



Proposed changes to Michigan's no-fault insurance laws spark debate

By ANDREW KIDD

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New legislation and proposals to eliminate lifetime coverage and an annual fee have sparked debate and uncertainty regarding Michigan's no-fault insurance laws.

Gov. Rick Snyder recently unveiled a plan to lower Michigan drivers' auto insurance bills in exchange for the elimination of the Michigan Catastrophic Claims Association and the unlimited lifetime medical coverage it provides for people seriously injured in auto accidents.

A bill introduced in March by Sen. Virgil Smith, D-Detroit, and Sen. Joseph Hune, R-Hamburg Township, recently called for the elimination of the MCCA as well as a cap of \$50,000 on personal injury protection under Michigan's no-fault insurance law.

Under the governor's plan, the average family's premiums could drop \$250 a year, or about \$125 per car.

Michigan is a no-fault state where motorists pay \$175 per car per year to fund the MCCA. That fee is scheduled to rise to \$186 on July 1.

Gov. Snyder proposes capping personal injury protection at \$1 million. With 99.5 percent of these medical costs staying under \$1 million, he said other forms of compensation and insurance were available that wouldn't require MCCA funding and the associated fee. Drivers also would be charged \$25 a year to help fund Medicaid because a tax on health insurance claims isn't generating as much as anticipated.

"The goal here is to help the consumer," he added. "In terms of the insurance industry, this is about good competition in the marketplace."

But the benefits provided by the current higher rates outweigh the potential cost savings, said John Cornack, president of the Coalition Protecting Auto No-Fault.

"With a million-dollar cap, that still just leaves people who are catastrophically injured out in the storm," he said. "Home healthcare and attending care will all be taken out of that mix."

The MCCA, controlled by a board of auto insurance industry representatives, has control over the setting of its annual rates. It's a process that should raise eyebrows, Cornack said.

"They're increasing the rates intentionally," he said. "If you increase the rates and make them go up the ladder to the highest average, the people of Michigan will scream."

"Then you can focus all the energy on how healthcare is the enemy," he said. "They are increasing that to put pressure on people to change no-fault."

Todd Berg, an auto accident attorney at Farmington Hills-based **Michigan Auto Law**, warned that the savings pushed for in reform attempts might not be set in stone, either.

"Never once in these bills where they're cutting no-fault do they guarantee savings to the consumer," he said. "There's not one word."

He added that in the current economic climate, any promise of savings should be taken with a grain of salt.

"People are concerned," he said. "Times are tough; if people can save money in a meaningful way on their auto insurance, their ears are going to perk up."

Berg said a more in-depth analysis of the proposed bills should be in order before the citizens voice their concerns to their legislators.

"When people really look at this and say, 'What's in it for me?' and when they realize that there's nothing and their pockets are empty, I don't think people are going to support this," he said. "Even assuming there was, the savings compared to what the costs are if tragedy strikes and somebody finds him/herself in a catastrophic crash."

Under the plan, those already receiving MCCA benefits would not be affected, such as Walk the Line to SCI Recovery Inc. co-founder and president Erica Coulston.

Coulston suffered a spinal cord injury in 2001, which left her paralyzed from the chest down with limited use of her arms and hands. Coulston has relied on the MCCA's unlimited care to provide protection and is worried that it might affect her benefits despite the proposal's assurances.

"One of the concerns that I have, obviously, is the impact on attendant care, therapy benefits and other benefits that are ongoing," she said.

Coulston said that if it wasn't for the MCCA's unlimited care, she'd essentially be out of luck, regardless of a \$50,000 or \$1 million cap.

"Most insurance policies have limited therapy benefits," she said. "Medicare does not provide home-attendant care. We're not even talking about apples to apples here."

"Many of us who do require 24-hour attendant care would end up in a nursing home," she said. "I think that in itself is a scary thought."

This reliance on the Affordable Care Act, Medicare and Medicaid, is part of the reform's intent, according to Insurance Institute of Michigan Executive Director Peter Kuhnmuench.

With the Affordable Care Act, payments to the MCCA would in essence be duplicates of the mandated premiums paid for health care, Kuhnmuench said.

"I've had numerous legislators ask me if we even need the (MCCA) mandate under no-fault, given that we're all going to theoretically have healthcare coverage," he said.

Kuhnmuench said one of the insurance industry proposals is the enactment of a fee schedule similar to what was done with worker's compensation insurance in the '80s, which gave the workers the opportunity to choose a level of coverage and gave hospitals a guideline for what could actually be spent on treatment.

"If I had to choose one thing to do right it, it'd be to get those fee schedules under control," Kuhnmuench said, "but the advantage of capping that benefit is that it allows consumers to coordinate their coverages."

Kuhnmuench added that the state's 19.5 percent uninsured-driver rate — the seventh highest in the nation — contributes to overall costs.

Currently, any passenger of an uninsured driver is covered by anyone paying for no-fault insurance, exacerbating the problem and putting pressure on no-fault payers.

It's a contentious issue; part of the reason for enacting Michigan's no-fault insurance law in 1972 was to circumvent tort claims. But, Kuhnmuench said, "The cost of that coverage is often less than the mandated medical coverage."

Reform measures have been discussed for years; a previous attempt to reform no-fault last year failed to come to a vote in the Senate and House.

"We still feel like we have a chance," Cornack said. "We believe that we can work with the representatives and the senators and have them understand the true value of auto no-fault and when they do, we feel they'll vote for the people."

"It's not the proposal that we would necessarily design," Kuhnmuench said, "Despite that, we're going to be supportive of the effort."

A representative from Michigan Insurance Coalition could not be reached for comment.