



## GOVERNOR'S AUTO INSURANCE / TRAUMA SYSTEM STUDY MAKES THE CASE FOR MED PAY REQUIREMENT

A report released on February 19, 2008 by Governor Ritter's Office of Policy and Initiatives verifies what trauma care providers have been saying for four years: the sudden switch from a no-fault auto insurance system to a tort system left Colorado's trauma care providers with millions of dollars in unpaid costs after providing medical transports and treatments.

**The report also states that most Coloradans would benefit from a med pay mandate.** If the General Assembly were to mandate that all Coloradans carry medical payments coverage ("med pay") on their auto insurance policies, it would help them cover out-of-pocket medical expenses such as co-pays and deductibles. Contrary to the arguments of the auto insurers, very few Coloradans have the extremely high level of health care coverage that would make a mandatory med pay truly duplicative of health insurance.

Additional findings of the report:

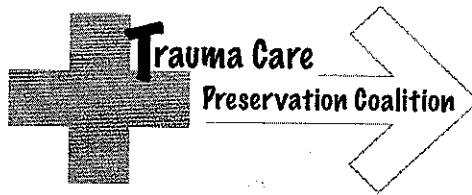
- **Hospitals are losing tens of millions of dollars every year for treating motor vehicle accident patients.** In 2002, hospitals were reimbursed for 60 percent of the care they provided to motor vehicle accident patients. But by 2006, after the switch to tort, that percentage had plummeted to only 36 percent: "Non-reimbursed charges related to inpatient care for auto injuries totaled about \$90 million in 2002 and about \$175 million in 2006" (page 12). While hospitals did see a drop in the reimbursement rate for other types of care, the change for motor vehicle accidents was notably more extreme (the reimbursement rate for all hospital care was 52 percent in 2002 and 44 percent in 2006).
- **The switch to tort led to a significant change in the overall resources with which patients can pay their medical bills.** As a result, the portion of motor vehicle accident patients who are "self-pay" more than doubled after the switch to tort, from 13.4 percent in 2002 to 27.2 percent in 2006. Similarly, the percent of motor vehicle accident patients who were covered by private insurance (liability or health) dropped by about half, from 75.4 percent in 2002 to 49.3 percent in 2006. A patient's inability to pay for health care services may make some accident victims postpone or forego seeking medical care, which in turn may impact and delay their recovery and return to work.
- **Ambulance companies and fire departments have suffered similar declines in reimbursement.** For Colorado's first responders, 18 percent of motor vehicle accident-related transport went uncompensated in 2002. By 2006 that number had more than doubled by rising to 37 percent (page 12).
- **Many factors have led to reductions in auto insurance premiums in the last few years, with the switch from no-fault to tort only one factor.** The report also indicates that auto insurance rates decreased after the switch because the average policyholder has far less coverage today than they had under no-fault. But reductions in premiums for collision and

comprehensive coverage demonstrate that rates have gone down as a result of a variety of complex factors unrelated to tort system, such as a decrease in the number of accidents that result in injuries or fatalities.

- **Health insurance premium increases have negated any auto insurance savings for consumers.** The savings that consumers may have experienced in their auto insurance policies have been negated by the increases seen in health insurance premiums as a result of the switch to a tort system. BBC's report finds that health insurers in Colorado predicted a 1.6 percent premium hike in 2003 that was attributable to the change from no-fault to tort (page 9). This would amount to hundreds of dollars in additional health insurance costs for the average Colorado family.
- The drop in reimbursement rates shown in the **report does not include outpatient care, physicians or rehab.** The majority of people injured in motor vehicle accidents who go to an emergency room are never admitted, yet this population's data are not captured in BBC's report. Additionally, the losses suffered by physicians and rehabilitative care providers are not included in this study. Yet the inpatient population alone accounted for \$85 million in lost revenue.

#### MEMBERS OF THE TRAUMA CARE PRESERVATION COALITION

Action Care Ambulance	North Colorado Medical Center/Banner Health
American College of Emergency Physicians, Colorado	North Suburban Medical Center
American Medical Response (AMR)	Parker Adventist Hospital
Avista Adventist Hospital	Parkview Medical Center
Brain Injury Association of Colorado	Penrose-St. Francis Medical Center, Colorado Springs
Capstone Chiropractic Network	Plains to Peaks Emergency Medical and Trauma Service Region
Castle Rock Fire and Rescue	Porter Adventist Hospital
Centura Health	Poudre Valley Health System, Fort Collins
Clear Creek Emergency Medical Services	Pridemark Paramedics
Colorado Consumer Health Initiative	Presbyterian/St. Luke's Medical Center
Colorado Hospital Association	Rose Medical Center
Colorado Medical Society	Rural/Metro Ambulance
Colorado Neuropsychological Society	Sloan's Lake Preferred Health Network
Colorado State Fire Chiefs Association	South Park Ambulance District
Denver Health and Hospital Authority	South Yuma-Washington Ambulance Service, Inc.
Emergency Medical Services Association of Colorado, Inc.	St. Anthony Central Hospital
Foothills Regional Emergency Medical and Trauma Advisory Council	St. Anthony North Hospital
HealthONE	St. Mary-Corwin Medical Center, Pueblo
HMS Healthcare, Inc. of Colorado	St. Mary's Hospital & Medical Center, Grand Junction
Littleton Adventist Hospital	St. Thomas More Hospital, Cañon City
Medical Center of Aurora	Spalding Rehabilitation Hospital
Medical Center of the Rockies, Loveland	Sky Ridge Medical Center
Memorial Hospital, Colorado Springs	Swedish Medical Center
Mile High Medical Group	The Children's Hospital
Mile-High Regional Emergency Medical and Trauma Advisory Council	University of Colorado Hospital
Mountain Medical Affiliates	Ute Pass Regional Ambulance District
	Weld County Paramedic
	Westminster Fire Department
	Woodland Park Ambulance Service



## FLORIDIANS WARN POLICYMAKERS TO AVOID COLORADO'S MISTAKES

*Florida's no-fault auto insurance law was set to expire on October 1, 2007, and a special legislative session was called to discuss the prudence of that move. During that time, many Florida newspapers pointed to Colorado as an example of the negative consequences of losing personal injury protection (PIP). At the end of October, the Florida Legislature passed a bill that restored the no-fault law on January 1, 2008.*

**"If there's a template for what will happen after October 1, it's Colorado, which four years ago did the same thing Florida is poised to do. Colorado's no-fault law was allowed to expire in 2003 after then-Gov. Bill Owens said he would not sign an extension unless it significantly reduced the costs of the system. But lawmakers could not resolve a dispute about the extent of coverage for medial procedures... The Colorado Hospital Association estimates that the state's acute trauma system has lost at least \$80 million a year since the PIP requirement was ended... **Many people didn't realize their auto insurance no longer covered medical expenses unless the specifically selected and paid for it.**"**

*Red flags in No-Fault's sunset.*

St. Petersburg Times, June 12, 2007.

**"With nearly 20 percent of Floridians lacking any health insurance, PIP represents the only safety net that many motorists have in the event of an accident. Without the mandatory coverage, drivers could be without access to needed medical treatment – a scenario that could turn minor injuries into lifelong conditions... Fraud will not go away if PIP is allowed to sunset. In fact, **when the state of Colorado eliminated PIP, there was no corresponding drop in fraud, only more uninsured drivers and greater risks and costs to consumers.**"**

*Losing PIP will cost Floridians dearly (guest editorial).*

Pensacola News Journal, August 17, 2007.

**"If no-fault ends in Florida, auto insurers will sell optional medical coverage for those who want it, but buying that coverage could eliminate any savings realized by ending PIP coverage. About 25 percent of Colorado motorists buy the coverage.**

*The end of no-fault insurance.*

Palm Beach Post, June 10, 2007.

**"Colorado in 2003 no longer required PIP (personal injury protection) but the result was a 52 percent increase in premium coverage for bodily injury insurance and a 30 percent increase on average in premiums for uninsured motorist coverage, [Florida Hospital Association's Rich Rasmussen] said... Blue cross and Blue Shield of Florida, the state's largest health insurer, has warned that any cost savings from eliminating PIP will get absorbed by higher health insurance premiums, passed on to employers and their employees."**

*Statewide coalition urges Crist, lawmakers to retain PIP requirement.*

Naples Daily News, August 16, 2007.

“The expiration of the state’s no-fault auto insurance law offers motorists a premium savings – but also less coverage... ‘**When PIP was dropped in Colorado, they referred to it as mass confusion.** I expect the same here,’ said Walter Dartland, executive director of the Consumer Federation of the Southeast.”

*No-fault driver policies at dead end.*

Southwest Florida News-Press, July 29, 2007.

“After eliminating the state’s PIP requirement in 2003, the Colorado General Assembly had to go back in 2005 and establish a committee to examine the negative impact on the residents of Colorado. From creating gaps in coverage to problems in the delivery and availability of health care, consumers, health-care providers, emergency responders and accident victims all felt the impact of the broken system. **Rather than repeat Colorado’s blunder, shouldn’t Florida learn from it?**

*End of no-fault car insurance would crimp emergency care (letter to the editor).*

Palm Beach Post, June 28, 2007.

“If PIP sunsets in October, access to needed emergency care will be severely threatened. It does not matter in the medical need results from an automobile accident or a heart attack, a fall from a ladder or any of the hundreds of other emergencies from which you would want to have access to emergency care – **the sunset of PIP affects the total availability of emergency care services.** That is not a “false scare tactic,” as mentioned [in a recent guest editorial] but simply **a fact that the citizens of Colorado learned the hard way.**

*Don’t end a system you might need later.*

South Florida Sun-Sentinel. June 29, 2007.

“Medical groups and supporters are asking politicians and consumers whether they value their budgets over their health. They say the financial ramifications of losing PIP are sobering: Massive revenue losses from trauma-care providers, higher auto-insurance costs for consumers and a change in the business model for insurance agents. **The hospitals point to Colorado, which dropped its no-fault system in 2003, as an example. Colorado’s trauma providers – hospitals, physicians and rehabilitation therapists – reported massive financial losses after the switch...** Colorado’s experience even should put a damper on the hope that the switch will result in lower premiums, some say.”

*Automobile insurers, medical groups at odds.*

Orlando Sentinel, July 16, 2007.



### **Please support medical payments coverage on auto insurance policies**

There are currently three bills moving through the legislature which would provide increased support for Colorado's trauma care system:

- ✓ **Senate Bill 08-211 (Tochtrop)** – Would establish a mandatory med-pay of \$25,000 on all auto insurance policies issued in Colorado. Prioritizes payments to first responders, emergency room physicians and hospitals. Subsequent care from licensed health care providers would also be included.
- ✓ **Senate Bill 08-011 (Morse)** - Would require \$15,000 of trauma care coverage on all auto insurance policies. Would only cover the first episode of care, not to exceed 72 hours after the administration of care begins. Additionally, the bill calls for the establishment of an uncompensated care fund for providers from a \$16 surcharge on motor vehicle registration fees.
- ✓ **House Bill 08-1009 (Massey)** – Would require \$15,000 of trauma care coverage on all auto insurance policies. Would only cover the first episode of care.

**The Trauma Care Preservation Coalition (TCPC) is supportive of all these efforts to find solutions to the severe funding crisis facing Colorado's emergency trauma service providers.** Since the state ended the long-standing no-fault auto insurance program, many drivers were left without any coverage for accident-related injuries – and many of them were unaware of the loss. The problem has been exacerbated by the rising number of Coloradans without health insurance. The result has been a dramatic increase in people who are brought to emergency rooms with neither medical payment coverage on their auto insurance nor health insurance, patients who are unable to pay for their care or seek subsequent, necessary rehabilitation services.

The study released by the Governor's office in February of this year substantiated the need to modify the current auto insurance system to ensure that Colorado drivers are covered in the event of a motor vehicle accident. The study confirmed that the switch in 2003 from no-fault auto insurance to tort caused unprecedented declines in reimbursement for the state's trauma service providers, including paramedics and other first responders, physicians, hospitals and rehabilitation providers – placing the entire system at risk.

### **Nearly every Coloradan would benefit from a med-pay requirement**

- **Every Coloradan lost \$139,900 in auto insurance benefits – including \$100,000 in medical coverage – as a result of the switch to tort.** Auto insurance rates have gone down since 2003, but that is because the average driver has *much less coverage* now than they had five years ago. It is rational to pay less for a bad product or pay more if the product is significantly improved.

- **Health insurance premium increases have negated any auto insurance savings for consumers.** The Governor's study found that health insurers in Colorado predicted a 1.6 percent premium hike in 2003 that was attributable to the change from no-fault to tort. This would amount to hundreds of dollars in additional health insurance costs for the average Coloradan.
- **Almost everyone has out-of-pocket medical expenses that could be covered by med pay coverage.** If the General Assembly were to mandate that all Coloradans carry medical payments coverage ("med pay") on their auto insurance policies, it would help all Coloradans – even those with top-notch health insurance – to cover out-of-pocket medical expenses such as copays and deductibles. Contrary to the arguments of the auto insurers, very few Coloradans (less than half of one percent, according to some estimates) have the extremely high level of health care coverage that would make a mandatory med pay truly duplicative of health insurance.
- **The switch to tort resulted in an increased burden on taxpayers.** After the switch from no-fault to tort, Colorado experienced a 205% increase in Medicaid payments for care related to motor vehicle accidents, increasing from \$7.7 million in 2002 to \$15.8 million in 2006, and Medicare payments for MVA patients increased 383% between 2002 and 2005 from \$4.9 million to \$18.9 million. Additionally, several local emergency response organizations had to implement property tax increases or create special taxing districts in order to compensate for the lower reimbursement rates seen after the demise of no-fault.
- **A med pay requirement would help sustain Colorado's critical trauma care system, a system we can't live without.** We take it for granted that our state's trauma service providers will be there when we need them. Whether it's an automobile accident on a rural road, a crisis in your workplace or home, or a disaster of statewide proportion, we live with the comfort that life-saving care is just minutes away. But ambulances and emergency rooms must be supported in order to ensure that this trauma care system is available to everyone and anyone who might need it.

**Please support Senate Bill 11, Senate Bill 211 and House Bill 1009.**

*The Trauma Care Preservation Coalition is a statewide group composed of ambulance companies and other emergency medical service (EMS) providers, hospitals, fire chiefs, physicians and consumer advocates committed to finding viable solutions to Colorado's trauma funding crisis.*