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Secrest Wardle's Groundwork in *Central Home Health Care* Expands Medicare Limitations Applicable to Determining Reimbursable Amounts

By Matthew C. Lindgren **September 29, 2025**

Since the implementation of the No-Fault fee cap provisions (MCL 500.3157) tied to Medicare reimbursement rates, insurers have applied provisions of Medicare to determine if there was an "amount payable" under Medicare and to calculate the maximum reimbursement allowable. Providers routinely challenged, often successfully, the application of any Medicare text outside strict parameters of a Medicare "fee schedule" by using a narrow interpretation of the Medicare definition found in MCL 500.3157(15)(f) which specifically disallows an insurer from applying "limitations unrelated to the rates in the fee schedule such as limitation or supplemental payments related to utilization, readmissions, recaptures, bad debt adjustments, or sequestration."

In the recent opinion of *Favot v Brown,* ___ Mich App ___ (2025) Docket No.s 368733; 3678734), set for publication, the Court of Appeals adopted and extended the reasoning behind the Court's 2024 holding in *Central Home Health Care Servs Inc v Progressive Mich Ins Co,* ___ Mich ___; ___ NW3d ___ (2024) (Docket No. 364653) (a case handled by Secrest Wardle at the trial court and Court of Appeals) confirming additional limitations commonly used by Medicare are permissible to determine the maximum payment an insurer is responsible for. Together *Favot* and *Central Home* bring a welcome framework for insurers analyzing when services are payable by Medicare and what provisions within Medicare are applicable in determining the maximum amount providers are to be reimbursed.

SECREST WARDLE NOTES

Similar to the opinion in *Central Home* the panel reversed the trial court by holding there was no genuine question of fact that the Medicare provisions/limitations applied by the insurers were related to amounts payable under Medicare and thus were not barred by the No-Fault definition of Medicare (MCL 500-.357(15)(f)). In both opinions, the Courts held the plain language of MCL 500.3157(2) authorizes insurers to use limitations and provisions outside of Medicare fee schedules to determine the amount payable under Medicare and thus the maximum eligible reimbursement of charges.

As in *Central Home,* it was held that factual questions remained as to what Defendant must pay after applying each limitation. These opinions should shape future arguments on the effect of applying provisions/limitations to the amount payable under Medicare as opposed to whether they can be applied at all.

The specific question in *Central Home Health Care Servs Inc* was whether the Plaintiff's services were reimbursable under MCL 500.31572(2)(a) (200% of Medicare) or MCL 500.3157(7)(a)(i) (55% of Plaintiff's 2019 Charge Description Master). The parties agreed Medicare reimbursed for the services by utilizing the "prospective payment system" rather than a Medicare "fee schedule." Plaintiff argued the No-Fault Medicare definition precluded application of fee caps with MCL 500.3157(2) unless the amount payable by Medicare was pursuant to a Medicare fee schedule. The panel adopted Defendant's argument that the prospective payment system provided an amount payable under Medicare and that "nothing in the definition of Medicare in Subsection (15)(f) makes the method of calculation relevant for determining the application of subsection (2)."

In *Favot*, Defendant argued the trial court erred in denying its Motion for Partial Summary Disposition. Defendant asserted that there was no issue of fact that MCL 500.3157(2) allowed for the application of three Medicare limitations reducing the reimbursable amount and that therefore prior payments were issued at the statutory maximum discharging Defendant's liability. Defendant's position was the three limitations applied (packaged-service rule, multiple-procedure reduction rule (MPPR) and billing modifiers) were "related" to the Medicare fee schedule and consequently not disallowed by the No-Fault Medicare definition. Plaintiff's successful trial court argument was carried over asserting the limitations were in fact "unrelated" to the fee schedule and therefore could not be used to reduce the amount owed pursuant to the definition within MCL 500.3157(15)(f).

The Court of Appeals opinion cited *Central Home* as the authority that, "the amount payable by insurers are not determined by the rates in the fee schedule alone, but also by applying limitations related to the rates in the fee schedule." The pertinent question was framed as, "whether the limitations defendant seeks to apply are *of the same kind, class, character, or nature as the unrelated limitations* listed in MCL 500.3157(15)(f)." Analysis of the purpose and effect of all three limitations applied by the Defendant in comparison to the specifically disallowed limitations listed in MCL 500.3157(15)(f) ensued.

The Court noted the specifically excluded provisions listed in MCL 500.3157(15)(f) were grounds for denying unreasonable expenses, providing avenues for hospital wide reductions and reimbursements (not as to any specific charge) or related to nationwide cancellations in payments. In contrast the Court found the limitations applied by the Defendant were directly related to the amounts payable by Medicare and were thus of a different kind, class, character or nature.

After distinguishing and classifying the provisions the Court concluded, "under the plain language of MCL 500.3157(2)(a), limitations such as the MPPR, the packaged-service rule, and the geographic billing modifier affect the amount Medicare would pay for the particular service, meaning they may be considered for purposed of the no-fault act. See *Central Home Health Care*, ___ Mich App at ___; slip op at 4,6: MCL 500.3157(15)(F)."

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