

# Changes to Michigan No-Fault Auto Insurance May Affect Health Plan Coverage Decisions

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Michigan auto insurance policies are currently required to include unlimited no-fault personal injury protection (PIP) coverage. However, this is about to change. Effective July 1, 2020 drivers may choose to cap their PIP coverage at \$250,000 or \$500,000 (or potentially less, in certain cases). This could have a drastic impact on employer group health plans.

Because Michigan drivers have been fully covered by unlimited PIP coverage, many self-insured employer group health plans covering Michigan residents either excluded coverage for auto accident claims altogether or paid secondary to the PIP coverage in the auto insurance policy (which had essentially the same effect, since PIP coverage is generally broader than health coverage). After the change in the law, if a group health plan excludes coverage for auto accident claims, individuals under the plan could be left exposed to catastrophic claims that exceed their PIP coverage limit. On the other hand, if a group health plan pays secondary to auto coverage, the group health plan could be responsible for significant health claims exceeding individuals' PIP coverage limit.

In response to the change in the law and the potential that health plan participants and beneficiaries may have capped PIP coverage in the future, employers sponsoring group health plans covering Michigan residents should decide how to provide benefits in the case of auto accidents involving covered individuals from among the following options:

## **Exclude coverage for all auto accident claims.**

As mentioned above, this is an approach some plans take now and is the safest option with regard to minimizing the plan's risk of paying large auto accident claims. However, this would leave covered individuals exposed for claims above their PIP insurance coverage, if they choose coverage with a cap of \$250,000 or \$500,000. If the employer chooses to exclude coverage for auto accident claims, it should be sure to notify participants of this exclusion and warn them that if they choose coverage with a cap they could be exposed.

## **Cover auto claims as primary coverage.**

This likely would mean that the health plan is considered qualified health coverage under Michigan law, which could entitle covered individuals to select a lower PIP limit for their auto insurance and

reduce their costs. However, this may shift the entire cost for auto accident claims involving covered individuals to the group health plan.

### **Pay secondary to no-fault PIP coverage with no further restrictions.**

This would mean participants would be fully covered by the health plan for amounts above what their no-fault PIP coverage would pay. The health plan would still likely be qualified health coverage as described above. However, if covered individuals purchase auto insurance with a PIP coverage limit, the health plan would be responsible for large claims after PIP coverage pays the first \$250,000 or \$500,000.

### **Exclude coverage for auto accident claims unless the participant purchases unlimited PIP coverage, in which case the health plan would pay secondary to the PIP coverage.**

This is the most complicated option. By incentivizing covered individuals to purchase unlimited PIP coverage, it could leave them fully covered without shifting additional costs to the group health plan. However, there is a significant chance that at least a few participants will be confused by this rule and will purchase PIP coverage with a cap. In that case, they could potentially sue the plan, claiming that they thought they were covered.

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