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## The Importance of No-Fault Automobile Insurance (PIP)

### Background

Florida's No-Fault insurance law was enacted in 1971. The law requires drivers to purchase personal injury protection (PIP) which pays up to \$10,000 for medical benefits, lost wages and death benefits. This law will "sunset" (i.e., be repealed) on October 1, 2007, unless the state Legislature re-enacts or extends it during the current session. The Legislature could also mandate PIP in another form.

Most automobile insurers want to see PIP eliminated entirely. They contend that it breeds fraud and that the 30-day requirement for payments to hospitals and other providers is too strict.

Hospitals and physicians strongly favor continuing PIP, noting that it is the only source of medical coverage for uninsured accident victims. Both groups support reforms that would reduce fraud.

The state's trial lawyers are divided. Those who specialize in PIP cases support its continuance while others want to eliminate PIP and open the door for tort-based coverage. Both groups oppose attorney fee reform but support fraud reform measures.

### How would elimination of PIP affect consumers and hospitals?

In 2005 there were 268,000 motor vehicle crashes in Florida. Those crashes sent 10,000 people to hospital emergency rooms for treatment. 40 percent of those injured had no health insurance other than Personal Injury Protection (PIP).

If the No-Fault Law sunsets without a legislative mandate for PIP, accident victims and consumers will face a \$350 million cost shift from auto carriers to hospitals and health insurers.<sup>1</sup> Specifically:

#### Florida Hospital Position on PIP

Florida Hospital *supports*:

- Re-enactment of mandatory PIP (personal injury protection) for all drivers
- Expansion of medical benefits to \$20,000 for hospitals and trauma centers
- Development of fraud prevention systems
- Development of appropriate utilization controls for medical services, especially outpatient services
- Attorney fee reforms

Florida Hospital *opposes*:

- Fee schedules, i.e., set payments for services

<sup>1</sup> Florida Hospital Association study, Fall 2006.

- Vehicle damage – but not bodily injury – will be covered by the auto policy.
- The liability shift from auto insurance to health insurance will drive up health insurance premiums.
- Hospitals could lose up to \$10,000 in reimbursement for injured motorists who have no other health insurance. These losses would be passed on to insured patients. Florida Hospital has 17 hospitals in Florida that would lose \$30 million per year – \$14 million in the greater Orlando area alone.
- Injured motorists without PIP and/or health insurance could be faced with high medical bills and medical debt.

### Fraud & Abuse

One of the major challenges with the current system is that it is easily defrauded. In 2005, the Florida Department of Financial Services received 3,159 PIP fraud tips that resulted in 307 arrests and 225 convictions.

PIP schemes range from fake accidents, fake injuries and fraudulent billing for injuries that don't exist. The problem is especially bad in south Florida, where "PIP mills" stage accidents and convince the victims that they have whiplash or other injuries – and refer them to PIP clinics for months of treatment. Others follow up with accident victims and convince them they need to be checked for injuries at a PIP clinic – even though they said they were unhurt. The mills then bill the auto insurers for chiropractic and medical treatments for these patients.

### Fee Schedules

The insurance industry and some lawmakers favor fee schedules – payment caps – for hospital and other providers. They propose setting the caps at 200% of Medicare. Because this payment level is so low, Florida Hospital would stand to lose \$14 million per year with fee schedules.

"Allowing PIP to be repealed will only hurt Florida's consumers," said Rich Morrison, Corporate Vice President. "We believe the law needs to be re-enacted and include reforms that will significantly reduce the fraud and abuse prevalent in the current system.

"Without PIP, consumers' health insurance policies will rise to cover their injuries – as well as those of the uninsured," he continued. "Robbing Peter to pay Paul and shifting the medical costs of uninsured motorists to insured ones is not in the best interest of Floridians."