



Bill Buccalo, *President*

New study finds funding threats would impact jobs

For the past several months, the Michigan programs that specialize in the care of people with serious brain and spinal cord injuries is confronted with the threat of legislation that could significantly reduce funding for survivors of catastrophic accidents and set the industry back decades. The legislators sponsoring the bill hope to drive down the cost of insurance for Michigan drivers, but at what costs?

If passed the bill would offer Michigan drivers the option to purchase lower levels of medical, rehabilitation, and long-term care insurance coverage collectively known as Personal Injury Protection (PIP). However, the unintended consequences of this type of legislation will more than outweigh any hoped-for benefits.

In September, the Anderson Economic Group (AEG) released a report titled *“Impact of Proposed ‘PIP Choice’ Law in Michigan.”* Anderson is a research and consulting firm specializing in economics, finance, business valuation, and industry analysis. There were several interesting findings and comments in the study, some of which are highlighted below.

Significant Job Loss AEG estimated the net impact on jobs. That is, jobs potentially lost and jobs potentially gained as a result of the legislation.

“After accounting for both reduced spending on healthcare and premium savings for insured drivers, the proposed law would result in at least 2,500 to 5,000 fewer jobs and \$70 to \$150 million less annual earnings in Michigan.”

Impact on People with Catastrophic Injuries AEG estimated the number of people who each year will be involved in serious car accidents and incur expenses in excess of \$500,000, and not have insurance.

“Between 638 and 765 people who suffer injuries of catastrophic cost each year will have chosen insufficient PIP Coverage.” Further, AEG projects into the future and

notes that 20 years after a policy change, there would have been 12,760 to 15,300 Michigan drivers who would have insufficient coverage for catastrophic medical expenses.

Change in Insurance Premiums AEG notes that while drivers could save between \$116 and \$137 on PIP premiums, the impact on other premiums may go up due to increased liability.

“It is conceivable, however, that while PIP premiums would be lowered, auto insurance companies may choose to increase the cost of other premiums. Given the increase liability costs related to lawsuits, bodily injury (BI) coverage premiums may rise, which pays for defense costs and any damages the insured is found liable for up to the limits of the policy.”

Additional Lawsuits AEG notes that with lower PIP coverage, there is a likelihood of more lawsuits.

“Lowering the PIP benefits may make more Michigan drivers vulnerable to being sued or alternatively give reason for injured drivers to want to sue others. With lower PIP coverage, suing another driver to recoup medical costs may seem like an appealing option, even if it is not the most effective way to pay for care.”

Uncertain for Current Catastrophic Claims AEG notes that the Michigan Catastrophic Claims Association (MCCA) is funded by all Michigan drivers today. With lower PIP coverage purchased, there is uncertainty as to how current accident victims will be funded going forward.

“Under the proposed policy change, it is unclear how the MCCA would continue to fully fund the lifetime coverage promised to those already catastrophically injured.”

Michigan’s no-fault automobile insurance program has been a godsend for countless people involved in serious accidents. While no system is perfect, Michigan’s is considered the best in the nation and about average in cost for the target liability and PIP benefits.



New study finds funding threats would impact jobs *continued*

The proposed PIP Choice legislation would result in upwards of 5,000 lost jobs, leave thousands of people without coverage for needed care, result in more lawsuits, and leave current victims with an uncertain future. All of this with no guarantee of cost savings. We cannot allow this to happen in Michigan.

You can obtain a copy of the full report by Anderson Economic Group at www.rainbowrehab.com. ❖

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Rainbow Rehabilitation Centers
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