

Legislative Analysis



DENIAL OF PIP BENEFITS

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House Bill 5587 (Substitute H-1)
Sponsor: Rep. Cindy Denby

House Bill 5588 (Substitute H-2)
Sponsor: Rep. Margaret E. O'Brien

House Bill 5589 (Substitute H-2)
Sponsor: Rep. Ben Glardon

Committee: Insurance
Complete to 6-11-12

A PRELIMINARY SUMMARY OF HOUSE BILLS 5587-5589 AS REPORTED FROM COMMITTEE

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 a felony described in Section 303(8) of the Michigan Vehicle Code.

Under that section, the term "felony in which a motor vehicle was used" means a felony during the commission of which the person operated a motor vehicle and while operating the vehicle presented real or potential harm to persons or property and one or more of the following circumstances existed: (a) the vehicle was used as an instrument of the felony; (b) the vehicle was used to transport a victim of the felony; (c) the vehicle was used to flee the scene of the felony; (d) the vehicle was necessary for the commission of the felony.

House Bill 5588 would apply to a person 18 years of age or older 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 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.

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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