

CLAIMS BY MEDICAL PROVIDERS

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On February 15, 2002, the Michigan Court of Appeals gave some powerful legal weapons to medical providers who are not promptly paid by auto no-fault insurance companies. The decision is a great victory for providers and their auto accident patients and will make the playing field more level in no-fault insurance payment disputes. The ruling came in the case of ***Lakeland Neurocare Centers v State Farm Mutual Automobile Insurance Company***, 250 Mich App 35 (2002). In this unanimous opinion, the Court held that the “***penalty interest***” provisions of §3142 of the No-Fault Act and the “***penalty attorney fee***” provisions of §3148 of the No-Fault Act may be enforced by medical providers against no-fault insurance companies who do not honor their payment obligations under the statute. Section 3142 renders an insurer liable for 12% interest if payment is not made within 30 days after the insurer receives “*reasonable proof of the fact and of the amount of loss sustained.*” Section 3148 of the statute renders an insurer liable for attorney fees if the insurer has “*unreasonably refused to pay the claim or unreasonably delayed in making proper payment.*” The Court held that these two (2) penalty provisions are enforceable not only by auto accident patients, but also by the medical providers who render care to those patients. In so holding, the Court acknowledged that medical providers who treat auto accident patients have a right to commence legal enforcement action against no-fault insurance companies to recover payment for medical services rendered to patients insured by those companies. If a medical provider can demonstrate that payment was overdue, the medical provider can recover 12% interest on the balance owing. Likewise, if the medical provider can establish that the payment was “*unreasonably refused or unreasonably delayed*” the medical provider can recover actual attorney fees from the recalcitrant insurer.

In reaching this important holding, the Court reasoned that giving enforcement powers to medical providers furthered the purposes and goals of the No-Fault Act to avoid medical payment delays. Furthermore, such a ruling would shift the loss from providers to insurance companies, and, in the process, protected no-fault patients. In this regard, the court stated:

“ . . . The goal of the no-fault system was to provide victims of motor vehicle accidents assured, adequate, and prompt reparation for certain economic losses. The no-fault act does not, however, accomplish its purpose or goal by sanctioning actions of no-fault insurers that include unreasonable payment delays and denials of no-fault benefits which force the commencement of legal action by the injured person’s health care provider.”

Moreover, the no-fault act may not be used by a no-fault insurer as a vehicle to shift the burden of the injured person's economic loss to a health care provider or as a weapon against rightful payees to a payee's unjustified economic detriment. . . . Failing to permit the attempted enforcement of the penalty provisions in situations involving unreasonable and unjustified payment behavior would reward that behavior while ignoring the cost exacted at the expense of a rightful no-fault benefit payee.

Finally, the enforcement of these penalty provisions against a recalcitrant no-fault insurer also serves to offer some protection against further economic loss faced by an injured person. The impermissible payment behavior of an insurer has an economic impact on the injured person, both directly and indirectly, usually in the form of damaged credit ratings, difficulties in securing health care services, harassment, and lawsuits initiated by health care providers for reimbursement. Permitting the imposition of these penalty provisions by health care providers provides a legitimate and enforceable incentive to no-fault insurers to perform their payment obligations, imposed by operation of law, in a reasonable and prompt manner.”

Approximately two (2) weeks before the Court of Appeals released its opinion in *Lakeland Neurocare Centers*, a similar opinion was issued by the Court of Appeals in the case of ***Regents of the University of Michigan v State Farm Mutual Insurance Company and Travelers Insurance Company***, 250 Mich App 719 (2002). The decisions of the Michigan Court of Appeals in *Lakeland Neurocare Centers* and *Regents of the University of Michigan* empower medical providers to fight back when no-fault insurance companies improperly withhold payment for medical services rendered to auto accident victims. Therefore, providers should immediately review their no-fault insurance accounts receivable and make an informed decision as to whether legal enforcement action should be undertaken in light of these cases. In making this decision, however, it is important to keep in mind that the No-Fault Statute contains a short statute of limitations which, in the case of claims brought by patients, typically will expire one year after the date an expense is incurred. It is not clear whether this one year statute of limitations will apply to enforcement claims brought by medical providers. However, until the Court of Appeals rules to the contrary, providers should assume that the limitations period is short and therefore, enforcement action should not be delayed.