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Hospitals: Flaws in no-fault bills

Industry says trauma centers in danger of closing

By Jay Greene

Under House Bill 4936, Michigan's unlimited and lifetime injury coverage in auto accidents would be eliminated. Drivers would be able to choose lower levels of personal injury coverage.

But what most concerns hospitals, physicians and rehabilitation providers is the bill also would implement a fee schedule -- similar to that used in workers' compensation since the mid-1980s -- that would drastically reduce reimbursement for services, leading to possible closures of trauma centers.

While opponents worry that a vote on the no-fault bill could be taken this week, Ari Adler, press secretary for House Speaker James Bolger, said a vote in the House hasn't been scheduled. The bill was approved in the insurance committee last month.

"We are trying to get no-fault reform voted out of the House by the end of the year, but it depends on whether we can find consensus and support for the changes," Adler said. "We aren't there yet, but we're working on it."

Similar legislation, Senate Bill 649, is awaiting action by the Senate Committee on Insurance.



Kuhnmuensch

Pete Kuhnmuensch, executive director of the Insurance Institute of Michigan, which is lobbying for the insurance overhaul, said he does not expect the House bill to be considered until December. He expects the Senate bill to be voted on in early 2012.

Kuhnmuensch said fee schedules are necessary to stem rising health care costs that are unsustainable.

"The cost for procedures and treatments (that) hospitals currently charge no-fault patients is significantly higher than what they accept under other types of insurance systems with a fee schedule," Kuhnmuensch said.

"It is not fair that no-fault patients are charged up to 400 percent more for tests and procedures than workers' compensation patients. Hospitals helped create this cost shift, and it is unrealistic of them to think it will go on forever."

But Brian Connolly, CEO of Dearborn-based Oakwood Healthcare Inc., said he disagrees that Michigan's health care costs on auto accidents are out of control.



Connolly

"If Michigan's auto rates are significantly higher and uncompetitive, why does Michigan rank 16th in the nation in premiums?" Connolly said. "Our premiums are only 5 percent higher than the mean. ... Those comments about (passing this bill) to reduce health care costs just (don't) fit."

To cover charity care and bad debt, hospitals are paid cost-plus for services from a variety of payers, including commercial payers, Blue Cross and auto insurers.

Some experts estimate that hospitals receive between 120 percent and 130 percent of costs from auto insurers, up to 120 percent from commercial payers and 110 percent to 115 percent from Blue Cross Blue Shield of Michigan. Medicare pays hospitals approximately 90 percent of costs and Medicaid about 55 percent.

Connolly said Michigan's no-fault auto insurance system is a model for the nation and should not be changed.

"It is mind-boggling for me that anyone wants to change this insurance program that has worked great since 1973," said Connolly. "For \$145 a year, you ... get complete coverage for the rest of your life if you get in a catastrophic accident. Michigan consumers get a tremendous bargain."

In a study earlier this month, the state hospital association said hospitals in Southeast Michigan alone could lose more than \$100 million that fund patient care and trauma units.

For example, losses would total \$18.3 million for Oakwood; \$26 million for William Beaumont Health System; \$24 million for Detroit Medical Center; \$9.5 million for Henry Ford Health System; \$12.7 million for St. Joseph Mercy Health System; \$9.3 million for St. John Providence Health System; and \$3.7 million for Mount Clemens Regional Medical Center.

Connolly said Oakwood Hospital and Medical Center, Oakwood's flagship hospital in Dearborn, operates a level-two trauma center that treats serious auto accident victims and other people with traumatic injuries.

"We would have to consider whether to remain in the trauma business," Connolly said. "We have to maintain our services 24 hours a day, year-round. We have surgeons and anesthesiologists and specialized staff that are waiting here to be responsive."

If the bill is approved, Connolly said the worst case is that multiple hospitals would drop out of the statewide trauma network because they could not sustain the financial losses from reimbursement that does not cover costs.

"We break even on our trauma program ... and lose money operating our emergency department," he said.

Under the House bill, drivers could choose personal injury protection of \$500,000, \$1 million or \$5 million. However, drivers will not be able to choose lifetime coverage.

Drivers whose injury costs exceed the amount of purchased coverage would be allowed to file a lawsuit if they exceed their chosen coverage levels and exhaust their personal financial resources.

Studies by the Coalition Protecting Auto No-Fault, or CPAN, which opposes the no-fault auto bills, estimate that the state Medicaid program would pick up an additional \$30 million in auto-related claims during the first year, and that the state would lose more than 5,000 jobs in the health care industry.

CPAN includes the hospital association, the Michigan State Medical Society, the Brain Injury Association of Michigan, the Michigan Consumer Federation, the Michigan State AFL-CIO and the Michigan Nurses Association.

In a statement to Crain's, the Michigan Orthopaedic Society said imposing a fee schedule on top of low reimbursement rates by Blue Cross Blue Shield of Michigan could worsen the shortage of surgeons in the state and not "allow patients to return to pre-injury function."

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