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Study: Michigan Medicaid costs could rise by \$30 million in first year if no-fault bill is approved

By Jay Greene

Michigan's no-fault auto insurance law has been on the books for 39 years. A new study concludes that Michigan's Medicaid program could spend an additional \$30 million during the first year if the state Legislature approves bills to change the state's 39-year-old no-fault automobile insurance law.



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One of the provisions of the four-bill legislative package would allow drivers to choose different coverage levels for personal injury protection, or PIP, including one as low as \$50,000.

Michigan drivers now pay \$145 annually and receive lifetime unlimited injury and rehabilitation benefits.

"Our major conclusion based on the findings of our report is there is no compelling reason to reduce the coverage at this time," said Jane Powers, vice president of Public Sector Consultants, the Lansing firm that conducted the study.

Public Sector Consultants conducted the report for the Coalition Protecting Auto No-Fault, a group that opposes the auto insurance package. The 28-member coalition includes the Michigan Health & Hospital Association, the Michigan State Medical Society, the Brain Injury Association of Michigan and the Michigan Consumer Federation.

But Pete Kuhnmuensch, executive director of the Lansing-based Insurance Institute of Michigan, said the state needs to reform its no-fault insurance system because of rising costs.

"With the staggering increases in the cost of health care, Michigan consumers can no longer sustain a system that mandates unlimited, lifetime medical benefits, said Kuhnmuensch, who also represents the Coalition for No-Fault Reform, an insurance industry group that supports the no-fault bills.

The Coalition for Auto Insurance Reform includes the Insurance Institute of Michigan, the Michigan Insurance Coalition and the Michigan Chamber of Commerce.

"The cost to pay for catastrophic claims has increased 2,500 percent in the last 12 years, and the average medical claim has risen 166 percent in the last 10 years, and there is no end in sight," Kuhnmuench said.

Powers of Public Sector Consultants said that once drivers who are injured in a catastrophic auto accident use up their benefits and run out of money, they could tap into Medicaid, Medicare, Social Security disability or private insurance. But those benefits would be less rich than in the current system.

"If the program changes and benefits are reduced, there is a potential for cost shifting to other payers, individuals, families, public programs like Medicaid and Social Security and uncompensated care to providers," Powers said.

Each year, 500 Michigan drivers suffer a catastrophic auto accident that requires long-term care in a skilled nursing or rehabilitation center. If those drivers became Medicaid-eligible, the long-term care costs alone would total about \$30 million in the first year, Powers said.

John Cornack, CEO of the Eisenhower Rehabilitation Center in Ann Arbor and president of the Coalition Protecting No-Fault, said in a statement: "If you make cuts to Michigan's auto insurance system, the accident victims don't go away — and neither does the cost of care. It all just gets shifted from insurance companies and onto the backs of taxpayers. This legislation is a cost shift and a taxpayer shaft. "

Kuhnmuench of the Insurance Institute said he thinks the real savings will come by adopting a medical fee schedule, which is included in one of the four bills (Senate Bills 293-296.)

"While the study focuses on a minimum level of PIP coverage, the real cost savings will be realized through a workers' compensation medical fee schedule," he said.

Kuhnmuench said 94 percent of claims in Michigan are less than \$50,000 with an average claim of \$3,966. Only 0.5 percent of claims exceed \$400,000.

Claims exceeding \$500,000 are covered by reinsurance provided by the Michigan Catastrophic Claims Association, which is funded by the \$145 annual policy assessments.

"The sky isn't falling under the no-fault reform proposal. Over 99 percent of all current auto accident injury claims would be covered at a minimum \$250,000 coverage mandate," Kuhnmuench said.

"For the small number of people who do exhaust their auto insurance coverage, they have protection of other health insurance sources or have the right to sue at-fault parties for excess medical loss. The real impact of no-fault reforms in Michigan is to put more money back in the pockets of consumers."