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## REGULATE MEDICAL REVIEWERS

House Bill 4394

Sponsor: Rep. Michael Bennane

Committee: Health Policy

Complete to 8-16-95

### A SUMMARY OF HOUSE BILL 4394 AS INTRODUCED 2-14-95

The bill would create a new act, to be called the "utilization review act," that would establish certain standards for certain medical utilization reviewers and require that these reviewers meet these standards in order to practice in the state.

Utilization reviews. Under the bill, "utilization review" would mean "the evaluation of the necessity, appropriateness, and efficiency of the use of health care services, procedures, and facilities," but would not include technical review of bills for accuracy or completeness. Utilization review would be of both outpatient and inpatient services. "Inpatient services" would mean services relating to a patient's admission to an inpatient facility -- a hospital, skilled care facility, a nursing facility, a residential treatment center, or a freestanding rehabilitation facility -- to be given acute medical, surgical, obstetrical, psychiatric, or chemical dependency services. ("Outpatient services" would be defined simply as "procedures or services performed on a basis other than as an inpatient receiving inpatient services.")

The bill would define a utilization review plan as "a reasonable description of the standards, criteria, policies, procedures, reasonable target review periods, employee training program, and reconsideration and appeal mechanism governing a person conducting a utilization review." A utilization review plan would have to comply with the requirements imposed in the standards adopted under the act. Utilization reviews would have to be conducted in accordance with the existing or future standards developed by the Utilization Review Accreditation Commission (URAC) and adopted by the Department of Public Health. (URAC is the national commission which formulates national utilization review standards and accredits utilization review entities which meet the standards created by the commission. The purpose of URAC is to encourage efficient and effective utilization review processes and provide a method of evaluation and accreditation of utilization review programs.)

Requirements for utilization reviewers. Utilization reviewers would be required to only conduct their business in compliance with the standards given under the bill's provisions. Utilization reviewers would have to be "qualified," by which the bill would mean be accredited by URAC or by an organization, approved by the Department of Public Health (DPH), that met or exceeded the URAC standards.

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Beginning 180 days after the bill went into effect, utilization reviewers also would have to demonstrate to the DPH, upon request, that the reviewer had submitted an application for accreditation to URAC. Unless URAC denied the application, the DPH could not prohibit utilization reviewers able to demonstrate such applications from doing utilization reviews in the state.

Although organizations employing utilization reviewers could establish medically appropriate performance standards, utilization reviewers would be prohibited from receiving any financial incentives based on the number of adverse determinations (that is, cases they turned down) they made.

Exemptions. The bill's provisions would not apply to the following services or groups:

(1) Outpatient mental health services until URAC had established standards for these services;

(2) Commercial health insurers;

(3) Blue Cross and Blue Shield of Michigan;

(4) Health maintenance organizations (HMOs);

(5) Self insurers, or

(6) Self-insured employers under the federal Employment Retirement Income Security Act (ERISA) of 1974.

Departmental rules. The Department of Public Health would be required to promulgate administrative rules to administer and enforce the act, and, "in a timely manner," rules adopting URAC changes as they occurred.

Penalties. Anyone violating the bill's provisions would be subject to an administrative fine of up to \$10,000. The department also could bring administrative actions for violations according to the Administrative Procedures Act.