Iowa General Assembly

2013 Legal Updates

Legislative Services Agency – Legal Services Division https://www.legis.iowa.gov/index.aspx

Purpose. *Legal update briefings are prepared by the nonpartisan Legal Services Division of the Legislative Services Agency. A legal update briefing is intended to inform legislators, legislative staff, and other persons interested in legislative matters of recent court decisions, Attorney General Opinions, regulatory actions, federal actions, and other occurrences of a legal nature that may be pertinent to the General Assembly's consideration of a topic. Although a briefing may identify issues for consideration by the General Assembly, a briefing should not be interpreted as advocating any particular course of action.*

REGULATION OF DENTAL INSURANCE PLANS

Filed by the Iowa Supreme Court
May 17, 2013

Iowa Dental Association v. Iowa Insurance Division and Iowa Insurance Commissioner and Federation of Iowa Insurers
No. 12-1280
http://www.iowacourts.gov/About_the_Courts/Supreme_Court/Supreme_Court_Opinions/Recent_Opinions/20130517/12-1280.pdf

Factual Background. This case relates to a statute that regulates the contractual relationships between Iowa dentists and insurers that provide dental insurance plans. Dental plan contracts usually include fee schedules which set the maximum amount a dentist can charge for particular services. Dental plans often exclude coverage for certain services, such as cosmetic dentistry and teeth whitening, and even when services are covered, coverage limits such as deductibles, maximum annual benefits, waiting periods, and frequency limitations may apply. For example, a frequency limitation might provide that patients will be reimbursed for up to two teeth cleanings per year, but not for additional cleanings within that same time period.

Prior to 2010, some dental plan contracts contained maximum fee schedules even for dental services that were excluded under the dental insurance plans, such as teeth whitening. In 2010, the Iowa Legislature enacted Iowa Code §514C.3B(1). The new law provides:

1. A contract between a dental plan and a dentist for the provision of services to covered individuals under the plan shall not require that a dentist provide services to those covered individuals at a fee set by the dental plan unless such services are covered services under the dental plan. (Iowa Code §514C.3B(1))

The statute defines “covered services” as “services reimbursed under the dental plan”. (Iowa Code §514C.3B(3)(a)). The statute also states in Iowa Code §514C.3B(4) that:

4. Nothing in this section shall be construed as limiting the ability of an insurer or a third-party administrator to restrict any of the following as they relate to covered services:
    a. Balance billing.
    b. Waiting periods.
    c. Frequency limitations.
    d. Deductibles.
    e. Maximum annual benefits.

Following enactment of the law, insurers continued to impose maximum fees on services that were actually reimbursed under their dental plans. But some insurers also imposed maximum fees on services that were potentially reimbursable but were not actually reimbursed in a particular circumstance. For instance, a plan contract might require that a dentist charge no more for a third teeth cleaning in a year that is not covered by the plan, than for the first two teeth cleanings that are actually reimbursed by the insurer.

Procedural Background.

Insurance Division. In August 2011, the Iowa Dental Association (Dentists) filed a request with the Insurance Division for a declaratory order clarifying the meaning of “covered services” in Iowa Code §514C.3B. The Dentists stated that they faced “conflicting interpretations” of the statute, with the Dentists arguing that services not actually reimbursed by the

insurer are not "covered services" subject to the insurers' fee schedules and with the insurers arguing that they are "covered services." The Federation of Iowa Insurers (Insurers) which represents dental plan providers in the state petitioned and was allowed to intervene in the matter.

The Dentists specifically requested an answer to the question:

Is an insurer permitted to impose and enforce a maximum fee for services that are not reimbursed under the dental plan (except for standard copayments or deductibles paid by the patient) due to limitations related to balance billing, waiting periods, frequency limitations, deductibles, and maximum annual benefits?

In November 2011, the Insurance Commissioner issued a declaratory ruling that agreed with the Insurers' position that "covered services" include services that can be reimbursed generally, but are not actually reimbursed in a particular instance due to a policy restriction. The commissioner indicated that this interpretation gives meaning to Iowa Code §514C.3B(4) and also better serves patients by giving them certainty in the amount that will be charged for a particular dental service and by allowing insurers to keep prices down.

Polk County District Court. In December 2011, the Dentists filed a petition in Polk County District Court requesting judicial review of the commissioner's order. The Insurers filed a brief in opposition. The district court affirmed the commissioner's declaratory ruling concluding that the Insurance Commissioner was vested with interpretive authority under Iowa Code chapter 505 and that the commissioner's interpretation of "covered services" was not irrational, illogical, or wholly unjustifiable.

Iowa Supreme Court (Court)—Issue on Appeal. Whether to affirm the Insurance Commissioner's declaratory order that dental services ordinarily reimbursable, but not actually reimbursed due to some plan limit, are "covered services" under Iowa Code §514C.3B that are subject to insurers' fee schedules.

Analysis and Holding.

The Scope of Review in This Case is for Errors of Law. In an appeal of a district court's review of agency action, the Court reviews the agency's interpretation of a provision of law under either the highly deferential "irrational, illogical, or wholly unjustifiable" standard, or the nondeferential errors-at-law standard. Deference is given to an agency only if the Legislature clearly vested authority to interpret the provision with the agency.

The Court held that in this case, interpretive authority concerning the phrase "covered services" has not been clearly vested with the Insurance Commissioner, and in fact the Legislature has provided its own definition of the term at issue. This indicates that the Court, not the agency, ought to apply the legislative definition. The Court also found that the relevant word "reimbursed" in the definition of "covered services" is not a substantive term within the special expertise of the Insurance Commissioner.

A Service is "Covered" Within the Meaning of Iowa Code §514C.3B Only if it is Actually Reimbursed to Some Extent Under the Dental Plan. Construing Iowa Code §514C.3B in its entirety, the Court found that the only evident policy of the statute is to prohibit an insurer from imposing fee schedules on the provision of dental services that are not covered by the plan. Before the enactment of the statute, some dental plans contained maximum fees that dentists could charge for services that were never reimbursable under their dental insurance plans, like teeth whitening.

The Court held that a dental service is "covered" within the meaning of the Code section only if it is actually reimbursed to some extent under the dental plan, not just reimbursable in some instances. If the Legislature wanted to provide that insurers could impose maximum fees on services that were reimbursable, but were not reimbursed in a particular instance because of a plan limit, it could have said that directly by using the word "reimbursable" instead of "reimbursed" in the definition of "covered services." Other states have used the word "reimbursable" in similar statutes.

The argument by the Insurance Commissioner and the Insurers that their interpretation of the statute better protects consumers presumes that in enacting Iowa Code §514C.3B, the Legislature's intent was to favor the interests of consumers over those of dentists. It appears that the intent of the Legislature was to balance the interests of both groups.

Under the statute, an insurer is allowed to impose a maximum fee only on a service that is actually reimbursed by a dental plan. For example, a third teeth cleaning in a year which is not reimbursed by a dental plan due to a frequency limitation, is not considered "covered" under the statute just because teeth cleaning generally is a "covered service", and cannot be subject to a maximum fee schedule imposed by the insurer.

The District Court Erred in Upholding the Insurance Commissioner's Declaratory Ruling. The Court reversed the district court and remanded the case for proceedings consistent with this opinion.

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