



Auto Insurance Reform

Background:

In 1978, as a means to reduce litigation, Michigan's Legislature amended its Auto No-Fault Law to require insurance carriers to provide all drivers with unlimited lifetime coverage for medical expenses resulting from a claimant's auto accident. As a result, the Michigan Catastrophic Claims Association (MCCA) was established to reimburse insurance companies for any medical expenses for personal injury claims that exceed a limit of \$580,000. Since Michigan does not have an auto insurance fee schedule according to Mitchell, an Enlyte Company, insurance carriers have used different methods to determine how to pay providers a medically reasonable and necessary rate for claimant's care, recovery, and rehabilitation. There are several different methods used: Benchmarking or competitive analysis, provider network analysis, direct-to-provider negotiation & CMS reimbursement guidelines.

Problem:

Senate Bill 1 was approved in Public Act No 21 on June 11, 2019. In July 2020, new policy provisions went into effect that allowed drivers to select different coverage options to suit their needs. Drivers were no longer required to purchase unlimited lifetime medical benefits. Subsequently in July 2021, the state of Michigan implemented a detailed fee schedule. There are three different pricing methods defined in the legislation for establishing fees. According to the legislation if the first method does not have a fee, the second is used and if no fee is in the second, the third is applied, in priority order as listed below:

Method 1: 200% of the amount payable to the person for the treatment or training under Medicare

Method 2: 55% of the amount payable under the person's charge description master in effect on January 1, 2019

Method 3: 55% of the average amount the person charged for treatment on January 1, 2019

Previously, auto insurance carriers were responsible to pay for an amount deemed reasonable and medically necessary for the care, recovery, and rehabilitation for individuals who are catastrophically injured in an accident. This new fee schedule puts a financial cap on this benefit, limiting those who were price gouging the system and driving down reimbursement rates of those who were previously acting reasonably to below their costs. Also, insurance carriers are only required to pay for 56 hours/week for in-home care by a relative/acquaintance. At this time, insurance carriers reserve the right to contract for more treatment than this 56-hour limitation by all relatives and/or acquaintances of the individual prior to their accident.

Many Home Health Care providers across Michigan have been forced to significantly decrease or drop their auto insurance clients as the new law has made serving these cases extremely difficult with the current statutory reimbursement rates not covering wages for home health care workers let alone, employee expenses, insurance, workman's comp, business overhead, and any profit. Reimbursement rates have decreased significantly or have halted altogether resulting in auto accident victims going without care and/or medical supplies. The impact of this insurance reform has left families shouldering the burden of care or making the difficult decision to institutionalize their loved ones. Michigan's Auto No Fault program needs clearer guidelines. At this juncture, auto Insurance companies have the leverage and wherewithal to interpret the law as they see fit, which as previously practiced varied greatly.

Solution:

Home Care Providers are seeking a fix to PA 21. Similar to the intent of PA 21, Home Care Providers are seeking a fee schedule aligned with the traditional care needs in the home. This reasonable solution assures a sustainable solution for those needing a lifetime of care. This will provide insureds with the confidence there will be qualified Home Healthcare services available in their time of need while also providing for the cost controls intended in PA 21.