items Consumer Price Index (CPI), as published by the Bureau of Labor Statistics, U.S. Department of Labor, for the most recent 12-month period.

#### What is the Maximum Customary Allowance?

The maximum customary allowance is a computer-calculated charge for a particular service, based on all claims data submitted by individual doctors and group practices who are participating in CostWise. This data is reviewed every six months—in April and October. The April review is

based on claims data from the previous April through December; the October review is based on claims data from the previous October through June.

The maximum customary allowance is initially established at the accumulated 90<sup>th</sup> percentile of charges for all doctors, or for doctors of a particular specialty when over 50 percent of the charges reported come from a particular specialty. Once established, the maximum customary allowance can be increased every six months based on the rise, if any, in the all-items CPI. This increase depends on whether the charge found at the accumulated 90<sup>th</sup> percentile of usual charges on record for participating doctors is higher than the established maximum customary allowance.

### **What Socioeconomic Areas Throughout the State are Used to Determine Allowances?**

None. BCBSNC uses statewide statistics to determine allowances.

### **What is a Reasonable Charge?**

A reasonable charge is an amount that meets the criteria of usual and customary charges or, after appropriate peer review, is justified because of the special circumstances of a case.

### **What is a Profile?**

A profile is the current listing of usual charges on record of an individual doctor or group practice. Charges are put on the profile in two ways:

- By automatic review twice a year of paid claims information.
- If sufficient data is not available, by doctors notifying BCBSNC of their charges.

### **How do I Contact BCBSNC about my CostWise®1 Profile or if I Have Questions?**

Write or call your local Network Management representative.

### **Can Doctors Request Further Review of Paid Claims?**

Yes. If benefits under UCR coverage are paid at less than the expected percentage of charges for a given service, benefits may have been based on less than the amount charged. BCBSNC is willing to review any determination it makes. Peer review consultants and/or committees representing major specialties review new, unusual, or precedent setting cases and recommend benefit allowances at the request of the subscriber, BCBSNC, or the participating doctor. The participating doctor has the opportunity to provide all pertinent information. The participating doctor is then notified of the result.

### **State Health Plan**

The state of North Carolina has contracted with Blue Cross and Blue Shield of North Carolina to administer its traditional health plan for state employees, retirees, and teachers through a plan called the State of North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan. ("State Health Plan") and NC Health Choice. The SHP determines the discounts off UCR and you will be informed in writing of any such changes to UCR.

\* Allowable determinations are made after a claim is conformed, as required, to uniform claims filing and processing policies established by BCBSNC.

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NOTE: December 1, 2005 issue voids/supersedes previous amended issues.