Proposal for Conducting a Compliance Review of Administrative Denials in MHPAEA Compliance

Introduction

The Mental Health Parity and Addiction Equity Act (MHPAEA) mandates that health plans offer mental health and substance use disorder (MH/SUD) benefits equivalent to medical/surgical benefits. My hypothesis is that MH/SUD claims are more frequently denied incorrectly and that most of these denial reasons constitute MHPAEA violations. To ensure compliance with MHPAEA, this proposal outlines a compliance review focused on analyzing administrative denials and medical necessity denials. The review aims to identify discrepancies in handling out-of-network requests and assess whether MH/SUD claims are subjected to higher rates of administrative denials. If a certain threshold of incorrect denials is exceeded, the department should seriously consider requiring external appeals for MH/SUD administrative denials.

Objectives

- Ensure Parity in Operations: Verify that MH/SUD benefits are administered comparably to medical/surgical benefits.

- Review Administrative Denials: Compare the rate and reasons for administrative denials between MH/SUD and medical/surgical claims to ensure equitable treatment.

- Assess Out-of-Network Requests: Evaluate the coding and processing of out-of-network requests for MH/SUD versus medical/surgical services to identify any inconsistencies.

- Identify Discrepancies: Detect potential biases in administrative denial rates, especially those that are AI-generated and incorrect, affecting MH/SUD claims disproportionately.

- Implement Corrective Actions: Establish criteria for mandatory external appeals for MH/SUD administrative denials if a threshold of errors is surpassed.

Methodology

1. Data Collection and Review
- Claims Data Compilation: Gather data on administrative denials and medical necessity denials for both MH/SUD and medical/surgical claims.

- Denial Categorization: Classify denials as either administrative or medical necessity and analyze the proportion of each type within MH/SUD and medical/surgical claims.

2. Review of Administrative Denials
- Administrative Denial Rates: Calculate and compare the rate of administrative denials for MH/SUD and medical/surgical claims to identify any disparities.

- Denial Reason Analysis: Document specific reasons for administrative denials and identify patterns indicating bias or error, particularly in AI-generated decisions.

- Outcome Review: Assess the outcomes of administrative denials and any subsequent appeals, noting differences in resolution rates between MH/SUD and medical/surgical claims.

- Threshold Analysis: Establish a threshold for the acceptable rate of incorrect denials. If exceeded, recommend mandatory external appeals for MH/SUD administrative denials.

3. Comparison of Out-of-Network Requests
- Coding Evaluation: Examine the coding practices for out-of-network requests for MH/SUD versus medical/surgical services to identify inconsistencies in handling or classification.

- Denial Frequency: Compare the frequency and reasons for out-of-network request denials between MH/SUD and medical/surgical claims.

- Appeal Success Rates: Analyze the success rates of appeals for denied out-of-network requests, comparing outcomes between MH/SUD and medical/surgical claims.

4. Statistical Review
- Sample Selection: Select a statistically significant sample of administrative denials to review for accuracy and consistency.

- Outcome Validation: Use statistical methods to validate the fairness and accuracy of outcomes for administrative denials in both MH/SUD and medical/surgical claims.

- Reporting: Generate reports detailing findings, trends, and areas of concern or non-compliance.

5. Technology Audits and Software Testing
- Frequent Tech Audits: Conduct regular audits of the technology and software used to process claims, focusing on identifying and rectifying errors in AI-generated denials.

- Software Testing: Implement routine testing and validation of the algorithms and systems used for processing MH/SUD claims to ensure compliance with MHPAEA requirements.

Recommended Approach for Compliance Review
To facilitate the compliance review, the following approach will be utilized:

1. Data Aggregation: Compile data on administrative and medical necessity denials from various sources to create a comprehensive dataset.

2. Denial Categorization: Employ natural language processing (NLP) to categorize and code denial reasons from claim documentation.

3. Proportional Analysis: Calculate the proportion of administrative denials for MH/SUD and medical/surgical claims relative to total claims.

4. Out-of-Network Request Review: Analyze coding and denial rates for out-of-network requests, identifying inconsistencies.

5. Anomaly Detection: Use machine learning to detect anomalies in denial rates and patterns, focusing on AI-generated denials.

6. Comparative Metrics Generation: Automatically generate metrics and visualizations to highlight disparities in administrative denials.

7. Statistical Sampling: Randomly select denials for review based on statistical sampling techniques to ensure unbiased results.

8. Threshold Monitoring: Continuously monitor denial rates against established thresholds to trigger corrective actions as needed.

Conclusion

Implementing this compliance review will enable health plans to assess and ensure parity in the handling of administrative denials, thereby aligning with MHPAEA regulations. By focusing on out-of-network requests and identifying potential biases in AI-generated denials, this review will help improve transparency and fairness in claim processing. Frequent technology audits and software testing will further ensure that the systems used to process claims are accurate and compliant.