

Talking Points

D Insurance Proposal – Senate Bill 288 (S-3)

Updated November 2016

Background

On June 3, the Senate Insurance Committee approved a substitute for [Senate Bill \(SB\) 288](#), legislation that outlines low-coverage auto insurance for residents of Detroit and any additional urban centers where more than 35 percent of the residents do not have auto insurance on their vehicles. The measure – commonly referred to as D-Insurance – is heavily supported by Detroit Mayor Mike Duggan as an attempt to address the high cost of auto insurance in Detroit.

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. With that in mind, we're puzzled about how D-Insurance will work and concerned that Detroiters and others who survive catastrophic auto accidents would face severely limited care options under the plan outlined in SB 288.
- At \$150 per car, the MCCA currently provides all necessary benefits for catastrophically injured children and adults. SB 288 has the potential to pull thousands of drivers in Detroit and other large cities across Michigan out of the Michigan Catastrophic Claims Association. This would result in higher MCCA annual assessments for all other drivers.
- SB 288 would not only limit a Detroit driver's benefit – it would impact their children or other family members who are injured in the same vehicle. This is not per-person coverage. A family of four with D-Insurance who are simultaneously injured in an accident would be limited to \$250,000 in acute-care benefits for that accident, and just \$25,000 for post-acute needs.
- SB 288 would likely result in more individuals enrolling in a taxpayer-funded Medicaid system to get the care they need after they exhaust their limited medical benefit.
- Further, SB 288 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' D-Insurance benefits are exhausted.
- We understand and respect the Mayor'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 else in Michigan.

- The consumer savings piece is not clear. There is no evidence that more people of limited financial means will become insured under this plan, nor does the plan guarantee that insurance rates for Detroiters and others will go down and that rates won't rise again.
- 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.

Additional Discussion Points

- 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.
- 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 is causing differentials in Detroit that lead to higher rates. Rather than attack the benefits for injured people, we should attack over use, inappropriate care and fraudulent claims.
- 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.
- SB 288 eviscerates benefits for the seriously injured. It does not provide a catastrophic benefit and caps the personal injury protection benefit at \$250,000 for critical care only.
- Once the D Insurance cap is met, all other 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.
- Even if the average price of a required plan is reduced to \$1,800 a year, a person working 30 hours a week and making \$10 per hour (\$15,600 per year) would still pay more than 10 percent of his/her annual salary for auto insurance coverage.
- 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, along with the Coalition to Protect Auto No-fault (CPAN), of which the MHA is a member, is 100 percent against fraud and would like to see stronger anti-fraud measures enacted to help protect consumers and cut down on the costs associated with these crimes.

Members with questions should contact Laura Appel at the MHA at (517) 703-8601.