



Insurance Institute of Michigan

Insurance Institute of Michigan Position
Personal Injury Protection (PIP) Prompt Billing
Senate Bill 295
As of April 6, 2011

The Insurance Institute of Michigan (IIM) strongly supports legislation, such as Senate Bill 295, that would help reduce Personal Injury Protection (PIP) fraud and control auto insurance premiums for Michigan policyholders.

IIM supports legislation that would:

- Require medical charges be billed to the appropriate insurance companies within 90 days after each product or service is rendered or within 90 days after the date that the person or institution determined the identity of the appropriate insurance company.
- Require medical providers to submit bills in a uniform manner.
- Require that medical and rehabilitation providers be licensed as required by the state of Michigan for the treatment they are providing.

Currently, medical care providers in Michigan have one year to submit invoices to insurance companies for services rendered for injuries resulting from auto accidents. Under Michigan law, those charges must be “reasonable and necessary” for the care and treatment of the policyholders. The insurance industry is concerned that it is impossible, one year after the accident, to determine the reasonableness of the treatment and the cost. While most hospitals and doctors submit their bills in a timely manner, there are health care providers who wait until the very end of the one-year deadline. Insurance companies are then allowed only 30 days to review and investigate the loss before paying the bills without the risk of penalties.

In an effort to hold down costs for all policyholders, insurance companies need to thoroughly review claims to ensure they are “reasonable and necessary.” In recent years, medical costs, covered under the Personal Injury Protection (PIP) portion of the auto policy have risen significantly. The average claim for auto accident injuries more than doubled from 2000 to 2010 in Michigan. The average Personal Injury Protection (PIP) claim in this state during 2010 was \$36,245.

In New York, auto insurance fraud increased by 275 percent between 1992 and 2001. In an effort to fight that fraud, the Superintendent of Insurance adopted regulations reducing the time frames for submitting proof of loss due to medical treatment from 180 to 45 days.

The New York Court of Appeals in September of 2003 upheld the administrative rule. The court found the contention made by medical providers that thousands of innocent accident victims will fail to meet the new filing deadlines and be denied benefits, or that hospitals or other medical providers would prove unable to bill for services within 45 days had not materialized. The Court noted that the revised regulations are the most effective means of advancing the legislative intent of providing prompt payment of benefits while reducing rampant abuse.

Reducing the time frame for submitting medical claims to insurance companies for review in Michigan will deter fraudulent activity and allow carriers to review claims while the information is still timely — benefiting all policyholders.

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