

Michigan Auto Insurance: What, Why, How

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MCL 500.3101 to 500.3179

The Michigan Legislature made major changes to the Michigan No-Fault Act in 2019. These changes created many problems for healthcare providers who now need to know the rules and expectations under Michigan Auto Insurance laws.

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SB 1

Sec. 3107 (1)(a) “Allowable expenses consisting of ~~all~~ reasonable charges incurred for reasonably necessary products, services and accommodations for an injured person’s care, recovery, or rehabilitation.”

Many Patients Will Have PIP Limits

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SB 1 - Let’s look at some of the changes brought about by SB1

- ▶ PIP Choice, Coordination and PIP Opt-Outs beginning July 1, 2020:
 - ▶ **\$50,000** - 1) A person who is covered by Medicaid, 2) The person’s spouse, and all resident relatives are on Medicaid, have other health insurance, or PIP coverage through another policy.
 - ▶ **\$250,000** - Available to anybody.
 - ▶ **\$500,000** - Available to anybody.
 - ▶ **Lifetime** - Remains available to anybody.
 - ▶ **Attendant Care Option** - Insurers selling 50k, 250k or 500K PIP limits shall offer “*a rider that will provide coverage for attendant care in excess of the applicable limit.*”

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SB 1 - Let's look at some of the changes brought about by SB1

- ▶ **Coordination of Benefit Options** - Insurers may continue to offer deductibles and exclusions reasonably related to other accident coverage for the 250K, 500K, and Lifetime PIP options for “a *reduced premium that reflects reasonably anticipated reductions in losses, expenses, or both.*”
- ▶ **Medicare PIP Opt-Out** - A complete PIP opt out is available for a person who meets two conditions; 1) the person is covered by Parts A and B Medicare, and 2) the person's spouse and any resident relative has Medicare, “*qualified health coverage*”, or has no-fault PIP coverage under a separate policy. Premium reduction is 100%. Those who select this option are not eligible for the Assigned Claims Plan (ACP) when injured as an occupant of a motor vehicle.

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SB 1 - Let's look at some of the changes brought about by SB1

- ▶ **The \$250,000 PIP Exclusion Opt-Out** - An Insurer, has a driver who selected the \$250,000 PIP level of coverage, and that person, their spouse, and any resident relatives, have health and accident coverage that extends to auto related injuries, then the insurer must offer an exclusion from all PIP benefits. Premium reduced 100%.
- ▶ If the person's spouse or any resident relatives do not have such health or accident coverage, they cannot be excluded along with those who can be, and premium needs to be reduced to reflect reasonably anticipated reductions in risks.
- ▶ These “\$250K PIP excluders” are barred from the ACP if injured while an occupant in an auto.
- ▶ If a \$250 PIP excluder, for any reason, is no longer covered by a health or accident policy, they have **30 days** to inform the auto insurer and must purchase uncoordinated coverage. If injured during this 30 day period, they can claim through the ACP benefits up to \$2,000,000.
- ▶ After the 30 day period, they have not purchased PIP coverage, “YOU GET NOTHING!”

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SB 1 - Let's look at some of the changes brought about by SB1

- Michigan and (Sec. 3111) “the United States, its territories and possessions or in Canada.”
- Basically everybody injured in a motor vehicle accident. **Or, NOT!**
- **Now limits or no coverage.**

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SB 1 - Let's look at some of the changes brought about by SB1

- ▶ **The Managed Care Option** - Insurers will be allowed to offer “*managed care options*” that “*include, but is not limited to, the monitoring and adjudication of an injured person's care, the use of a preferred provider program or other network, or similar option.*”
- ▶ An insurer who offers a managed care option must also offer a non-managed care option.
- ▶ Will not apply to emergency care.
- ▶ The Managed care option must be “*uniformly offered in all areas where the managed care option is available.*” Area is not defined.
- ▶ Premium must be discounted to reflect reduction in risk or expenses, or both.
- ▶ Applies to all who are covered by this policy.
- ▶ Managed care plans must be primary and cannot be coordinated. A covered person must exhaust these benefits before seeking coverage from another health or accident coverage provider.

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SB 1- Let's look at some of the changes brought about by SB1

- ▶ Fee Schedules - For services that are part of the Medicare fee schedule, fees for those services will be limited to:
 - ▶ 190% of Medicare fee schedule after July1, 2023.

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SB 1- Let's look at some of the changes brought about by SB1

- ▶ Fee Schedules - For services that are not part of the Medicare fee schedule, the following rules apply for treatment or training:
- ▶ For services under a “*charge description master in effect on January 1, 2019*” or, if the service didn't have a charge description master, then “*the average amount the person charged for the treatment on January 1, 2019*”:
 - ▶ 52.5% after July1 2023.

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SB 1- Let's look at some of the changes brought about by SB1

- ▶ Fee Schedules - However, the amount charged cannot be more than the average amount charged for the service on January 1, 2019.
- ▶ This amount will be adjusted *“annually by the percentage change in the medical care component of the consumer price index for the year preceding the adjustment.”*
 - ▶ 16.38% for July 2, 2026 to July1, 2027. (Bulletin 2026-09-INS) ()

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SB 1- Let's look at some of the changes brought about by SB1

Sec 3142 (1), “...benefits are payable as loss accrues...,” (2) “...are overdue if not paid within 30 days after an insurer receives reasonable proof,” and (3) “...overdue payment bears simple interest of 12% per annum.”

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SB 1- Let's look at some of the changes brought about by SB1

► Non-Accredited “*Neurological Rehabilitation Clinics*”

- All “*Neurological Rehabilitation Clinics*” (NRC) need to be accredited by the Commission on Accreditation of Rehabilitation Facilities or...
- “*Cannot be paid for services*”
- NRC is defined as, “*a person that provides post-acute brain and spinal rehabilitation care.*”

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SB 1- Let's look at some of the changes brought about by SB1

► Independent Medical Exams

- “*If care is being provided to the person to be examined by a specialist, the examining physician must specialize in the same specialty as the physician providing the care, and if the physician providing the care is board certified in the specialty, the examining physician must be board certified in that specialty.*” [Section 3151(2)(a)].
- GENERAL QUALIFICATION RULE - In all cases, an examining physician, during the year prior to the evaluation, must have devoted a majority of his or her time to the active clinical practice of medicine or to teaching in a medical school, or in an accredited residency or clinic research program for physicians. [Section 3151(2)(b)].

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SB 1- Let's look at some of the changes brought about by SB1

► Statute of Limitations

- One year statute of limitations remains. However,
- The time to commence a legal action and the time limitation to recover benefits “is tolled from the date a specific claim for payment of the benefits until the date the insurer formally denies the claim.”
- This subsection does not apply if the person claiming the benefits “*fails to pursue the claim with reasonable diligence.*”
- SB1 conditionally reverses the Michigan Supreme Court Covenant decision. This means a “*health care provider listed in section 3157 may make a claim and assert a direct cause of action against an insurer, or under the assigned claims plan under section 3171 or 3175, to recover overdue benefits payable for charges for products, services, or accommodations provided to an injured person.*”

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SB 1- Let's look at some of the changes brought about by SB1

► Utilization Review

- Imposes mandatory utilization review of any provider rendering products, services, or accommodations to a person covered by PIP.
- The Department of Insurance and Financial Services will promulgate rules.
- Providers are obligated to:
 - Provide treatment and billing records regarding their patients, and,
 - Justify the rendition of products, services or accommodation that “*are not usually associated with, are longer in duration than, are more frequent than, or extend over a greater number of days than the treatment, products, services, or accommodations usually require[d] for the diagnosis or condition for which the patient is being treated.*”
- Providers are subject to sanctions and penalties.
- DIFS will have an appeal process for “*determinations.*”

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SB 1- Let's look at some of the changes brought about by SB1

► **Important Court Cases That Affect The No-Fault Law**

1. Moghis v Citizens Insurance, 187 Mich App 245 (1990)
2. Hoffmann v ACIA , 211 Mich. App. 55(1995)
3. Dean v ACIA, 139 Mich App. 266 (1984)
4. Tousignant v Allstate, 445 Mich 301 (1993)
5. Sprague v Farmers Insurance Exchange, Mich App. (2002)

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SB 1- Let's look at some of the changes brought about by SB1

► **Important Court Cases That Affect The No-Fault Law**

6. Krohn v. Home Owners Insurance Company (2011) (Efficacy)
7. Spectrum Health Hospitals v Farm Bureau (2012) (Unlawful Use)
8. Admire v Auto Owners (2013)
9. Measel v Auto Club Group Insurance Company (2016)
10. Andary, et al v USAA Cas Ins Co (2022)

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SB 1- Let's look at some of the changes brought about by SB1

► **What To Do When A Patient Calls On The Phone Or Walks Into Your Office**

► 1. Why are they there?

- Auto accident?
- Work accident?
- Fell down stairs?

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- [Kohn – Auto Accident Chart Documentation](#)
- [Kohn – Closed Head Injury Checklist](#)
- [Lien Agreement](#)

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