Auto Casualty

Michigan No-Fault Reform: How to Prepare for the Utilization Review Administrative Rules

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Michigan is in the midst of making significant changes to its auto insurance system, including allowing for new policy limits, implementing a fee schedule and requiring carriers to send certain bills through retrospective utilization review. On July 2, 2020, portions of Michigan's no-fault reform regulations will go into effect, including the utilization review provision. As we approach the deadline, it's important that carriers understand the state's draft of the utilization review administrative rules, what implications the rules may have on their business and how to prepare to comply in time.

What is Utilization Review?

Utilization review is a service that determines the medical necessity of medical procedures and medical treatment. Specifically, the state of Michigan, under No Fault 500.3157a(6), defines utilization review as "the initial evaluation by an insurer or the association created under section 3104 of the appropriateness in terms of both the level and the quality of treatment, products, services, or accommodations provided under this chapter based on medically accepted standards." Under the Michigan no-fault reform legislation, carriers are required to conduct retrospective utilization review, meaning that the review must be performed after services are rendered. The review examines the appropriateness of the care, the relatedness of the diagnosis to the accident, and the frequency and duration of services.

Understanding the Michigan Utilization Review Administrative Rules

Starting July 2, 2020, insurance carriers in Michigan will be required to send certain medical bills through retrospective utilization review process. This will apply to all care with a date of service after July 1, 2020. The rules are mandatory for insurers under the Insurance Code. Let's break down the key components of the rules.

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Qualifying Bills

Carriers are required to send bills through the utilization review process if they determine a bill needs additional review based on “medically accepted standards” for the duration and frequency of treatment, the appropriateness of medical care rendered or referred, and of the cost of care. The Michigan Department of Insurance and Financial Services (DIFS) has not defined what it considers to be “medically accepted standards.”

Performing Utilization Review

Utilization review must be performed by an entity with a utilization program that operates using “medically accepted standards” with best practices and standards set by a “competent authority.” If, through this process, a carrier determines that a provider over-utilized or otherwise rendered or ordered inappropriate medical care, or that the cost of the medical care was inappropriate, it must issue a written notice to the provider.

Plan Approval

Carriers must file their respective utilization review plans for approval with the Michigan DIFS, the timing and approval of this submission to DIFS is subject to clarification by the department. The plan should explain the utilization review criteria and components the carrier will use to determine which bills will be sent through the utilization review process and subsequently have professional utilization review applied. In addition, carriers will be required to submit information to DIFS regarding the entity that may be contracted to perform the professional utilization review services for the carrier. Once an insurer contracts with a Medical Review Organization (MRO), they have 30 days to notify the department and provide required information. The DIFS will approve the plans conditionally (1-year approval) or unconditionally (3-year approval).

Next Steps

As of publishing time, the DIFS has not yet finalized the Utilization Review Administrative Rules, and the information above is based on the draft with the comment period ending 4/17/2020. In the meantime, while the department is completing the rules, carriers should still prepare for their utilization review programs and submit, if applicable, information to the DIFS within 30 days of contracting with a medical review organization for performance of utilization review. Mitchell will update this article once the final rules have been published. For more information about the Michigan auto no-fault reform, visit Mitchell’s Michigan No-Fault Reform resource page.



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