The Michigan Health & Hospital Association represents all acute care hospitals in Michigan and the health systems which operate those hospitals, as well as a number of long-term acute care hospitals, inpatient psychiatric hospitals. On behalf of our members, thank you for the opportunity to speak before you today.

You may have seen a statement from MHA chief executive officer, Brian Peters, expressing the MHA's disappointment in the introduction of House Bill 5013. Upon close analysis, House Bill 5013 — like proposals that have surfaced in the past — protects insurers rather than giving all drivers true rate relief. Nothing in this bill guarantees any rate relief for anyone who chooses to buy the current personal injury protection benefit.

Why no rate relief of policyholders who choose to keep their coverage as it is? At least four major policy changes in this bill will reduce the cost of claims for the auto insurers. The work of the Fraud Authority, the reduction of family attendant care hours, the effort to curtail lawsuits over first-party no-fault benefits, and the dramatic reduction in provider payments will all reduce the cost of claims. But the bill makes no requirement of auto insurers to rollback premiums for those drivers who keep the coverage they have. Why not? And where do the savings go, if not to these drivers?

We also disagree that anything in this bill mandates a rate reduction. In fact, the bill requires auto insurers to file new rates for the lesser products that would be offered. Only rates for the $500,000 personal injury protection benefit, and the $225,000 emergency care benefit plus the $25,000 personal injury protection benefit are required to be filed. For the $500,000 level, the rate required to be filed "must reflect the savings expected from the provisions of the amendatory act that added this section." That is the sum total of the "mandate" for that coverage level.

For the minimum coverage level, which is not $250,000 but is coverage for emergencies with a new definition from federal law, plus $25,000 for all other personal injury protection needs, there is a backwards requirement that if an auto insurer can't file a rate which is 40% less than what is charged for the current benefit, the insurer must explain this to the Director as part of the filing. Given that the 40% is only applied to the personal injury protection benefit, and that simply eliminating the MCCA assessment counts toward the 40%, it seems this average premium would be easy enough to achieve. But what happens if the insurer files a rate which is 30% below the current premium for personal injury protection and files an explanation with the rate? After as few as 30 days, that rate could be considered approved. The Director can remain silent and the rate goes into effect. Again, this isn't a mandate, and the MHA doesn't believe that any of this adequately credits policyholders for the very significant savings the auto insurers will reap from the changes in House Bill 5013.

The MHA also cautions the Committee about the impact of senior citizens exempting themselves entirely from the personal injury protection benefit. We concur that we should find a way to allow seniors to save as much as possible on their premiums by using their medical coverage first. However, as introduced this legislation would leave seniors without the benefits of long-term care, attendant care,

therapies which maintain physical abilities and numerous other treatments and services which are necessary for people who survive serious auto accident injuries.

Those benefits Medicare does not provide are also not provided by commercial health insurance. As detailed in the House Fiscal analysis, the lack of benefits will put immense pressure on the Medicaid system over time. $150 million of pressure. As you all know, Michigan's state budget is already extremely tight and finding millions to support additional Medicaid spending is not likely to be feasible. This is part of the reason the MHA has always supported a private system of driver responsibility for dealing with the risk auto accidents and the cost that accompanies severe injury.

The MHA understands that drivers want to see their rates go down. While our board of trustees has an existing position opposing government mandated fee schedules, it has put alternatives on the table.

In 2013, the MHA offered a plan that every hospital would move back to its 2012 rates beginning on January 1, 2014. Essentially rolling back our own prices two calendar years. Those rates would remain in place until at least 2016, or 2017, depending on the version of our plan that you read. In the next year, and every year following, hospital payment rates could only go up by the rate of medical inflation. No insurer would take that deal. If the insurers had agreed to that plan, we could have a system of claim payments at 2012 rates until 2017. And only inflationary adjustments going forward.

That offer did not require anything of the auto insurers. There was no demand for premium reductions or any quid pro quo. The MHA put that on the table because it was most important to find a way to control the cost of the no-fault system.

Three years later, with no further progress, the MHA went to the table with the auto insurers at the behest of the Senate Majority Leader. We found three areas where we could agree and compromised on a version of no-fault reform that both hospitals and auto insurers could support. It wasn't popular with some of our friends, but again, our board felt it best to find some way to get something done to protect the long-term viability of the no-fault system. Despite what others may say, the MHA has a long record of being at the table and finding solutions for keeping this system going. But we don't see House Bill 5013 as one of those solutions.