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CONTACT:
Josh Hovey
Truscott Rossman
517-712-5829
jhovey@TruscottRossman.com

Capping No-Fault Benefits Shifts Millions to Taxpayers

New study estimates proposed auto insurance "reforms" could cost state $30 million per year

LANSING – An insurance industry-proposed plan to cap personal injury protection (PIP) insurance coverage could add millions to Michigan's tax burden. A study released today estimates the proposed policy change could cost Michigan's Medicaid program at least $30 million in the first year alone. State taxpayers are expected to close the gap.

Michigan currently requires all drivers to purchase personal injury protection insurance, which reimburses medical expenses and lost wages. State lawmakers are poised to act on Senate Bill 293, which would gut Michigan's model no-fault law by capping driver injury and rehabilitation benefits to as low as $50,000. Insurance companies want to get out of providing lifetime PIP coverage, which is crucial for accident victims with traumatic brain injury and other catastrophic injuries. The insurance industry says premiums will be reduced if the legislation is passed, but industry leaders have refused to guarantee savings in the legislation.

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

Data indicate more than 500 people every year will require long-term care as a result of suffering traumatic brain injuries in car accidents. Without adequate insurance coverage, the cost of care is shifted to other payers, including accident victims and their families, healthcare providers and taxpayer-funded public programs. If the PIP benefits are capped the total cost to the Michigan Medicaid budget could increase $30 million in the first year, roughly $61,000 per

traumatic brain injury. Because an additional 500 people will suffer similar injuries each year, the costs to Medicaid could grow exponentially.

Traumatic brain injuries (TBIs) are only one type of catastrophic injury caused by motor vehicle accidents but they tend to require long-term care. The study contains estimated costs for TBIs that other payers would incur if the PIP requirement is capped. Claims data show:

- One out of 17 claims will exceed $50,000;
- One out of every 200 claims will exceed $400,000 – with average costs of claims being $1.4 million;
- There are currently 12,801 open claims that have reached or may reach the $480,000 reimbursement threshold set by the Michigan Catastrophic Claims Association

"Early healthcare support and intensive rehabilitation is vital to helping brain-injured accident victims regain their skills and become productive citizens," said Lynn Brouwers, president of the Michigan Brain Injury Provider Council, which paid for the study. "Any cuts to auto injury benefits will leave a huge population of accident victims without adequate care and reliant on the state's welfare system."

The Public Sector Consultants report also contradicts the notion that Michigan's lifetime PIP requirements are the main factor driving up the cost of auto insurance. The report finds that Michigan drivers spend only five percent more – or $23 – than the national average for the liability portion of their auto insurance but receive more benefits than drivers in other states. However, the cost of collision insurance – which covers vehicle repair and replacement – is 30 percent higher in Michigan than the national average.

"Michigan's personal injury protection requirement does an excellent job of enabling accident victims to obtain the immediate health services they need for a maximum recovery at a cost only slightly above the national average," said Jane Powers, vice president of Public Sector Consultants. "There is no compelling reason to reduce coverage requirements for personal injury protection insurance at this time."

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The Michigan Brain Injury Provider Council: The Michigan Brain Injury Provider Council is dedicated to enhancing the ability of its members to provide high quality, ethical rehabilitation, health care, and related services to people with a brain injury. Members include organizations or individual professionals that provide direct products and services to people with brain injuries and/or their families, including but not limited to: hospitals, acute and post acute programs, case management agencies, outpatient clinics, home care agencies, private practioners, legal representatives, advocates and transportation providers.

The Coalition Protecting Auto No-Fault: The Coalition Protecting Auto No-Fault is a broad-based coalition of consumer advocate groups, lawyers, doctors, hospitals and other health care providers working together to keep Michigan's model no-fault insurance law intact. Learn more about CPAN by visiting www.CPAN.us.