



Division of Insurance

SOUTH DAKOTA
DEPT. OF LABOR
& REGULATION



Health Care Bills: Understanding Medical Necessity

What is medical necessity?

Typically, health insurance plans only cover “medically necessary” health care. So, what does that mean?

Every health plan has its own definition of medical necessity. Plans use specific criteria to decide if health care is medically necessary.

Medically necessary treatments or services:

- Evaluate, diagnose, or treat an illness, injury, disease, or its symptoms;
- Follow generally accepted standards of medical practice;
- Are “clinically appropriate,” meaning the level of care would be effective to treat the patient’s illness, injury, or disease;
- Aren’t primarily for the convenience of the patient, health care professional, or insured’s family;
- Don’t cost more than another service or series of services that would be at least as effective; and
- Aren’t for experimental, investigational, or cosmetic purposes.

How does medical necessity affect coverage of my health care services?

Plans only cover health care they determine is medically necessary. Examples of services or treatments a plan may define as **not** medically necessary include cosmetic procedures, treatments that haven’t been proven effective, and treatments more expensive than others that are also effective.

When is “medical necessity” determined?

In a “prior authorization review,” the plan decides if a requested treatment or service is medical necessity *before* it is provided. The health plan typically reviews a health care professional’s Letter of Medical Necessity, medical records, and the plan’s medical guidelines.

In a “concurrent review,” the plan decides if the treatment or service is medically necessary *while* you’re receiving it, for instance while you’re receiving in-patient care at a hospital.

In a “retrospective review,” the plan decides if health care already provided was medically necessary or, in the case of emergency services, whether you required emergency care. The decision is made *after* you receive the care.

What are medical guidelines?

All plans follow guidelines that determine if health care is within the medical community’s accepted standards. A plan must make its medical guidelines available to you if it used them to decide to deny you coverage. If a health plan doesn’t give you its medical guidelines, or if the guidelines don’t reflect generally accepted clinical standards, you can file an appeal and/or complain to your state insurance department.

What if I disagree with my health plan about medical necessity?

If your health plan denied payment for lack of medical necessity and you and your health care professional believe the services were medically necessary, you have the right to file an appeal.

Are experimental, investigational, or cosmetic services medically necessary?

Some definitions of medical necessity specifically state health care for “experimental, investigational, or cosmetic purposes” isn’t medically necessary. Your health plan’s medical guidelines determine if a treatment or service is considered experimental or investigational for the condition. Some cosmetic treatments may be considered medically necessary if they also have medical purpose. The health plan will follow its medical guidelines and may use medical records to decide if health care is medically necessary. It also may base decisions on the available scientific literature.

Does medical necessity affect coverage for emergency services?

After you receive emergency services, your health plan will review your case to decide if emergency care was appropriate for your symptoms and medically necessary. To decide, health plans use a “prudent layperson” standard. Getting approval before you receive medical services (prior authorization) isn’t necessary if a prudent layperson would believe there was an emergency condition and delaying treatment would make that condition worse.

**If you have a dispute with your insurer about the amount or terms of the claim,
contact the Division of Insurance for assistance.**