Moody v Home Owners Insurance Company: How Does It Impact Medical Providers?

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It is well established under Michigan's No-Fault Law that medical providers have the right to pursue an independent cause of action against a no-fault insurer to recover payment for services the medical provider renders to an auto accident victim.

This right has been analyzed by the Michigan Court of Appeals in *Moody, et al v Home Owners Insurance Company*, 304 Mich App 415 (2014). The specific issue in *Moody* was whether in a District Court PIP case involving the consolidated claims of the injured person and his medical providers, the claims had to be aggregated to determine if the amount in controversy exceeded the $25,000 monetary jurisdictional threshold of the District Court. The Court of Appeals ultimately held that the claims had to be aggregated and that because the aggregated amount exceeded the $25,000 jurisdictional threshold of the District Court, the cases either had to be dismissed or transferred to the Circuit Court for a new trial. In reaching its specific holding, however, the *Moody* court issued some strong statements about the right of medical providers to pursue their own independent action apart from the injured person. Unfortunately, these statements may have unintended implications for medical providers that decide to pursue their own independent PIP actions.

The injured person in *Moody* filed suit in District Court against Home Owners InsuranceCompany to recover various personal claims for no-fault benefits, including attendant care, wage loss, replacement services, etc. The Complaint specifically stated that the amount in controversy did not exceed the $25,000 jurisdictional limit of the District Court. After the injured person filed his Complaint, his medical providers also filed their own Complaint in the same court. The combined amount of the medical providers' claims totaled $21,982.14. Ultimately, in response to a motion filed by the defendant no-fault insurer, the District Court consolidated the cases to which neither the injured person nor the medical providers objected. Importantly, because neither party objected to the consolidation, there was no dispute on appeal about whether the consolidation was proper.

Shortly before trial, it became apparent that the injured person intended to present damages far in excess of the $25,000 jurisdictional limit of the District Court under MCL 600.8301(1). Accordingly, the defendant no-fault insurer filed a motion to dismiss the injured person's case or, in the alternative, transfer the case to the Circuit Court. The District Court denied the defendant's motion on the basis that if the jury returned a verdict in favor of the injured person in excess of $25,000, the District Court would cure the jurisdictional problem by limiting the judgment to $25,000, exclusive of attorney fees, interest, and costs. The jury ultimately found that the injured person was entitled to damages for his personal claims for no-fault benefits in excess of $25,000. The jury further awarded damages in favor of the medical providers for the complete amount of their bills, $21,982.14. The District Court ultimately reduced the injured person's damages to $25,000, the jurisdictional limit of the District Court. Furthermore, the District Court entered Judgment in favor of the medical providers for the full amount awarded by the jury.

On appeal, the Court of Appeals first held that the District Court clearly erred in allowing the injured person's case to go to trial, because there was no question he was pursuing damages far in excess of the $25,000 jurisdictional limit of the District Court. This holding is not surprising, considering that the plain language of MCL 600.8301(1) specifically provides that an action can be brought in District Court "*when the amount in controversy does not exceed $25,000*."

In so holding, the Court of Appeals clarified that the determination of the amount in controversy is not limited to the plaintiff's pleadings. Rather, as the injured person did in this case, if at any point in the litigation it becomes evident that damages are being pursued in excess of $25,000, the District Court must either dismiss the case or transfer the case to the circuit court.

The Court in *Moody* further held that the medical providers' claims, which did not exceed the $25,000 jurisdictional limit of the District Court, must also be dismissed or transferred to the circuit court. In reaching this holding, the Court rejected the medical providers' argument that the Judgment in their favor, which was under the $25,000 monetary jurisdictional threshold of the District Court, could be upheld and severed from the injured person's case. In rejecting this argument, the Court recognized that the cases of the injured person and medical providers were consolidated, and that for purposes of the relevant Michigan Court Rule regarding consolidation of claims, MCR 2.505(A), there was a "*substantial and controlling common question of law or fact.*" Specifically, the common issue between the injured person and the medical providers was whether the injured person was entitled to receive no-fault benefits from the defendant as determined by whether the injured person was domiciled in the same household as his father. The Court recognized that while the general rule for consolidated cases is that the cases maintain their own separate identities, consolidated actions can be merged together into a single case "*when there are several actions pending between the same parties stating claims which could have been brought in separate counts of a single claim*." The Court reasoned that because of the common issue of entitlement between the two cases, there was "identity" between the cases and, therefore, the cases of the injured person and medical

providers should be treated as one single action for purposes of determining jurisdiction and for trial. The Court further noted that even though medical providers may bring an independent cause of action against a no-fault insurer, the claims of the medical providers against the defendant in this case were completely derivative of and dependent upon the injured person having a valid claim for no-fault benefits. In this regard, the Court of Appeals reasoned that the Judgment in favor of the medical providers could not be upheld given that the Judgment for the injured person was reversed and remanded for either dismissal or transfer. Specifically, the court stated:

> "*[W]hile the providers may bring an independent cause of action against a no-fault insurer, the providers' claims against defendant are completely derivative of and dependent on Moody's having a valid claim of no-fault benefits against defendant. Specifically, the providers' claims are dependent on establishing Moody's claim that he suffered 'accidental bodily injury arising out of the . . . use of a motor vehicle,' MCL 500.3105(1), that they provided 'reasonably necessary products, services and accommodations for [Moody's] care, recovery, or rehabilitation,' MCL 500.3107(a), and that at the time of the accident, Moody was 'domiciled in the same household' as his father who was insured by defendant Home Owners, MCL 500.3114(1). The providers' and Moody's claims with respect to the requisites of defendant Home Owners liability are therefore identical. Because there is an identity between Moody's claims and those of the providers and because the claims were consolidated for trial, we consider them merged for purpose of determining the 'amount in controversy' under MCL 600.8301(1)."*

In further support of its holding, the Court elaborated on how the right of a medical provider to bring its own independent PIP actions and how it is derived from the injured person's right to claim the benefits at issue. The Court emphasized that under this derivative relationship, the right of the medical provider to bring its action ultimately belongs to the injured person. Based on this concept, the Court explained that an injured party could waive his or her claim against the insurer, which would then bind the service provider. In this regard, the Court stated:

> *"Here, there is virtual identity between the providers' and Moody's claims and Moody could have brought all the claims in a single case in which a single judgment is entered. Indeed, it is Moody's claim against defendant Home Owners that the providers are allowed to assert because the no-fault act provides that 'benefits are payable to or for the benefit of an injured person,' MCL 500.3112. See* Lakeland Neurocare Ctrs*, 250 Mich App at 38-40. But the providers' PIP claims actually belong to Moody because 'the right to bring an action for personal protection insurance benefits, including claims for attendant care services, belongs to the injured party*.' Hatcher v State Farm Mut Auto Ins Co*, 269 Mich App 596, 600; 712 NW2d 744 (2006). Thus, the injured party may waive by agreement his or her claim against an insurer for no-fault benefits, and a service provider is bound by the waiver.*

> Michigan Head & Spine Institute, PC v State Farm Mut Auto Ins Co*, 299 Mich App 442, 447-449; 830 NW2d 781 -14- (2013). If an injured party waives a PIP claim, a service provider's remedy is to seek payment from the injured person. Id. at 449-450."*

Moody's take-away message is clear: when there is a dispute over an injured person's entitlement to no-fault benefits, and the injured person and his or her medical providers have brought their own respective lawsuits against the no-fault insurer, the entitlement dispute creates a common issue between the cases, which means that the case can be consolidated and the amounts in dispute must be aggregated to determine whether the case is under the $25,000 jurisdictional threshold of the District Court.

However, the Court's emphasis in *Moody* on the medical provider's right to bring its own actions belonging to the injured person could create controversy in PIP litigation. For instance, while in *Moody* the common issue was entitlement, what happens when there is a dispute about whether a person sustained a certain injury that resulted in the person receiving different treatments from multiple providers? In that situation, could all cases brought by the medical providers and the injured person be consolidated and aggregated for purposes of determining the proper court of jurisdiction? Furthermore, if the cases were pending in different courts, would the court in which the injured person filed determine venue of the consolidated cases, because the right to be the action belonged to the injured person?

Ultimately, *Moody* does not specifically address how consolidation and venue should be analyzed in situations where there are multiple cases brought by an injured person and his or her medical providers. However, the substantial emphasis in *Moody* about the medical provider's right to bring an action deriving from the injured person will make it more complicated for providers to bring their own PIP lawsuits apart from the injured person.

Therefore, it is more important than ever for providers and their attorneys to know when and where their patients bring their own individual PIP lawsuits. It is ultimately advisable that medical providers reach out to their patients to determine if they intend to take any legal action against their no-fault insurer.