Insurance Institute of Michigan

TESTIMONY OF PETER A. KUHNMUENCH, EXECUTIVE DIRECTOR

INSURANCE INSTITUTE OF MICHIGAN

April 15, 2015

GOOD AFTERNOON.

MY NAME IS PETER KUHNMUENCH AND I AM THE EXECUTIVE DIRECTOR OF THE INSURANCE INSTITUTE OF MICHIGAN.

THE INSURANCE INSTITUTE OF MICHIGAN IS THE STATE'S LARGEST PROPERTY/CASUALTY INSURANCE ASSOCIATION. IIM MEMBERS WRITE OVER 75 PERCENT OF THE PERSONAL AUTO MARKET IN MICHIGAN.

I AM DELIGHTED TODAY TO LEND OUR STRONG SUPPORT FOR THE PASSAGE OF SENATE BILL 248.

THESE COMMON SENSE REFORMS WILL BRING MUCH-NEEDED STABILITY TO AN EXCELLENT BUT OVERBURDENED AUTOMOBILE NO-FAULT INSURNACE SYSTEM.

JUST LIKE OUR EXCELLENT WORKERS' COMPENSATION INSURANCE SYSTEM, THE ADOPTION OF A MEDICAL FEE SCHEDULE WILL BRING INCREASED STABILITY AND PREDICTABILITY TO MICHIGAN'S ONE-OF-A-KIND AUTO NO-FAULT SYSTEM.

THE FRAUD AUTHORITY PILOT WILL ALSO PERMIT US TO DEMONSTRATE THE SAVINGS THAT WILL ACCRUE FROM THE PROSECUTION OF INSURANCE FRAUD WITHIN THE NO-FAULT SYSTEM, WITH THE GOAL OF DIRECT CONSUMER SAVINGS.

ATTENDENT CARE REFORMS WILL ADDRESS SOME SPECIFIC ABUSES WHICH HAVE BEEN IDENTIFIED IN THE SYSTEM.

CONVERSION OF THE MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION TO A NEW PUBLIC AUTHORITY OVERSEEN BY HEALTH CARE PROFESSIONALS AND CONSUMERS WILL BRING BOTH STABILITY AND CONSISTENCY TO CATASTROPHIC CARE.

THESE ARE COMMON SENSE REFORMS COMMONLY FOUND IN EVERY OTHER SYSTEM OF HEALTH CARE DELIVERY. (I'M TALKING ABOUT CO-PAYS, DEDUCTIBLES, MEDICAL FEE SCHEDULES AND COMBATING FRAUD.

WE HAVE A 42 YEAR OLD AUTO NO-FAULT SYSTEM AND WE'VE TALKED ABOUT REFORM FOR AS LONG AS I CAN REMEMBER. AND AS YOU CAN SEE ON THE CHART I HAVE ATTACHED TO THE COPY OF MY TESTIMONY, SINCE THE YEAR 2000, THE AVERAGE PERSONAL INJURY CLAIM IN MICHIGAN HAS RISEN FROM $13,617 TO $46,022. THAT'S A 238% INCREASE THAT <u>YOUR</u> CONSTITUENTS MUST PAY FOR!

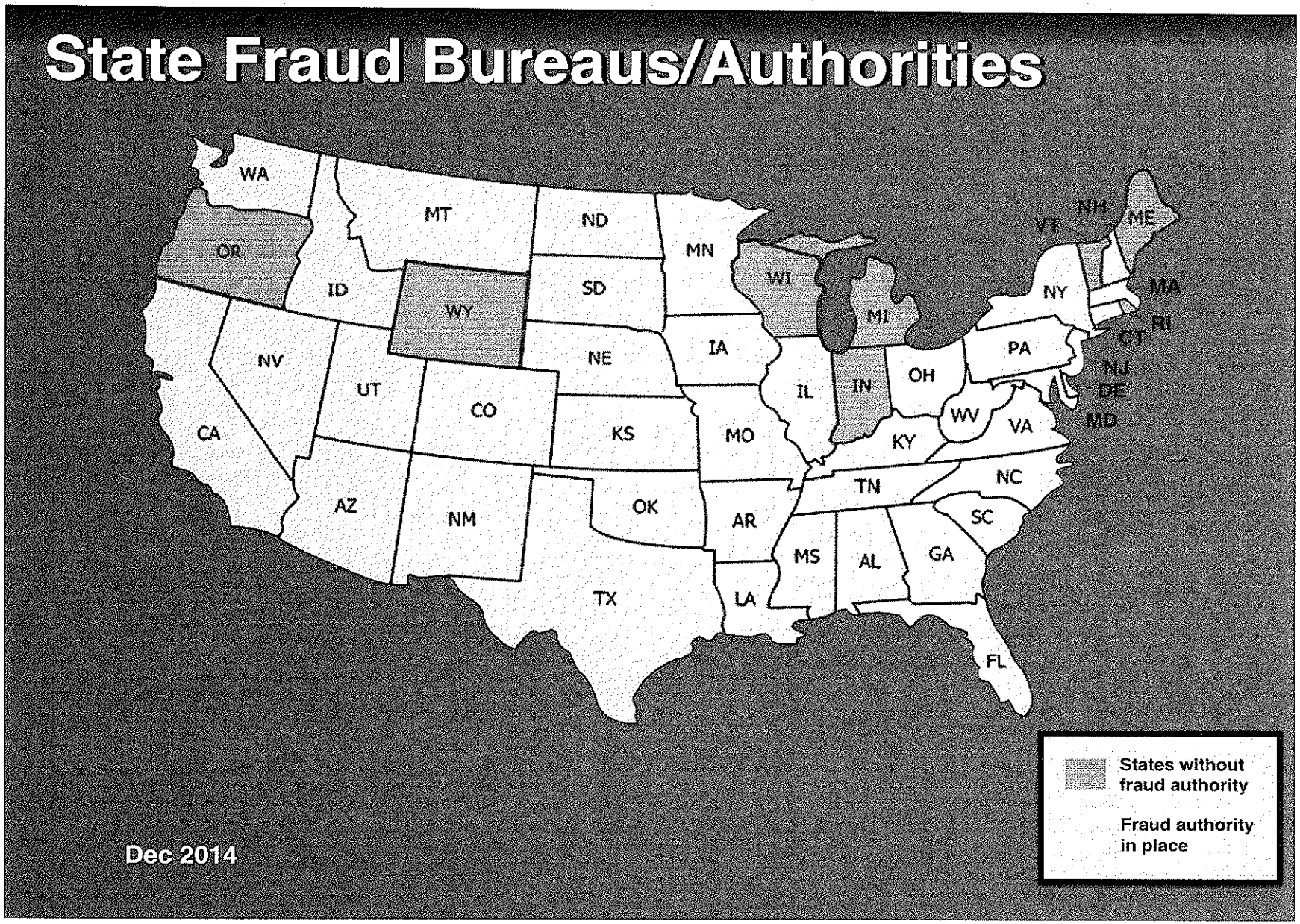
YOU ARE ALL AWARE OF THESE ISSUES AND THE ARGUMENTS. NOW IT IS TIME TO ACT.

I THANK YOU FOR THE OPPORTUNITY TO PROVIDE THIS BRIEF TESTIMONY AND WOULD BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE.

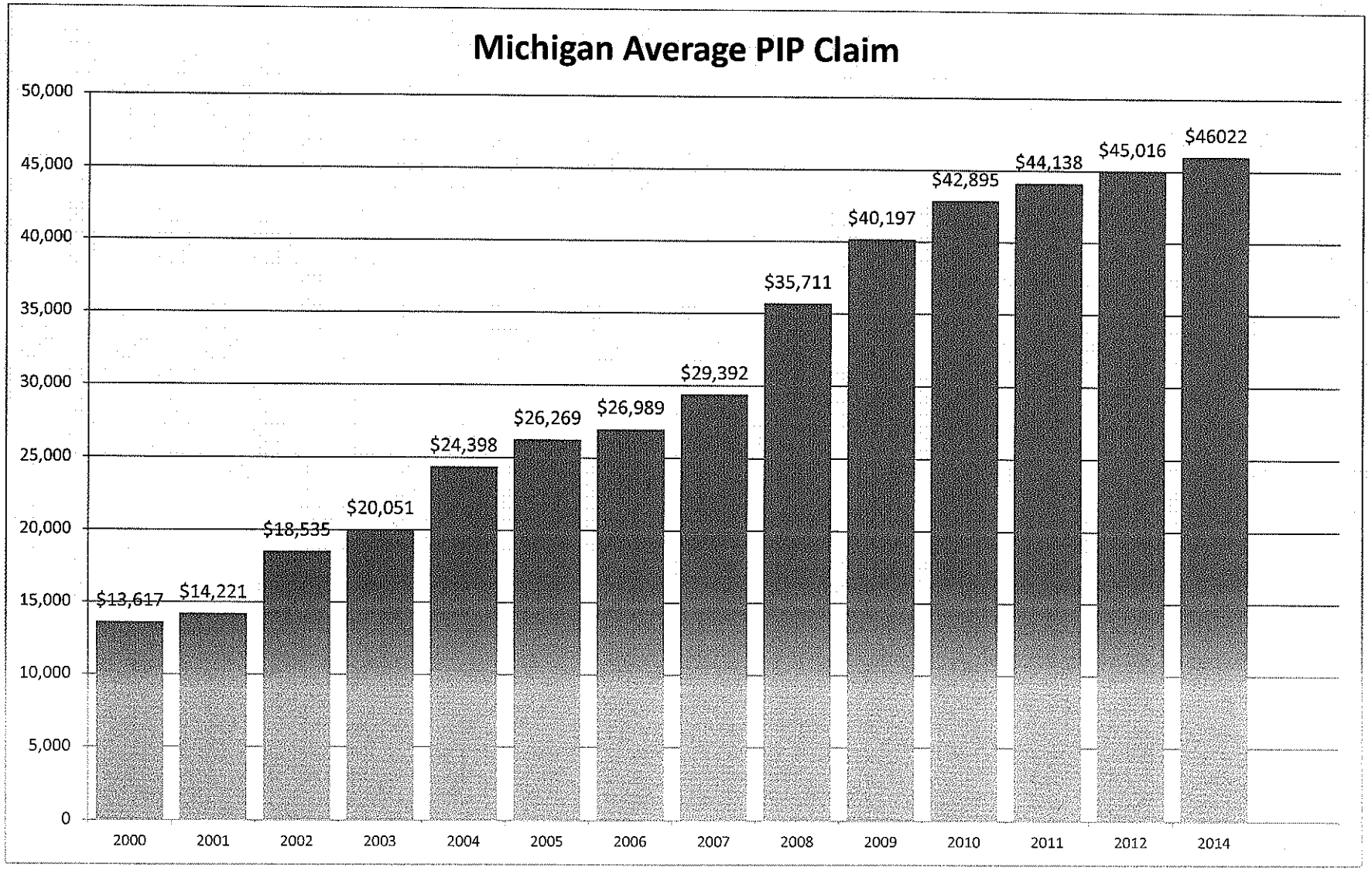
Medical Fee Comparisons

PrcCode	Description	No-Fault Reimbursement			Medicare Reimbursement		W/Comp
		Detroit	Lansing	Grand Rapids	Detroit, MI	Rest of Michigan	
97110	Therapeutic exercises for strength (each 15 minutes); usually charged by Physical Therapist	79.38	56.17	57.97	30.66	29.03	41.57
98941	Chiropractic manipulative treatment; spinal, 3-4 regions	72.60	60.67	57.05	36.43	34.22	48.67
97140	Manual therapy (each 15 minutes) - physical therapy	60.80	43.02	44.41	28.91	27.37	38.03
97014	Electrical stimulation - physicial therapy	56.05	34.84	34.92	13.20	12.35	19.27
97124	Massage (each 15 minutes) - physical therapy	52.36	37.05	38.24	25.07	23.67	32.96
99284	Emergency department visit; severe medical complexity	443.68	422.68	380.90	124.98	115.24	170.35
99283	Emergency department visit; moderate medical complexity	297.04	282.98	255.01	65.70	60.92	90.75
98940	Chiropractic manipulative treatment; spinal, 1-2 regions	56.47	47.19	44.37	25.94	24.61	34.98
99213	Office visit, established patient; typically 15 minutes	104.40	98.57	95.81	72.84	67.81	89.23
97012	Mechanical traction - physical therapy	56.94	35.39	35.47	15.99	15.06	20.79
97035	Ultrasound (each 15 minutes) - physical therapy	66.26	49.80	43.82	12.50	11.74	16.73
99214	Office visit, established patient; typically 25 minutes	151.30	142.85	138.85	107.90	100.61	133.95
97530	Therapeutic activities,improve functional performance (each 15 minutes); generally charged by Occupational Therapists	53.72	64.70	60.04	33.44	31.62	43.10
97112	Neuromuscular re-education (each 15 minutes) - physical therapy	77.69	54.97	56.74	32.05	30.33	42.08
72040	X-ray, spine, cervical; 2 or 3 views	161.96	124.57	128.38	41.59	38.29	54.76
72125	CT Scan - Neck	1,820.09	1,142.25	1,176.14	261.50	244.59	418.78
72141	MRI - Neck	3,258.68	2,045.08	2,105.76	483.98	452.40	789.63
72148	MRI - Low Back	3,278.55	2,057.55	2,118.60	484.31	452.56	785.57
72193	CT Scan - Pelvis	1,828.04	1,147.24	1,181.28	305.65	285.66	477.59
72050	X-Ray - Spine	227.55	175.02	180.37	55.89	51.79	77.06
29826	Surgery - Shoulder	2,806.13	2,201.71	3,041.06	730.70	654.87	939.98

Source data from Mitchell DecisionPoint(r). Data, analysis and graphics reprinted with permission from Mitchell International. All rights reserved. DecisionPoint reviews more than 13 million medical bills each year representing more than $11 billion in medical provider billed charges and has been assisting insurers to achieve superior measurable and sustainable indemnity and service results for more than 20 years. DecisionPoint customers include over 80 percent of the top 15 private passenger auto insurers in the United States.



Source: National Insurance Crime Bureau



Source: ISS Fast Track

Personal Injury Protection (PIP) coverage includes: all reasonable and necessary medical expenses, work loss benefits, replacement and survivor's loss benefits.