



# HOUSE BILL No. 4394

February 14, 1995, Introduced by Reps. Bennane, DeMars, Yokich, Pitoniak and Jamian and referred to the Committee on Health Policy.

A bill to regulate certain persons conducting utilization reviews of health care insurers in this state; to provide for certain powers and duties for certain state agencies; to provide for certain standards relative to certain persons and certain practices; to provide for the promulgation of rules; and to provide for remedies and penalties.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. This act shall be known and may be cited as the  
2 "utilization review act".

3       Sec. 3. As used in this act:

4       (a) "Department" means the department of public health.

5       (b) "Inpatient services" means services relating to the  
6 admission to an inpatient facility for acute medical, surgical,

1 obstetrical, psychiatric, or chemical dependency inpatient  
2 services.

3 (c) "Inpatient facility" means a hospital, skilled care  
4 facility, nursing facility, residential treatment center, or  
5 freestanding rehabilitation facility.

6 (d) "Outpatient services" means procedures or services per-  
7 formed on a basis other than as an inpatient receiving inpatient  
8 services.

9 (e) "Person" means an individual, partnership, corporation,  
10 or other legal entity.

11 (f) "Utilization review" means the evaluation of the neces-  
12 sity, appropriateness, and efficiency of the use of health care  
13 services, procedures, and facilities but does not include techni-  
14 cal review in terms of accuracy or completeness of a bill.

15 (g) "Utilization review plan" means a reasonable description  
16 of the standards, criteria, policies, procedures, reasonable  
17 target review periods, employee training program, and reconsider-  
18 ation and appeal mechanism governing a person conducting a utili-  
19 zation review.

20 Sec. 5. (1) Unless exempted under section 9, a person  
21 engaged in the business of conducting a utilization review in  
22 this state of outpatient services and inpatient services at an  
23 inpatient facility shall do so only in compliance with standards  
24 provided for under this act.

25 (2) A person engaged in the business of conducting utiliza-  
26 tion reviews in this state of outpatient services and inpatient  
27 services at an inpatient facility shall be considered qualified

1 if accredited by the utilization review accreditation commission  
2 or any other organization considered by the department to meet or  
3 exceed the standards of the utilization review accreditation  
4 commission.

5       Sec. 7. (1) A utilization review plan shall comply with the  
6 requirements imposed in the standards adopted under this act.

7       (2) A utilization review shall be conducted by the standards  
8 established by the utilization review accreditation commission as  
9 of the effective date of this act for those types of reviews  
10 addressed in the standards or by the standards of utilization  
11 review accreditation commission review criteria which are subse-  
12 quently available after the effective date of this act and  
13 adopted by the department.

14       (3) This act does not apply to the utilization review of  
15 outpatient mental health services until such time as the utiliza-  
16 tion review accreditation commission establishes standards for  
17 such services.

18       Sec. 9. (1) This act does not apply to a person providing  
19 health care coverage or to a subsidiary or affiliate controlled  
20 by such organization and conducting utilization review, and regu-  
21 lated by any of the following:

22       (a) The insurance code of 1956, Act No. 218 of the Public  
23 Acts of 1956, being sections 500.100 to 500.8302 of the Michigan  
24 Compiled Laws.

25       (b) The nonprofit health care corporation reform act, Act  
26 No. 350 of the Public Acts of 1980, being sections 550.1101 to  
27 550.1704 of the Michigan Compiled Laws.

1 (c) Part 210 of the public health code, Act No. 368 of the  
2 Public Acts of 1978, being sections 333.21001 to 333.21098 of the  
3 Michigan Compiled Laws.

4 (2) This act does not apply to a self-insured fund or a  
5 self-insured employer governed by the employee retirement income  
6 security act of 1974, Public Law 93-406, 88 Stat. 829.

7 Sec. 11. (1) The department shall promulgate rules pursuant  
8 to the administrative procedures act of 1969, Act No. 306 of the  
9 Public Acts of 1969, being sections 24.201 to 24.328 of the  
10 Michigan Compiled Laws, for the administration and enforcement of  
11 this act.

12 (2) The department, in a timely manner, shall promulgate  
13 rules pursuant to Act No. 306 of the Public Acts of 1969, regard-  
14 ing the adoption of changes in the standards of the utilization  
15 review accreditation commission as those changes occur.

16 Sec. 13. (1) A person found violating this act is liable  
17 for an administrative fine of not more than \$10,000.00 per  
18 violation.

19 (2) The department may bring an action for a violation of  
20 this act pursuant to Act No. 306 of the Public Acts of 1969.

21 Sec. 15. An individual who is performing utilization review  
22 shall not receive any financial incentive based on the number of  
23 adverse utilization review determinations made by the individual,  
24 except that the organization employing the individual may estab-  
25 lish medically appropriate performance standards.

26 Sec. 17. Beginning 180 days after the effective date of  
27 this act, a person conducting utilization reviews in this state

1 shall demonstrate to the department, upon the request of the  
2 department, that the person has submitted an application for  
3 accreditation to the utilization review accreditation  
4 commission. The department shall not prohibit a person able to  
5 demonstrate such application from engaging in the business of  
6 conducting utilization reviews in this state unless the applica-  
7 tion is denied by the utilization review accreditation  
8 commission.