

Category: Medical Provider Reimbursement

Medical Providers Need to Be Proactive When Seeking Payment through No-Fault Insurance

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The *Covenant Medical Center* case shows that medical providers treating auto accident survivors under the No-Fault Act must protect their right to reimbursement.

When the Court of Appeals released its decision in the case of *Covenant Medical Center v State Farm*, it turned out to be a welcomed victory for medical providers who render medical and rehabilitative treatment to car accident survivors and seek payment for their services under the Michigan No-Fault Automobile Insurance Act (MCL 500.3101 *et seq.*).

Notably, there have been a number of other recent decisions that have resulted in medical providers losing the right to recover payment for their services rendered to Michigan auto accident survivors. However, *Covenant Medical Center* resulted in a very different outcome, and highlights the importance of medical providers being proactive with their own legal representation when seeking payment for their services under the Michigan No-Fault Automobile Insurance Act.

An Overview of the *Covenant Medical Center* Case

In this case, 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 by sending bills in July, August, and October 2012. After receiving and responding to those bills, State Farm soon after entered into an agreement, wherein it paid its insured \$59,000 in exchange for being released "from liability 'regarding all past and present claims incurred through January 10, 2013'" resulting from the crash.

Covenant sued State Farm for its failure to reimburse for the services it provided in relation to the crash. In its motion to dismiss the case, State Farm argued that the agreement entered into with its insured relieved it of any duty to pay the bills submitted by Covenant. The lower court found for State Farm and dismissed the case.

On appeal, Covenant argued that because it provided written notice to State Farm indicating that Covenant intended to pursue payment of its own bills, State Farm could not extinguish its liability for Covenant's bills through a settlement with the injured individual. Agreeing with Covenant, the Court of Appeals explained that under MCL 500.3112, the section of the Michigan No-Fault Insurance Act that discusses the payment of PIP benefits, Covenant Medical Center protected its right to seek reimbursement for services rendered by sending its written notice to State Farm. Because State Farm received this notice, it could not discharge its obligation to pay

Covenant through settling the claim with the injured individual. Stated another way, “*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.*” *Covenant Med Ctr*, at *3.

Moreover, the Court of Appeals disagreed with State Farm’s argument that the “hold harmless” provision in the release limited the provider’s right to reimbursement such that it could only recover payment for its services from the injured individual. The Court noted that the provider was not a party to the release and that the provider’s right against the no-fault insurer were not in any way limited by the release.

If you are a medical provider, how can you protect your rights?

What is the lesson here? If you are a medical provider, it is absolutely imperative that you be proactive with your own legal representation in seeking reimbursement for services rendered under the No-Fault Act. You cannot rely on the insurance companies to understand the law and protect your right to reimbursement. However, if a medical provider sends written notice to the no-fault insurer stating that it intends to pursue payment of its own bill, the *Covenant Medical Center* case means that the no-fault insurer cannot release its liability for the provider’s bill via a settlement reached with the injured individual.