



**House  
Legislative  
Analysis  
Section**

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**EXPEDITE PRE-AUTHORIZATION OF MEDICAID**

**RECEIVED**

House Bill 4573 as enrolled  
Second Analysis (1-18-89)

FEB 0 6 1989

Sponsor: Rep. Lynn Owen Mich. State Law Library  
House Committee: Social Services & Youth  
Senate Committee: Human Resources & Senior Citizens

**THE APPARENT PROBLEM:**

The Department of Social Services often requires providers to have prior authorization before dispensing medical services or supplies. Recently, it has been suggested that the department has been lax in responding to providers who seek prior authorization. It has further been suggested that these lapses in departmental response were due in part to a lack of staff people available to respond to inquiries. The department's staffing levels have recently increased; however, some think that the department could still respond more promptly to authorization requests for medical services, equipment and supplies. It is felt that the department should routinize its prior authorization system to expedite the process.

**THE CONTENT OF THE BILL:**

The bill would amend the Social Welfare Act to provide that if the director of the Department of Social Services required prior authorization for medical services or equipment, a request by a provider for prior authorization would have to be approved or rejected within fifteen working days after the request was received by the director. If additional information was needed in support of the request, the director would request additional information either verbally or in writing not later than fifteen working days after receiving the request. Upon receiving the additional information from the provider, the director would approve or deny the completed request not later than ten working days after receiving the additional information. However, the time constraints listed in the bill would not apply to prior authorization requests for transplantation and other extraordinary services. The director could waive the requirement for prior authorization if processing a request for prior authorization would cause an inpatient hospital stay to be prolonged, or if the cost of the medical services or equipment was less than the estimated cost of the additional inpatient hospital stay.

The director would prescribe what information was required from a provider to support a request for prior authorization, and which services or equipment were subject to prior authorization, and list, by category, the medical services or equipment. Claims for routine, ordinary medical services, equipment or supplies would not be subject to prior authorization. The director would establish a reimbursement system for medical services or equipment receiving prior authorization based upon the reasonable cost up to a "maximum reimbursement screen" of acquiring the medical service or equipment. The director would also be required to develop an automated payment system including at least fee screens and necessary edits. The bill would require the department to make vendor payments through the automated payment system. Under the bill, the director would implement and maintain automated records of approved prior authorization requests according to each recipient involved, not later than 180 days after

the effective date of the bill. No provision of the bill could be construed to authorize the provision of any medical services, supplies, or equipment that was not otherwise designated to be covered services, supplies, or equipment under the act. The bill would define the term "prior authorization" to mean a requirement imposed by the director, by which any claim for a particular covered medical service or equipment was payable only if the director's approval for the provision of that service or equipment was given before the service or equipment was furnished.

MCL 400.111j

**FISCAL IMPLICATIONS:**

According to the Department of Social Services, the bill would have negligible fiscal implications for the state. (1-18-89)

**ARGUMENTS:**

**For:**

Routinization can often make procedures easier to follow and programs run more smoothly. The Department of Social Services is attempting to routinize as many systems as appropriate. It is felt that the department should routinize the prior authorization system in order to expedite the process. In addition, it is felt that the fifteen day standard of promptness is fair and would assure that requests for services through the prior authorization system would still be reviewed efficiently. It is obvious that some sort of parameter is necessary given previous experienced delays of up to two to three months for authorization of medical equipment.

**Response:** Staffing freezes and unexpected employee turnover have a direct impact on the department's processing efficiency. Since processing prior authorization requests is a specialized function within the department, it is not possible to transfer existing staff to cover when vacancies occur. Therefore, promptness standards imposed by the bill may be difficult, if not impossible, to follow in some cases.

**Against:**

The bill provides an exemption from prior authorization requirements which will increase the costs of the program immensely. Under the bill, an exemption would be provided if processing a request for prior authorization would cause an inpatient hospital stay to be prolonged. The intent behind the legislation is to allow recipients of services to be discharged from hospitals if a simple piece of equipment is delaying their discharge. However, taken to its logical extreme, the bill will exempt all services and equipment from prior authorization requirements when a recipient is in the hospital because the time taken to process an authorization can be looked upon as a delay. Prior

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authorization requirements should be lifted if they enable a person waiting for a simple piece of equipment to be discharged from the hospital without delay, but a blanket exemption for all hospital discharges would result in a tremendous increase in costs to the state. It is quite likely that the bill would encourage discharge of recipients earlier than advisable from hospitals and that hospitals would bill the state with more expensive equipment.