

AMA Model Legislation: Transparency in Downcoding Model Act

Physicians regularly report issues with health insurers downcoding claims without notice or clear justification, and with the use of automated tools. Downcoding reduces payment to physicians, threatens practice sustainability, and can disproportionately impact physicians caring for patients with complex needs.

Recognizing that legislative action is needed, the AMA has developed a model bill to assist in state efforts to curb the use of automatic downcoding tools by health insurers and increase transparency and clinical justification when downcoding is used.

This Transparency in Downcoding Model Act takes steps to regulate the practice of downcoding, which often results in reductions in physician payment. Specifically, the bill:

- Prohibits automatic downcoding of claims without a documented review of clinical documentation;
- Prohibits downcoding based solely on diagnosis codes, requiring that any reduction in service level be based on actual clinical review;
- Requires the use of Claim Adjustment Reason Codes (CARC) and Remittance Advice Remark Codes (RARC) to notify physicians when a claim has been downcoded and explain the reason for the change;
- Mandates that payers disclose a clear process for appealing downcoded claims;
- Permits physicians to batch similarly downcoded claims for appeal;
- Prohibits discriminatory downcoding practices targeting physicians who routinely treat complex patients or patients with chronic conditions; and
- Establishes enforcement mechanisms and penalties for noncompliance, including administrative fines and claim reprocessing orders.

For more information on this model bill or related efforts, please contact Emily Carroll, Senior Attorney, Advocacy Resource Center at emily.carroll@ama-assn.org.