



To: Members of the House Insurance Committee

From: Andy Johnston, Vice President, Government Affairs

Subject: Oppose House Bill 4936

Date: October 11, 2011

The Grand Rapids Area Chamber of Commerce does not support House Bill 4936 or other legislative proposals that would shift health care costs related to auto accidents from the motorist to third-party insurance and other individual payers, by allowing Michigan motorists to purchase a variety of personal injury protection (PIP) benefit levels through their auto insurance.

The cost of medical care and rehabilitation for the seriously injured can amount to millions of dollars. If injured, policyholders with the proposed minimum coverage in PIP benefits coverage would be forced to pay additional dollars out of pocket, leading to bankruptcy and dependence on the state Medicaid system, which does not cover the cost of services it “covers.”

Cost shifting by government plans, such as Medicaid, leads to higher costs for employers. Rising health care costs are a top concern for our members, and stopping further cost-shifting is a high priority for our organization.

For FY 2009, the Michigan Health & Hospital Association estimated that Michigan hospitals provided more than **\$2.6 billion** in uncompensated care for Medicaid recipients and the uninsured. This cost is borne by employers and individual purchasers of insurance.

The Grand Rapids Area Chamber of Commerce believes that each person is primarily responsible for his or her own health care. Without the current PIP requirement, high-cost medical claims would not be covered, escalating cost shifting to the private sector by increasing uncompensated costs. Transferring these costs to job providers who purchase insurance is not sound public policy.

Proponents of the legislation have estimated that consumers could save as much as 16% of their premium. Our Chamber questions if a possible 16% reduction is enough to encourage uninsured drivers to purchase auto insurance, even though it is legally required. Further, we wonder if lower benefit levels may actually increase rates by creating an environment where drivers will find it necessary to purchase additional insurance to protect themselves from lawsuits from underinsured drivers, thereby having the opposite affect as proponents argue.

We encourage the committee to continue to tackle affordability problems and work to contain costs, but House Bill 4936 would make problem of cost shifting to employers worse. House Bill 4936 is not the answer.