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State: OR

Class-Action Suit Challenges Administrators PPO Discounts: WEST [2012-02-27]

Class-action lawsuits filed in the U.S. District Court for Oregon accuse two third-party administrators of improperly applying more than \$10 million in discounts from preferred provider organization contracts when paying workers' compensation medical bills since 2006.

Steve Larson, a Portland attorney, said he filed a complaint on Friday alleging Sedgwick, headquartered in Memphis, Tenn., entered into private contracts with PPOs that "purported" to allow it to apply discounts when paying medical providers. Larson said the Sedgwick complaint was identical to a complaint he filed on Feb. 15 against third-party administrator Crawford & Co., headquartered in Atlanta.

The cases are Impact Physical Therapy v. Sedgwick and Physical Therapy Works Inc. v. Crawford & Co.

Larson, with Stoll Nerbe Lokting & Shlachter, filed similar class-actions lawsuits against two carriers last year. Erhardt Physical Therapy and Sports Medicine P.C. v. Liberty Mutual Fire Insurance Code, filed on Nov. 29, 2011, and Lincoln City Physical Therapy LLC v. Travelers Casualty and Surety Co., filed on Dec. 2, 2011, both accuse the carriers of improperly applying PPO discounts on medical bills.

The complaints against Sedgwick and Crawford & Co. seek to certify the class of all health care providers who had workers' compensation bills discounted pursuant to PPO contracts since February 2006. The plaintiffs are asking for all amounts improperly discounted from workers' compensation payments and prejudgment interest, an amount that Larson said should exceed \$5 million in each case.

Oregon law requires that medical services be paid at the lesser of the fee schedule or a provider's submitted bill. The state also allows certified managed care organizations to negotiate rates with providers that are below the fee schedule.

The Workers' Compensation Division also allows carriers and third-party administrators to contract rates lower than the fee schedule directly with a provider. The discount can't exceed 10% and the contract must be filed with the division.

Larson said Sedgwick and Crawford & Co. were paying providers about 20% below the fee schedule. He also said the plain language of Oregon Revised Statute 656.248 does not allow a doctor to sign a contract agreeing to be paid less than the fee schedule, regardless of what the Workers' Compensation Division says.

"What you have to pay is the fee schedule," he said. "There is no language that would allow a discount off the fee schedule by contract."

The complaint for Impact Physical Therapy v. Sedgwick was not available on Friday.

The complaint for Physical Therapy Works Inc. v. Crawford & Co can be viewed [here](#).

Source: WorkCompCentral