

# Legislative Analysis

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## DENIAL OF PIP BENEFITS

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### House Bill 5587

Sponsor: Rep. Cindy Denby

### House Bill 5588

Sponsor: Rep. Margaret E. O'Brien

### House Bill 5589

Sponsor: Rep. Ben Glardon

Committee: Insurance

Complete to 5-22-12

## A SUMMARY OF HOUSE BILL 5587-5589 AS INTRODUCED 9-20-11

Each of the bills would amend the No-Fault Act within the Insurance Code to specify that certain persons would not be entitled to personal injury protection (PIP) benefits—medical and related benefits—for injuries suffered in an automobile accident.

House Bill 5587 would apply to a person using a motor vehicle in the commission of or flight from the commission of a crime that is punishable by imprisonment for more than one year.

House Bill 5588 would apply to a person operating a motor vehicle or motorcycle in violation of sections of the Michigan Vehicle Code relating to operating while intoxicated, operating while visibly impaired, and operating with any amount of a controlled substance in his or her body. These violations are found in Section 625 (1), (3), and (8).

House Bill 5589 would apply to the following persons:

- A person who was a passenger in a motor vehicle or on a motorcycle that was taken unlawfully, if the person knew or had reason to believe that the motor vehicle or motorcycle was unlawfully taken.
- The person was operating a motor vehicle or motorcycle in violation of Section 625(1), (3), and (8) of the Michigan Vehicle Code and was convicted of the violation. [Similar to House Bill 5588].
- The person was using a motor vehicle in the commission or flight from the commission of a crime that is punishable by imprisonment for more than one year. [As in House Bill 5587]

MCL 500.3113

## **FISCAL IMPACT:**

The bills would have a potential impact on the uncompensated care costs of hospitals to the extent that insured drivers (or their passengers) are injured in an accident and prohibited from receiving PIP benefits, lack supplementary insurance, and are unable to pay for emergency care provided by a hospital. Hospitals are required by federal law to provide emergency care and typically pass the costs of uncompensated care on to other patients and their insurance carriers in the form of higher healthcare costs and higher health insurance premiums. In such a case, insurance carriers of other patients (or out-of-pocket patients directly) end up paying for the care of drivers (or their passengers) prohibited from receiving PIP benefits and unable to pay themselves.

The Department of Community Health administers the Disproportionate Share Hospital (DSH) program which partially reimburses hospitals with large uncompensated care costs. The DSH program is supported with state (33%) and federal (67%) funds and is distributed to hospitals based, in part, on the extent of uncompensated care provided. If the bills brought about higher uncompensated care costs due to the prohibition of PIP benefits for specific drivers, the distribution of DSH funds may be affected.

Any necessary rehabilitation and/or long-term care costs that would have been supported by specified drivers' PIP coverage or through the Michigan Catastrophic Claims Association would, eventually, be supported through the state Medicaid and/or federal Medicare programs if drivers (or their passengers) lacked supplemental insurance and had expended their personal resources.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.