

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
Before the Director of the Department of Insurance and Financial Services

In the matter of:

Lighthouse Inc.
Petitioner

File No. 21-1016

v

State Farm Mutual Automobile Insurance Company
Respondent

Issued and entered
this 17th day of May 2021
by Sarah Wohlford
Special Deputy Director

ORDER

I. PROCEDURAL BACKGROUND

On April 1, 2021, Lighthouse Inc. (Petitioner) filed with the Director of the Department of Insurance and Financial Services (Department) a request for an appeal pursuant to Section 3157a of the Insurance Code of 1956 (Code), 1956 PA 218, MCL 500.3157a. The appeal request concerns payments made by State Farm Mutual Automobile Insurance Company (Respondent) to the Petitioner for services rendered in July and October 2020.¹

The Department accepted the appeal on April 1, 2021. Pursuant to R 500.65, the Department notified the Respondent and the injured person of the Petitioner's request for an appeal on April 15, 2021. The Respondent filed a reply to the Petitioner's appeal on April 22, 2021.

The Petitioner's appeal is made under R 500.64(3), which allows a provider to appeal to the Department from the denial of a provider's bill. Accordingly, the denial constitutes a determination from which a provider may file an appeal to the Department. The Petitioner seeks reimbursement in the amount of \$179.46, which is the difference in payments for the two dates of service at issue.

II. FACTUAL BACKGROUND

This appeal concerns payments made by the Respondent to the Petitioner for dates of service occurring on July 10, 2020 and October 2, 2020 for CPT Code 99213. On September 1, 2020, the

¹ For the July 10, 2020 and October 2, 2020 dates of service, the EORs sent to the Petitioner on September 1, 2020 and December 7, 2020 contain the elements of a denial under R 500.64 (3).

Respondent sent an Explanation of Review (EOR) to the Petitioner with a reduced reimbursement amount for the July 10, 2020 date of service. The EOR indicated that the reduction was based on the “FH Charge Benchmark Database.” Similarly, on December 7, 2020, the Respondent sent an EOR to the Petitioner with a reduced reimbursement amount for the October 2, 2020 date of service. This EOR also indicated that the reduction was based on the “FH Charge Benchmark Database.”

Petitioner’s Argument

In its appeal request, the Petitioner argues that since the CPT Code at issue was fully reimbursed for other injured persons cared for by the Petitioner’s on or around the same dates, that full reimbursement is appropriate. To support its argument, the Petitioner provided redacted EORs for those other injured persons. In addition, the Petitioner explains that its charges for services are based on its yearly expense budget. The Petitioner explains that it uses this process to apply what it believes to be reasonable percentage changes to its fee schedule to cover its expenses.

Respondent’s Argument

In its reply, the Respondent argues that it paid reasonable charges incurred for reasonably necessary services for the care, recovery, or rehabilitation of the injured person. The Respondent further explains that its reimbursement amounts were based on the Fair Health Benchmark Pricing and Methodology.

III. ANALYSIS

Director’s Review

Under MCL 500.3157a(5), a provider may appeal an insurer’s determination that the provider overutilized or otherwise rendered or ordered inappropriate treatment, products, services, or accommodations, or that the cost of the treatment, products, services, or accommodations was inappropriate under Chapter 31 the Code. This appeal does not involve claims of overutilization; rather, it is a dispute regarding the appropriateness of cost for services rendered by the Petitioner.

In support of its position, the Petitioner asserts that it expects full reimbursement for the dates of service at issue because their charges are “reasonable” based on its expense budget and because the Respondent paid the full billed charge on other bills for the same CPT Code. Under Chapter 31 of the Code, a provider may charge a reasonable amount for treatment, training, products, services, or accommodations; however, an insurer is only required to reimburse “reasonable charges” for services. See MCL 500.3157(1)², MCL 500.3107(1)(a). Under the Code, “the ‘customary charge’ limitation in § 3157 and the ‘reasonableness’ language in § 3107 constitute separate and distinct limitations on the amount health-

² Section 3157 was amended by PA 21 of 2019 effective July 2, 2021; however, the relevant language in what is now Section 3157(1) was substantively unchanged and is therefore applicable to the dates of service in this appeal.

care providers may charge and what insurers must pay with respect to victims of automobile accidents who are covered by no-fault insurance.” *Advocacy Org for Patients & Providers v Auto Club Ins Ass’n*, 257 Mich App 365 at 376, 670 NW2d 569 (2003), *aff’d* 472 Mich 91, 693 NW2d 368 (2005).

In its reply, the Respondent argues that it paid a reasonable amount for the dates of service and CPT code at issue. The Respondent asserts that the Petitioner’s bills were reviewed, verified, and priced based on Fair Health Methodology standards. The Respondent states that this standard evaluates dates of service in which medical services are provided for a specific geographic location, as well as charge data for providers in that geographic location.

Under MCL 500.3107(1)(a), an insurer is only required to pay a reasonable amount. Where the amount paid is based on a determination of what is reasonable, there is no violation of the code, even if the amount is less than what the provider has charged. It is appropriate for insurers to use a survey of charges to determine whether a charge is reasonable. See *Advocacy Org for Patients & Providers v Auto Club Ins Ass’n*, 257 Mich App at 380, 382; 670 NW2d 569, 578, 579 (2003). The Respondent has demonstrated that their reimbursements were reasonable. Therefore, the Department concludes that the reimbursement amounts paid for the dates of service at issue were appropriate under the Code.

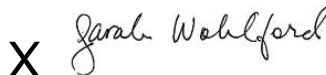
IV. ORDER

The Department upholds Respondent’s determinations dated September 1, 2020 and December 7, 2020.

This is a final decision of an administrative agency. A person aggrieved by this order may seek judicial review in a manner provided under Chapter 6 of the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.301 to 24.306. MCL 500.244(1); R 500.65(7). A copy of a petition for judicial review should be sent to the Department of Insurance and Financial Services, Office of Research, Rules, and Appeals, Post Office Box 30220, Lansing, MI 48909-7720.

Anita G. Fox
Director
For the Director:

 Recoverable Signature



Sarah Wohlford
Special Deputy Director
Signed by: Sarah Wohlford