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HEALTH LAW NEWS

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# MICHIGAN SUPREME COURT RULING MAKES IT MORE DIFFICULT FOR MEDICAL PROVIDERS TO COLLECT FROM INSURERS

On May 25, 2017, the Michigan Supreme Court dealt another blow to medical providers seeking payment for services provided to individuals injured in car accidents in Michigan. In the opinion, the court held that a medical provider does not have standing to bring a claim against a no-fault insurer for the payment of personal protection insurance ("PIP") benefits. This ruling will significantly affect health care providers in Michigan and reverses a long history of case law establishing that a medical provider could directly sue a liable insurer for payment after having rendered medical services.

## BACKGROUND

The patient at issue in the case was injured in a motor vehicle accident and received medical treatment. The provider sent bills to the patient's no-fault insurer totaling around $43,000. The insurer subsequently denied coverage and refused to pay the bills.

The patient individually filed suit against the insurer for no-fault benefits (including PIP benefits) and ultimately settled his case for $59,000. In connection with the settlement, the patient executed an agreement releasing the insurer for all allowable no-fault expenses, including medical bills and past claims. The provider was unaware of the lawsuit between the patient and the insurer.

The health care provider, brought suit against State Farm, the insurer, for payment of medical bills incurred in treating the patient. The Circuit Court dismissed the health care provider's claim, holding that the release agreement executed by the patient effectively ended the insurer's obligation to pay any benefits on the patient's behalf. On appeal, the Court of Appeals reversed and held that, under the circumstances, a patient/insured's agreement to release the insurer does not release the insurer with respect to the provider's noticed claims for payment. The insurer then appealed the ruling to the Michigan Supreme Court. The Michigan Supreme Court granted leave to consider, in part, whether a health care provider has an independent (or derivative) claim against an insurer for no-fault benefits.

## ANALYSIS

The Michigan Supreme Court acknowledged that there are decades of Court of Appeals' decisions holding that a health care provider may assert a direct cause of action against an insurer to recover no-fault benefits. Nevertheless, the Michigan Supreme Court reversed that longstanding precedent and eliminated the right of health care providers to directly sue insurers for PIP benefits. The Court reasoned that the Michigan No-Fault Act does not contain any language that confers such a right on health care providers. The Court explained that its conclusion "does not mean that a healthcare provider is without recourse; a provider that furnishes healthcare services to a person for injuries sustained in a motor vehicle accident may seek payment from the injured person for the provider's reasonable charges."

## PRACTICAL TAKEAWAYS

This decision is significant for all health care providers in Michigan and requires prompt attention to current collection efforts after treating patients injured in automobile accidents. Health care providers should work with their legal counsel to develop and implement proactive strategies that may include assignment agreements with patients and/or monitoring and early intervention in litigation between patients and insurers.

A copy of the opinion can be found here.

If you have any questions about this case or related issues, please contact:

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