

Report: no-fault raising medical costs, not likely to move reform legislation

By: Gary Gosselin
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A new report suggests that no-fault insurance in Michigan is driving up medical care costs, and it has kick-started the conversation on no-fault reform.

The report says that providers' claims for reimbursement for medical care related to auto accidents are 24 percent higher in Michigan than in other states. It also claims that medical use is higher — when related to auto accidents — in Michigan as well. The report said that “generous coverage ... undoubtedly causes [auto insurance] to be more expensive.”

The report was outlined to a joint meeting of the Michigan State House and Senate Insurance committees Oct. 23, serving as background for discussion of House Bill 4612.

The report outlines options that would cause “repercussions,” which would reduce the cost to insurers, mainly at the expense of lower payments to providers. It acknowledged that such moves would likely result in cost-cutting measures necessary by providers including service reductions, wage reductions and layoffs.

In addition, the report does not appear to outline any long-term savings for consumers.

Gov. Rick Snyder and State Rep and House Insurance Committee Chairman Pete Lund, R-Shelby Township, have said the system is unsustainable, but are short on specific facts or dates that back up the claim.

Lund would not comment for this story. Senate Insurance Committee Chairman Joe Hune, R-Hamburg, did not return calls for comment.

The no-fault reform bill, HB 4612, was introduced in the spring and proposed many changes to the system, including:

- Capping Michigan's unlimited, lifetime benefits for those with catastrophic auto injuries at \$1 million.

- Eliminating the Michigan Catastrophic Claims Association and creating a new nonprofit entity with appointees and meetings open to the public.
- Eliminating the ability to go to jury trial in the event the insurer discontinues payment.
- Including cost controls to reduce payments to medical providers.
- Lowering insurance premiums by \$125 — for the first year.
- Establishing a fraud authority funded by insurance providers, which will provide grant funding to agencies charged with combating fraud and will establish a central repository for fraud data.
- Capping payments for home and car modifications at \$50,000.

Todd C. Berg, an attorney at Michigan Auto Law in Farmington Hills, addressed the issue in an email to Michigan Lawyers Weekly.

“The debate over so-called no fault ‘reform’ needs to shift focus from the myriad different ways that no-fault medical benefits can be capped or cut in order to save auto insurance companies money, to the real dollars-and-cents issues of:

Are auto insurance prices truly so out-of-control and exorbitant that No Fault should be dismantled; and

How exactly will the so-called ‘reform’ proposals under consideration (both now and in the future) actually be guaranteed to yield lower insurance premium prices for consumers?”

He pointed out that other some other states with low caps on no fault insurance actually pay more insurance than Michigan, and that Michigan’s rates, which average \$1,073.52, were \$15 lower in 2010 (according to the latest statistics) than they were in 2005.

New Jersey has a cap of \$15,000 has average rates of \$1,276.44; New York, with a cap of \$50,000 has annual rates of \$1,207.70; and Florida, with a cap of \$15,000 has an average rate of \$1,114.36.

HB 4612 has been stalled in the House before the summer recess because the Republican-backed measure could not get the votes to pass it.

Republicans said they would use the time during summer recess to “educate” people and make another run at it again this fall. However, it appears to continue to be stalled and few, if any, have changed their minds in favor of the proposal.

Republican backers are working on changes that would make a no-fault overhaul more palatable, but have not publicly announced what those changes may be.