

Michigan's Auto No-fault System

(Updated May 2017)

Talking Points

- **Michigan hospitals are united around a single goal: to provide the safest, highest quality care to every patient who comes through our doors.**
 - Michigan's no-fault law ensures that accident victims receive the care and rehabilitation they need following catastrophic auto accidents. The law has been in place since 1973 and, without it, most auto accident victims would not be able to afford the care they need.
 - We're concerned that no-fault proposals with benefit caps will not only drive people into the taxpayer-funded Medicaid program, because those who survive catastrophic auto accidents would face severely limited care options with their own private benefits.
 - Ultimately Michigan hospitals believe Michigan's no-fault law is about caring for patients. We do not want to jeopardize accident victims' access to needed medical care, rehabilitation services and post-injury assisted living services based simply on a person's address.
- **We understand and respect Detroit Mayor Mike Duggan's commitment to reducing the cost of auto insurance in Detroit, but we do not believe that limited medical care to people who suffer catastrophic injuries in auto accidents is a sensible path to lower auto insurance rates in Detroit or anywhere in Michigan.**
 - The current Michigan Catastrophic Claims Association (MCCA) rate per car is \$160. This coverage ensures that anyone catastrophically injured as the result of an auto accident will receive a lifetime benefit that covers medical needs, therapy costs and costs associated with day-to-day activities (i.e., a ramp to the home for someone who is wheelchair bound; a lift to get in and out of vehicles, etc.).
 - Both the frequency and severity of insurance claims related to auto accidents are higher in Detroit than elsewhere in the state. Hospital prices do not vary by the geographic location of a patient's insurance policy, so something other than hospitalization – like aggressive legal tactics, fraud and abuse, as recently covered by the *Detroit Free Press* – is causing differentials in Detroit that lead to higher rates. Rather than attack the benefits for injured people, we should attack overuse, inappropriate care and fraudulent claims.
- **Consumer savings for those who can least afford their premiums are not guaranteed. If insurers are offering an average reduction, it means some people might save a lot – and some might save nothing. There is no evidence that more people of limited financial means will become insured if they get a small reduction in premiums, and there is no guarantee that insurance rates for Detroiters and others won't rise again.**
 - Costs COULD be borne by an individual's health insurance plan, if available. Even if a health plan is covering the individual, a health benefit does not cover many of the catastrophic claims covered by auto no-fault insurance, including replacement cost services, home and vehicle modification, or

in-home services for activities associated with daily living, such as preparing meals or getting to work or school.

- With the Affordable Care Act’s protections in question by the Congress, many people may not have a health insurance plan to fall back on in the near future.
 - Proposals with benefit caps will result in more individuals enrolling in a taxpayer-funded Medicaid system to get the care they need after they exhaust their limited medical benefit.
 - This would not only lead to increased auto insurance and Medicaid costs for ALL drivers – it could result in health insurers increasing their premiums to prepare for the risk of lawsuits to cover massive costs for auto accident victims once those victims’ benefits are exhausted.
- **The MHA and hospitals have always been open to participating in the legislative process and discussing meaningful reform that maintains accident victims’ access to care.**
 - Since 2011, the MHA has continuously offered to negotiate on no-fault reform efforts, including being willing to lower and freeze hospital reimbursement rates from auto insurers. Those efforts have been categorically rejected by the auto insurers pushing no-fault reform.
 - The MHA has suggested to lawmakers and the Snyder administration that work be done to establish best practices for auto accident survivors. The MHA has supported various proposals that would create an anti-fraud bureau. Together, these efforts could reveal and help end the overuse of medical services in Detroit.

Frequently Asked Questions

Q: Aren’t hospitals the problem when it comes to the high cost of auto insurance in Michigan?

- Hospital charges are not based on a patient’s ZIP code; however, auto insurers do use ZIP codes to determine how much a driver will pay for his or her auto insurance policy.
- In a recent, three-part series in the *Detroit Free Press* scrutinizing the cost of auto no-fault claims and lawsuits, the healthcare providers identified were “not part of any major healthcare system.”
- The Michigan Catastrophic Claims Association shows that hospital expenses are less than 10 percent of the total claims it pays out. Attendant care (through nursing homes, home healthcare services and via family members) accounts for 60 percent of catastrophic claims expenses.
- On behalf of hospitals throughout Michigan, the Michigan Health & Hospital Association has expressed support for an anti-fraud bureau for the past four legislative sessions. Hospitals also proposed an effort to create treatment guidelines for people injured in auto accidents. These best practices would help reduce variation in care, increase patient satisfaction and patient outcomes, and help reduce overuse and fraudulent claims.

Q: Other states do not have no-fault. What benefit does Michigan have in continuing as a no-fault state?

- In other states, employer-based healthcare benefits cover the cost of auto accidents, while in Michigan the majority of claim expenses are covered by auto no-fault policies. Michigan employers have excluded or coordinated auto accident claims from health insurance benefits; the loss of auto no-fault coverage in Michigan will cause costs to shift and would most likely result in increased health insurance premiums or greater reliance on government payers, like Medicaid.

- Medicaid also pays more for auto accidents in other states. In 2011, the Michigan Brain Injury Provider Council commissioned a study about the impact of reducing the personal injury protection benefit in Michigan. It found:
 - For liability coverage (compared to no-fault coverage), Michigan drivers on average paid only \$23 more per year than the national average (Detroit is an outlier).
 - While predicting the impact to Michigan's Medicaid program is difficult, available data suggest that the amount could easily exceed \$30 million for long-term care in the first year alone.
- No-fault systems pay a greater percentage of insurance premium revenue to injured claimants than the tort system. Accident victims in states without no-fault face longer waits for compensation and receive less compensation and fewer services, particularly for rehabilitation and costs associated with daily living.

Q: Why should senior citizens who have Medicare benefits be forced to buy personal injury protection under Michigan's no-fault law?

- Federal law requires Medicare and Medicaid to be secondary to any no-fault benefit required by a state.
- Michigan hospitals support the concept of allowing senior citizens to be excluded from the medical portion of no-fault to avoid the federal mandate and allow Medicare to cover their needs. Writing an appropriate exclusion into law would be complicated, but hospitals have not opposed this concept in the past.
- It's important to note that Medicare does not cover many of the services currently provided for through Michigan's no-fault system, including long-term care, attendant care services, replacement services, occupational therapy, executive functioning therapy for post-traumatic brain injuries, etc.

Q: Auto insurers say they are willing to reduce their rates. Doesn't this change everything?

- In 2014, the MHA proposed rolling back hospital prices to 2012 levels. Those prices would have stayed in effect for three years and any price increases for auto no-fault claims after that would have been limited to the medical consumer price index. If this proposal had been implemented, the MHA estimates hospital rates for auto no-fault claims would be at least 20 percent below their expected growth at the time the policy was implemented.
- Any rate reduction insurers agree to should be closely studied.
 - Most legislation with a rate reduction is related to "base rates" and is done on an average. This means some policyholders could see no reduction while others could see a significant change in their rates.
 - Reducing base rates does not control how auto insurers may use other factors in determining an individual driver's rates, including credit scoring, ZIP codes, make and model of car, driving record, etc. If the base rates are reduced but rate modifiers are increased, drivers may not see much of a difference in their month-to-month premiums.
 - In studying any kind of rate reduction proposal, there are two important questions that warrant investigation: (1) how much of the rate decrease is related to eliminating the lifetime benefit for the catastrophically injured; and (2) will policyholders be required to continue to pay the MCCA deficit even though they are no longer eligible for catastrophic coverage?

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