



Insurance Bureau
P.O. Box 30220
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John Engler, Governor

DEPARTMENT OF COMMERCE

Arthur E. Ellis, Director

October 26, 1992

MEMORANDUM

TO: All Property and Casualty Insurers and Interested
Persons

FROM: David J. Dykhouse
Commissioner of ~~Insurance~~

SUBJECT: Bulletin 92-03

Attached please find a copy of Bulletin 92-03 which relates to
disputes between no-fault automobile insurers and health care
providers.

Attachment

STATE OF MICHIGAN
DEPARTMENT OF COMMERCE
INSURANCE BUREAU
Bulletin 92-03

In the matter of Disputes Between
No-Fault Automobile Insurers and
Health Care Providers

Issued and entered
this 23rd day of October 1992
by David J. Dykhouse
Commissioner of Insurance

INTERPRETIVE STATEMENT

Section 3107(1)(a) of the Insurance Code of 1956, MCLA 500.3107(1)(a); MSA 24.3107(1)(a), establishes the responsibilities of no-fault auto insurers with respect to economic losses other than wage loss under personal protection insurance benefits:

Sec. 3107.(1) Except as provided in subsection (2), personal protection insurance benefits are payable for the following:

(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. Allowable expenses within personal protection insurance coverage shall not include charges for a hospital room in excess of a reasonable and customary charge for semiprivate accommodations except if the injured person requires special or intensive care, or for funeral and burial expenses in the amount set forth in the policy which shall not be less than \$1750.00 or more than \$5,000.00.

The Insurance Bureau has received reports that no-fault insurers have questioned the reasonableness of some of the charges billed by health care providers for services rendered to their insureds and claimants following a motor vehicle accident. In some instances where the insurer and the provider have been engaged in such a dispute, the health care provider has billed the patient for the disputed amount and has vigorously pursued collection from the insureds or claimant directly.

The purpose of this bulletin is to remind no-fault insurers that they are required to provide insureds and claimants with complete protection from economic loss for benefits provided under personal protection insurance. Auto insurers must act at all times to assure that the insured or claimant is not exposed to harassment, dunning, disparagement of credit, or lawsuit as a result of a dispute between the health care provider and the insurer.

When such a dispute arises, an insurer will meet its statutory obligations by adhering to the following procedures. First, the insurance company must assume its statutory responsibility for complete protection of the insured. To do so, the insurer should notify the provider that the insurer is responsible for paying any reasonable charges, not the insured or claimant. Second, the insurer must also assure the policyholder or claimant of its responsibility. Insureds and claimants should be given directions on how to handle any bills or collection notices they receive. Third, the insurer should notify collection agencies and credit reporting agencies to disregard medical providers' claims against the insured for services covered under personal injury protection benefits. And finally, health care providers should be warned that the insurer will defend the insured or claimant against any attempt to collect, and may also consider any other appropriate action to prevent its policyholder from being pursued for collection.

A dispute between a medical provider and the insurer as to the reasonableness of the charge for services does not void the insurer's obligation to its insureds and claimants to pay the amount ultimately determined to be reasonable. The insurer also has an obligation to protect its insureds and claimants from any consequences of such a dispute.

David J. Dykhouse
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Commissioner of Insurance