**Hidden Dangers of No-Fault Choice**

On June 11, 2019, Michigan made major changes to its no-fault automobile insurance law. One of the biggest changes involves medical coverage for auto-related injuries. Currently, Michigan law requires you to buy unlimited medical coverage for auto-related injuries. But starting on July 1, 2020, Michigan residents will have choices about how much medical coverage to buy. Supporters of this change claim that it will decrease premium costs and allow consumers to buy only the coverage they need. Opponents claim that it will reduce the level of care available to auto- accident victims and shift medical costs from insurance companies to individuals and taxpayers.

**The Choices**

The new law allows auto insurance companies to offer six levels of allowable expense coverage. For most people injured in a car accident, allowable expenses are medical expenses, but they can include other benefits, such as attendant care services. The different coverage levels have different eligibility requirements.

* + **$50,000.** Your insurance will pay up to $50,000 in allowable expenses for auto-related injuries. You can buy this plan if (1) you have health insurance through Medicaid; and (2) your spouse and all resident relatives have health insurance or no-fault coverage under a different policy.
  + **$250,000.** Your insurance will pay up to $250,000 in allowable expenses for auto-related injuries. Everyone is eligible for this coverage.
  + **$500,000.** Your insurance will pay up to $500,000 in allowable expenses for auto-related injuries. Everyone is eligible for this coverage.
  + **Unlimited.** Everyone who buys auto insurance currently has this option. You can continue to buy unlimited allowable expense coverage for auto accidents.
  + **Opt out for qualifying Medicare recipients.** You can completely opt-out of allowable expense coverage if (1) you are covered under Parts A and B of Medicare; and (2) your spouse and all resident relatives have qualified health coverage or no-fault coverage under a different policy.
  + **Opt out for those who select the $250,000 option and have other insurance.** If you choose the $250,000 plan and you, your spouse, and all resident relatives have health insurance or other insurance that covers auto-related injuries, you can exclude allowable expense coverage from your auto policy. Some think the language in this part of the law is broad enough to apply this exclusion to all no-fault benefits.

The law also allows auto insurance companies to offer a managed care option for a reduced premium. Currently, there are few limits on what medical providers you can see for auto-related injuries. If you choose the managed care option, your auto insurance company can limit you to providers on an approved list or in a network.

**The Dangers**

Many people will buy the cheapest insurance coverage possible. Insurance companies and agents are already promoting the savings that might be available if you buy a capped plan or one that excludes medical benefits entirely. But before buying the cheapest coverage you can, you should be aware of some of the hidden dangers in the new policies being offered.

No one expects to have a serious injury in a car accident, but they happen daily. If you buy a capped policy and suffer catastrophic injuries in a car accident, you will exhaust your medical coverage within a month, even if you bought one of the higher cap plans. Who pays your medical expenses after your insurance coverage runs out? If someone else caused the accident, you might be able to sue that person for medical expenses above the cap, although it’s unlikely that he or she will have enough insurance coverage or personal assets to pay even a fraction of your expenses. If no one else caused the accident, you will have to start spending your own money on medical treatment until you have reduced your assets low enough to qualify for Medicaid. While Medicaid covers your medical expenses, not every provider accepts it because it pays much less than other insurance, so you may have difficulty getting the care you need.

The choices pairing medical coverage with other insurance coverage are particularly dangerous. Many people think that if they have health insurance coverage they shouldn’t have to buy additional medical coverage for auto-related injuries. What they don’t realize is that many health insurance plans specifically exclude coverage for auto accidents. Many health insurance plans also require full repayment of medical expenses if you receive any type of recovery from an at-fault driver. If you choose to cap your no-fault medical expenses, or you choose to coordinate your no-fault coverage with your health insurance, you need to read your health insurance plan document to make sure that you will be covered for auto-related injuries. Do not rely on your insurance agent to do this for you.

You also need to make sure that your health insurance will continue after an accident. Many people have health insurance through an employer, but employers commonly discontinue health insurance coverage if an employee cannot return to work for many months due to accident-related injuries. This will cause a big problem if you choose to exclude medical benefits from your auto insurance, have an accident, and then lose your health insurance because you are too injured to work. In that situation, you will have no coverage for your medical expenses.

We also urge you to be careful about enrolling in a managed care plan. While it remains to be seen what type of provider networks insurance companies will create, they could be filled with insurance-friendly doctors who will minimize treatment and try to relate conditions to causes other than an auto accident. If you enroll in a managed care plan, the law gives your insurance company much greater control over your medical treatment, and you probably will not like the decisions your insurance company makes for you.

**Our Recommendations**

We recommend that you continue to buy unlimited medical coverage to protect against the potential expenses of a catastrophic injury. We also recommend you make sure that your liability coverage is enough to protect your assets. If you accidentally injure someone with a low medical cap, that person will be able to sue you for medical expenses that his or her insurance does not cover. If your liability coverage is also low, you could end up paying for that person’s medical expenses from your personal assets and future earnings. If you do buy a capped policy, we recommend that you buy as much underinsured and uninsured motorist coverage as possible, so you are not left trying to collect compensation for medical bills from an at-fault driver.

Don’t just take our word for it. The director of Michigan’s Department of Insurance and Financial Services has issued brochures about the benefits and risks of the new insurance options. You can review those brochures here. *[Insert links to documents.]* Michigan law will require your auto insurance company to give you copies of these brochures when you renew your policy.

The people of Michigan wanted no-fault reform, and the legislature and governor listened. They have given us choices about how much auto insurance coverage to carry. But with choice comes responsibility. When people come to a lawyer for help after an accident, it is already too late. We are stuck with whatever policy you or a family member chose to purchase. It’s difficult to predict all the consequences from the recent no-fault changes, but we can say this with certainty: Buying the cheapest coverage possible will limit your legal options for dealing with auto-related injuries. Spending a little more on good coverage may be the best investment you ever make.