Category: Medical Provider Reimbursement

# A New Lifeboat for Medical Providers Adrift in the No-Fault Sea

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As if life isn't complicated enough for medical providers. Between state law, federal regulations, and health insurance contracts, the paperwork is daunting. And then there's the Michigan No-Fault Act. When providers treat auto accident victims, the No-Fault Act, more than anything else, controls the fate of the provider's bills.

2014 brought some welcome news for medical providers. Namely, the Michigan Court of Appeals ruled that providers have a direct cause of action against no-fault insurers who fail to pay the provider's bill. *See Wyo. Chiropractic Health Clinic, PC v. Auto-Owners Ins. Co.*, 308 Mich. App. 389 (2014). The Court of Appeals' holding in *Wyoming Chiropractic* was strengthened in 2015 when the Michigan Supreme Court denied the defendant's application for leave to appeal. *See Wyo. Chiropractic Health Clinic, PC v. Auto-Owners Ins. Co.*, 497 Mich. 1029 (2015).

Although *Wyoming Chiropractic* was good news, it affirmed that the provider's right to sue a no-fault insurer was derivative of the patient's right. Simply put, if the patient has no legal right to collect no-fault benefits, then neither does the provider. *See Mich. Head & Spine Inst., P.C. v. State Farm Mut. Auto. Ins. Co.*, 299 Mich. App. 442 (2013). This created a vexing problem for providers who cannot control the legal decisions of their patients. What happens when the patient sues a no-fault insurer for unpaid no-fault benefits, settles the claim without including the provider's bills, and then executes a full release of all benefits incurred through the settlement?

This was the problem presented in the case of *Covenant Medical Center, Inc. v. State Farm Mutual Insurance Company*, ___ Mich. App. ___ (2015). Here, State Farm's insured was injured in an auto accident and received treatment at Covenant Medical Center. The hospital then billed State Farm for services rendered and sent bills in July, August, and October 2012. After receiving those bills, State Farm entered into an agreement with the insured, wherein it paid $59,000 in exchange for a release of all claims incurred through January 10, 2013.

Covenant sued State Farm for its failure to reimburse for the services it provided. The trial court granted summary disposition for State Farm, holding that the insured's agreement with State Farm relieved State Farm of any duty to pay Covenant's bills. The Court of Appeals reversed. The court held that under MCL 500.3112, Covenant protected its right to seek reimbursement by sending written notice to State Farm before the insured signed the release. The court held: "*where the relevant services were*

*rendered and the insured received notice of the provider's claim before the settlement occurred, the payment and release does not extinguish the provider's rights*."

The lesson here? Medical providers must be proactive in seeking reimbursement for services rendered to auto accident victims. A provider cannot rely on an insurer or a patient to protect its rights. Yet if a provider sends written notice to the no-fault insurer stating its intent to pursue payment of its bill, *Covenant Medical Center* provides an important protection.