

Law & Policy Group

GRIST

Michigan clarifies qualified health coverage for auto insurance law

By Steven Schinderle and Catherine Stamm
Aug. 14, 2020

A Michigan Department of Financial and Insurance Services (DIFS) regulatory bulletin ([Bulletin 2020-33-INS](#)) “restates” the definition of qualified health coverage (QHC) under the state’s [auto insurance reform law](#) that took effect July 1. The changes could affect employers’ health plan costs for Michigan residents.

About the law

The Michigan law ([Mich. Comp. Laws § 500.3107d](#)) allows a car owner to opt out of purchasing personal injury protection (PIP) medical coverage if he or she and all family members residing in the same home have QHC. The law defines QHC as coverage under Medicare or an accident or health policy with a deductible of \$6,000 or less per individual and no coverage limits for injuries caused by car accidents.

The law also allows a car owner to select a \$250,000 PIP medical limit, with an exclusion from PIP medical coverage for the applicant and any family members with QHC. A \$50,000 PIP medical limit is available when the applicant is enrolled in Medicaid and family members have QHC or PIP medical coverage. Michigan auto insurers are encouraged to collect documentation of QHC or Medicaid coverage from the auto insurance applicant.

Revised guidance

Earlier this year, Michigan DIFS regulators noted in an email to Mercer that a health plan with even one annual deductible — such as an out-of-network deductible — exceeding \$6,000 per individual wouldn’t qualify as QHC. However, the restated guidance clarifies that a group health plan with *any* annual deductible that doesn’t exceed \$6,000 per individual and doesn’t exclude or limit medical coverage for injuries related to auto accidents will meet the QHC standard. The guidance also indicates that a group health plan with an individual deductible offset in any manner (e.g., by funds contributed to health reimbursement arrangements) so as not to exceed \$6,000 could qualify as QHC, provided the plan

doesn't exclude or limit medical coverage for auto accident injuries. This expands the number of plans that could qualify as QHC.

Employer impact

Employers that coordinate their health plan's benefits with auto insurance medical coverage — even plans that pay secondary — may face greater exposure to Michigan claims than in the past. Coordinating benefits may not help if the employer health plan otherwise meets the QHC definition. If so, the employee and any covered family members may be in a position to opt out of or substantially reduce PIP medical coverage offered by the auto insurer. This could leave the employer-sponsored health plan as the sole source of medical coverage for injuries related to an auto accident in some situations.

Health insurers and self-insured group health plan sponsors should be prepared to provide documentation to Michigan drivers (and any family members) indicating whether the health plan is QHC and, if so, confirming their coverage under the health plan. Self-insured plan sponsors may need to adjust expected costs for Michigan residents.

Related resources

Non-Mercer resources

- [Bulletin 2020-33-INS](#), QHC documentation from employers and insurers (Michigan DIFS, July 28, 2020)
- [Bulletin 2020-01-INS](#), QHC notices (Michigan DIFS, July 28, 2020)
- [Michigan's new auto insurance law — Choosing PIP medical coverage](#) (Michigan DIFS)
- [Auto insurance purchaser FAQs](#) (Michigan DIFS)
- [Mich. Comp. Laws § 500.3107d](#) (Michigan Legislature)

Mercer Law & Policy resources

- [Michigan's automobile insurance reforms may cost group health plans](#) (Nov. 13, 2019)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.