

# CRAIN'S DETROIT BUSINESS

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## Battle lines drawn in latest try at auto insurance reform

By Chad Livengood



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- Hospitals, trial attorneys, medical clinics are against the changes
- Auto insurance industry seems to like the plan
- Hearings set to begin Tuesday

Detroit Mayor Mike Duggan and House Speaker Tom Leonard's sweeping proposed changes to Michigan's no-fault auto insurance system has drawn battle lines in Lansing as lawmakers try again to tackle the state's highest-in-the-nation premiums.

Hospitals, trial attorneys and the medical clinics that treat drivers suffering from injuries sustained in car crashes have lined up against Duggan and Leonard's proposals to drastically cut how much they can charge.

The auto insurance industry seems to like the Duggan-Leonard plan. And the Michigan Chamber of Commerce endorsed it.

Hearings are set to begin Tuesday in the House Insurance Committee on the [bipartisan plan Duggan and Leonard put forward last week](#) in a bid to deliver rate relief for Michigan drivers.

Here are three aspects of the legislation where divisions run deep:

## Capping benefits

The Duggan-Leonard plan calls for creation of a three-tier system of coverage for personal injury protection.

While Michigan's unlimited medical benefits would remain an option, drivers also could choose to buy a lower level of coverage capped at \$250,000 or \$500,000. Expenses exceeding the caps would be shifted to private or government health insurance.

"At \$250,000, you're never going to touch the health carrier," said Pete Kuhnmuensch, executive director of the Insurance Institute of Michigan, the industry's lobbying arm. "... There would be a cost shift, but you're paying that health care premium anyways."

But the details of those caps, spelled out in [House Bill 5013](#), are a lot more nuanced.

The \$250,000 cap is split into two coverage caps: \$225,000 for "an emergency medical condition and related emergency medical care only" and \$25,000 for all other personal injury benefits, including long-term attendant care, according to the bill.

"There is no such thing as a \$250,000 lower cap — it's really just \$25,000," said Steven Gursten, an attorney at Michigan Auto Law, a Farmington Hills-based personal injury law firm. "For Duggan, that is going to kill his constituents."

Gursten said the legislation would result in an "enormous" cost-shift to employer-provided health insurance plans and Medicaid.

"If you don't have great health insurance, which many people don't, then you're going to be blowing through personal savings, declaring personal bankruptcy and ending up on Medicaid," Gursten said.

Duggan told *Crain's* the cost-containment measures in the legislation will lower overall expenses, resulting in a "minimal impact" on private insurance plans offered by employers.

In other states, Duggan said, "auto accidents are a very small piece of any employer's overall health care cost."

## Medicare fee schedule

Hospitals, doctors and rehabilitation clinics have been able to charge some of their highest rates to car accident victims because Michigan's auto insurance lacks the type of government-mandated and health insurer-negotiated pricing built into the regular health care system.

In Detroit, a neck MRI can cost auto insurers \$3,258, while the workers' compensation system pays \$770 for the same procedure and Medicare pays \$484, according to data compiled by the Insurance Institute of Michigan.

"Why should an X-ray for a broken arm be any different if you got it from falling off your roof compared to an auto accident?" Kuhnmuench said.

Duggan and Leonard's plan would mandate medical expenses for auto insurance be set at the Medicare payment level, drastically driving down costs in the system to meet their goal of an average 20 percent reduction in insurance premiums.

For hospitals with Level I trauma centers, the legislation creates a separate payment rate of 125 percent of the Medicare rates for treating a narrow set of medical conditions requiring immediate attention.

Duggan, a former CEO of the Detroit Medical Center, portrayed the 125 percent reimbursement rate as satisfactory for hospitals because it's "above" what Blue Cross Blue Shield of Michigan pays providers.

"I mean, hospitals will engage in fistfights over ... a Blue Cross patient, which is your best-paying patient, typically," Duggan said.

The Michigan Health & Hospital Association doesn't see it that way.

The hospital industry's lobbying arm opposes the proposed fee schedule because medical providers would get paid "substantially less" for treating auto accident victims, said Laura Appel, senior vice president and chief innovation officer for MHA.

"Medicare is not a great payer in general, probably comes close to cost," Appel said.

Appel said the bill doesn't spell out the specific procedures and instances where a hospital could get reimbursed at the higher rate.

"We'll be litigating that for years about whether you get the 100 percent or 125 percent," she said.

The Coalition Protecting Auto No-Fault, a group of medical providers and personal injury attorneys, has said it would agree to a fee schedule of **185 percent of the workers' compensation rate**. That would lower the payment for an MRI in the Detroit market from \$3,258 to \$1,424.

## Shifting to Medicare

Michigan is the only state that doesn't legally allow seniors to use their Medicare health insurance to pay for injuries sustained in auto accidents, Duggan said.

"You're forcing them to buy medical coverage they don't need at \$800 to \$1,000 a year," Duggan said.

Duggan and Leonard are proposing letting Medicare recipients or retirees over age 62 with lifetime retirement health insurance drop personal injury protection coverage.

But swapping no-fault coverage for Medicare is not an equal trade, Appel said.

"If you're in a serious auto accident ... Medicare is not going to pay for your family to take care of you," Appel said. "If Medicare paid for long-term care, we wouldn't need Medicaid the way we do."

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