

# HEALTH INSURANCE CHARGEBACK REFORM

**HOUSE  
BILL  
5478**

## WHAT IS A CHARGEBACK?

- “Chargebacks” – also known as “takebacks,” “clawbacks,” or “recoupments” – occur when an insurance company demands a refund or deducts the disputed amount from future claim payments – often a long time after the care was provided and with little or no clear rationale.
- Chargebacks significantly impact patients across the state of Michigan by leaving patients responsible for costs they believe had been covered by their insurer.
- When a provider is forced to bill a patient years after they believe their insurance company paid the claim, the patient, blindsided by a bill years after the treatment, can lose trust in their provider.
- At the same time, the provider may begin to see patients covered by an insurer who often claws back funds as financial risks.
- Frequent arbitrary chargebacks can disrupt care, as the provider delays or changes treatment plans, or even stops participating in insurance networks, limiting patient options, particularly in small and rural communities where patient choice can already be severely limited.

**Michigan is one of only 10 states that have  
no time limits on “chargebacks.” \***

## WHY CHARGEBACK REFORM IS NEEDED

- Healthcare providers have strict, timely billing limits, but insurers face no such limits on retroactively re-adjudicating claims.
- Health insurers set their policies, define payment terms, and adjudicate claims. If they do their job correctly, and properly adjudicate the claim in a timely manner, providers know where they stand and can make corrections when needed or, when appropriate, bill the patient.
- Insurers should be held to time limits, just like providers.

### **House Bill 5478 would:**

- Impose a reasonable time limit on claim re-adjudication and recoupment, except in cases of fraud
- Create clear requirements and standards insurers must follow when requesting a chargeback