

Category: No-Fault Reform

Auto No-Fault Reform is Anti-Jobs, Anti-Free Market, Anti-Michigan

*By Tom Sinas and Steve Sinas, Sinas Dramis Law Firm
and Legal Counsel to the Coalition Protecting Auto No-Fault (CPAN)*

Everyone loves a good conspiracy theory. But as most of us have learned, when it comes to important public policy decisions, conspiracy theories do not tell the whole story. Oftentimes, something happens because it is the right result.

Such is the case for the debate over changes to Michigan's auto no-fault system. Legislation that would gut our current system is stalled in the Michigan House of Representatives. Legislators from both parties have opposed the legislation known as SB 248. In the meantime, commentators like Lou Kitchenmaster (*"No-fault auto reform needed for Michigan,"* GRBJ, May 15, 2015), have offered conspiracy theories to explain the plight of SB 248. These commentators suggest that SB 248's failure is the result of a conspiracy between doctors, lawyers, and legislators. Sounds alluring, doesn't it? But, as with most conspiracy theories, it is just not true. Rather, SB 248 is stalled because Republicans and Democrats agree that it is bad policy for our state.

The biggest problem with SB 248 is its inherent unfairness. If passed, SB 248 would be a huge legislative subsidy of auto insurance companies — one made at the expense of Michigan's medical providers. The bill would allow insurance companies to slash what they are required to pay to the doctors, hospitals, and clinics who treat all of us after an auto accident. The Michigan Hospital Association has estimated that SB 248 would result in \$1.2 billion in reduced payments to hospitals alone—an estimate that does not include cuts to our rehabilitation centers or home health care providers.

How is this subsidy accomplished? By eliminating the free market that currently exists in the auto no-fault insurance world. Under current law, insurance companies are required to pay reasonable charges for our medical care—nothing more and nothing less. SB 248 would eliminate the free market by allowing insurance companies to pay only 150% of amounts paid by Medicare. On its face, 150% sounds like a good deal. But ask any doctor, and they will tell you that lose money on each Medicare patient that they treat. So 150% of pennies on the dollar is still pennies on the dollar.

And how will this legislative subsidy affect the rest of us? First, SB 248 will reduce our access to health care. You don't need an economist tell you that when doctors lose money treating one group of patients, they will treat less of those patients.

But SB 248 would also be a huge economic blow to our state. Walk through downtown Grand Rapids, and you will see the results of a decades-long effort to create a cutting-edge health care economy. Whether it be new facilities by Michigan State University or Mary Free Bed Rehabilitation Hospital, health care is becoming an economic growth engine for Michigan. And it's no secret that one important source of revenue to our health care economy is auto no-fault's free market reimbursement model. By creating government-mandated price cuts, SB 248 will result in job losses throughout our health care economy.

So what do the rest of us get in exchange for this legislative subsidy to insurance companies? A reduction in premiums of \$100 for two years. After that, rates can rise as fast as the insurance companies would like. And this legislation does nothing to address the high cost of collision coverage. Pull out your latest auto insurance bill. You will likely see that you pay more to cover damage to your car than you do for no-fault benefits that cover you and your family in the event of a tragedy. SB 248 is not a fair solution to reforming our no-fault system.

All of us who care about our no-fault system should be ready to discuss smart reforms. That's why groups like CPAN have proposed amendments that attempt to address deficiencies in our system without destroying it in the process.

So the next time you hear about auto no-fault legislation, don't settle for a conspiracy theory. Ask yourself whether the legislation is good for your family, your doctors, and our economy. If it's not, tell your legislators that they need to do better.