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Medical fees rise as no-fault bills languish Assessments to hit record high

By Chad Halcom

For the first time, a nonprofit reinsurance association will exceed \$1 billion in yearly assessments on Michigan's insured drivers, since an effort in Lansing to change its cost structure has lost momentum.

Effective July 1, the Michigan Catastrophic Claims Association increases its annual premium charged to member insurance companies by \$30 to \$175 per insured vehicle to reimburse insurers for lifetime medical benefits above \$500,000. It's the largest annual increase since fiscal 2004 and the fourth increase since the premium was \$104.58 in fiscal 2009.

The cost increase is expected to be rolled into premiums that member insurers charge their customers. The insurers cover about 6.97 million vehicles in Michigan - although large commercial carriers pay a different premium for catastrophic care coverage on their vehicle fleets, and antique and classic cars are assessed only 20 percent of the standard premium.

The premium includes \$141.93 to cover future projected claims in 2013 and \$32.72 to address an accumulated deficit, compared with \$26 to address the same accumulated deficit two years ago.

A pair of bills that would restructure the association and limit catastrophic care coverage under Michigan's 40-year-old No-Fault Auto Insurance law have been sitting idle for months.

House Bill 4396 and Senate Bill 649, both introduced last September, called for eliminating the mandatory lifetime benefit coverage starting July 1 in favor of a set of insurance policy options with capped benefits.

As written, the House bill would let policyholders choose from coverage of \$500,000, \$1 million or \$5 million. The bill would also establish a medical fee schedule for submitting auto insurance claims, similar to how reimbursements are made in the workers' compensation system.

It also calls for converting the association into two separate benefit accounts -- one for the current set of lifetime benefit claims predating the new law and a new fund to cover limited benefits for customers who choose to participate.

But since neither bill has moved since the House version cleared the Insurance Committee last October, the association is budgeting as if nothing will change.

"We're still working on it, the governor and his staff are involved and we want a compromise version that gets some traction (in the Legislature) and can get past the resistance from special interests," said Rep. Pete Lund, R-Shelby Township, chairman of the House Insurance Committee and sponsor of the House no-fault reform bill.



Lund

But, he added, there is no timetable on when that bill might be modified or advance to the House floor for a second reading.

While hospitals and home health care providers often support the lifetime benefit provision because they can collect payment without waiting on patient lawsuits or disputes with their insurers, the insurance community believes the issue is more complicated, said Pete Kuhnmuensch, executive director of the Insurance Institute of Michigan.

"We're convinced that over the long haul we're going to need to provide some significant reforms to our no-fault system to keep it viable. Those who understand the numbers in this industry are telling us we've got a problem. And it should be addressed sooner rather than later," he said. "Unfortunately, if you haven't yet reached a crisis, it's hard to get people motivated."

The Coalition Protecting Auto No-Fault, which opposes the bills, brought a civil lawsuit against the association earlier this year seeking records of injury claims it has serviced for insurers.

The coalition contends that the association does not disclose enough data on the length and payment totals of its coverage claims, and that data is vital for the public and Legislature to understand what care is delivered and why. The coalition submitted a Freedom of Information Act request to obtain those records from the association as a public body created and defined by state statute.

But the association contends it is not subject to FOIA, and its attorneys at Dykema Gossett PLLC have brought a motion to dismiss, which awaits a hearing July 11 before Ingham County Circuit Judge Clinton Canady.

The 28-member coalition, which includes the Michigan Health & Hospital Association, the Michigan State Medical Society, the Brain Injury Association of Michigan and the Michigan Consumer Federation, argues the claims data are necessary for lawmakers to make an informed decision on no-fault reform.

"CPAN is willing to seek some compromises (in the bill), as long as they are fair to both sides of the debate," said Josh Hovey, senior account executive at Lansing-based Truscott Rossman and a spokesman for the coalition.

"(But) if nothing happens in the next month or so, the Legislature will be on summer break soon and then we likely won't see any further discussion on the legislation until after the November election."

The auto insurers, for their part, have not opposed the association premium increase -- but some want to see better management of increasing health care coverage costs.

"The premium is based on sound actuarial projections. It isn't just some number that's pulled out of the air," said Nancy Cain, public relations director for AAA Michigan. "Medical expenses and attendant costs go up, so you need reserves to pay the future claims. Those costs are not likely to go down.

"But in terms of claims, if you're injured and need an MRI, auto insurers can pay \$3,200 for MRI when (the state) worker's compensation (agency) pays \$750 for the same MRI. We need more parity with the other coverage plans on fees charged to us."

The association, first established under a 1978 amendment to the No-Fault law, collected \$981.5 million in assessment income and paid out \$964.8 million in reimbursement claims to insurers during the fiscal year that ended June 30, according to an annual report it submits to the state Office of Financial and Insurance Regulation.

But the association's accumulated deficit, from years when the claims for benefits exceed the assessments and the investment income generated from that year, was just over \$1 billion last June. The association earlier this year estimated it at around \$2 billion.

"That's what makes it so difficult to compute our fees on an annual basis, because under the law we are collecting up front," said association Executive Director Gloria Freeland. "We are trying to make sure we cover all those claims lodged in that period, over their lifetime."

The Coalition Protecting Auto No-Fault has not addressed the premium increase in its lawsuit against the association, but attorney George Sinas of Lansing-based Sinas, Dramis, Brake, Boughton & MacIntyre PC said the "lawsuit is still in its early stages (and) there are briefs currently being filed regarding the matter."

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