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## **New report on impact of no-fault reforms collides with another report's conclusions**

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A House bill to change the state's no-fault insurance laws would offer a range of medical coverage. Current law gives drivers unlimited coverage.

A new report contends that if Michigan approves changes in its no-fault automobile insurance laws to allow various levels of protection and eliminate the current unlimited medical coverage, consumers would pay lower premiums and have nearly \$1 billion to spend on other goods and services — boosting the state's economy.

"Reducing production costs will create an incentive for existing firms to increase output and for firms to relocate in Michigan," Gary Wolfram, an economist and president of Hillsdale Policy Group Ltd., said in his report. "This will result in employers hiring more workers and greater earnings for the Michigan workforce."

Wolfram was hired by the Coalition for Auto Insurance Reform, an insurance industry group that favors an overhaul of Michigan's 38-year-old no-fault auto laws. The industry group includes the Insurance Institute of Michigan, Michigan Insurance Coalition and Michigan Chamber of Commerce.

The Michigan House insurance committee is hearing testimony this week on HB 4936. The 42-page bill would create a fee schedule to pay health care providers and offer consumers a range of personal-injury protection medical coverage, with a minimum of \$250,000 and a top level of \$5 million. Current law gives drivers unlimited medical coverage if they are injured.

The bill was introduced last month by Rep. Pete Lund, R-Shelby Township, chairman of the insurance committee, and is backed by Sen. Joe Hune, R-Hamburg, chairman of the Senate insurance committee.

Hune previously introduced three similar bills with six levels of personal injury protection coverage, including \$50,000 minimum coverage.

In his eight-page report, Wolfram criticized a study presented last month by Lansing-based Anderson Economic Group LLC that concluded more than 5,200 jobs would be lost if the Hune bills were approved.

"We stated (jobs would be lost) after a period of time — not the first day but for the first several years," said Alex Rosaen, a consultant on economic policy and co-author of the Anderson report.

"Gary is looking at this over a longer period of time, where he says there might be some slight bump up in industry growth."

Rosaen said Michigan's economy would worsen over the short term if the no-fault auto reform bill were approved. However, he said, Anderson did not look at the long-term impact of the bill.

"There are too many factors that could affect the economy to take a look at the long-term effects. It is not possible to quantify at this time," Rosaen said.

Anderson's report analyzed the impact on jobs and the health care industry based on the three Hune bills that included the \$50,000 minimum coverage.

After some internal discussion, the insurance industry has now thrown its support toward the Lund bill with the higher \$250,000 minimum coverage.

"We are revising our report to reflect (the Lund bill), and we expect the jobs and economic impact will be higher," Rosaen said.

The Anderson report, conducted for the Coalition Protecting Auto No-Fault, a group that opposes the auto insurance reform package, did acknowledge that the average insured driver could save as much as \$137 annually in lower insurance premiums.

The premium savings would come primarily from offering consumers a variety of coverage levels instead of the state-mandated unlimited coverage, which adds \$145 a year to each written premium. The Lund bill would eliminate the \$145 charge.

The 28-member coalition includes the Michigan Health and Hospital Association, the Michigan State Medical Society, the Brain Injury Association of Michigan and the Michigan Consumer Federation.

John Prosser II, vice president of development, acquisition and public relations with Health Partners, an Auburn Hills-based rehabilitation provider, said the auto insurance reforms would decimate the health care industry and lead to poorer patient care and higher bankruptcies because of unpaid medical costs.

"This bill will instantly kill jobs, and the possibility of longer-term job growth isn't worth the tradeoff," Prosser said.

Wolfram also cited a study this year by a professor at Cornell University, Sharon Tennyson, who concluded that Michigan had the nation's 11th-highest average auto insurance premiums in 2007 at \$928, up 31 percent from \$795 in 1997.

Other auto insurance surveys have cited vastly different averages. For example, Quadrant Information Services said Michigan's average annual auto insurance rate was \$2,541 in 2010, the highest in the nation and an increase of 17 percent from 2009.

Prosser said he has seen data that indicate Michigan's average annual auto insurance premiums are about \$1,000 or about \$22 more than the national average.

"Michigan does have higher cost per claim because we have the finest model for care in America because citizens get what they need," he said. "Other states offer \$10,000 or \$50,000 maximum coverage, and their premiums are higher than Michigan."

For example, Prosser, who also is president of the Neuro Trauma Association of Florida, said that state's auto insurance premiums cost, on average, \$242 more than Michigan's.

"Florida wants to adopt the Michigan model to prevent bankruptcies due to medical bills, save billions in Medicaid costs, create tens of thousands of jobs and, most importantly, provide citizens all of the health care resources they need," said Prosser, who testified on the Lund bill Tuesday during the House insurance committee hearing.

The Anderson report also said 638 to 765 people each year would be expected to be underinsured — with 70 percent choosing PIP minimum coverage levels — and suffer catastrophic injuries of more than \$500,000, the report said.

Wolfram said only about 1 percent of drivers — several hundred — who have accidents would have insufficient coverage to pay for their treatments.

"Some of these will already be coverage through their private health insurance or through insurance provided by their employers," Wolfram wrote in the report.

"Once unlimited PIP is removed, more policies will offer such protection. Medicare, Medicaid and military insurance will cover some of the additional expenses as well. Accident victims can sue responsible parties for costs in excess of medical coverage."

Rosaen said private insurance, Medicare and Medicaid do not offer coverage as comprehensive as the current personal injury protection coverage.

"This bill will result in less spending on the care for people who are severely injured because normal health insurance does not cover the type of rehabilitation and residential care that some people need," Rosaen said.

Wolfram also commented on the three reasons that auto insurance is higher in Michigan than most states:

- Michigan is the only state in the nation to require all drivers to have unlimited PIP. The requirement drives up auto insurance premiums because consumers are forced to purchase more insurance than they desire.

Prosser said Michigan drivers pay a little more than the national average but get "the best value in America" because they have unlimited medical coverage.

- Unlimited PIP creates incentives to use health care inefficiently. "Providers have incentive to use and invent very expensive methods of caring for those injured. Expensive treatment may not be best for the patient," Wolfram said.

Prosser said physicians order all tests and services for auto accident patients. "The possibility exists for doctors to fraudulently order tests for patients, but it is extraordinarily rare," he said.

- Unlimited coverage creates a large incentive for fraud.

Prosser said any fraud should be prosecuted.

"It is not happening on the medical side," Prosser said. "It is happening on the collision side."

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