

## What the new car insurance rules mean for NJ ( August 7, 2011)



New Jersey proposed a sweeping overhaul last week to its regulations for the personal injury protection component of auto insurance, hoping to curb rising premiums. The changes affect how and what doctors can bill for treatments and restructure the process for appealing a denied claim.

Though New Jersey consistently ranks among the most expensive states to purchase auto insurance, rates did decline after former Gov. James McGreevey enacted changes in 2003 that spurred competition. But in recent years, personal injury costs have driven rates back up, officials say. The state's Department of Banking and Insurance says 97 percent of rate increases in 2010 were due to rising personal injury costs, and that for every dollar insurance companies take in for personal injury premiums, they spend \$1.23 on benefits.

That's a recipe for escalating rates that regulators say they want to fend off with the new rules. Here are some questions and answers about what the rules do and who they affect:

Q: What is personal injury protection?

A: Personal injury protection, or PIP, pays for medical costs, lost wages and other expenses if you are in a car accident. It doesn't pay for damage to the vehicle. It's also called "no-fault" coverage because the insurance company pays regardless of whether the accident was your fault, and claims don't raise your premiums. About a dozen states, including New Jersey, require drivers to have personal injury coverage.

Q: Why does the system need a makeover?

Similar to Medicare, the insurance system uses a list of common procedures that specifies how much a doctor is reimbursed for each procedure. Under the old rules, loopholes allowed doctors to take in more than the listed rate by billing instead for procedures that weren't on the list.

"A few outlying providers found ways to abuse and take advantage of the system, and really have an unfair and inequitable way of drawing down New Jersey's coverage dollars," said Insurance Commissioner Thomas Conside.

Additionally, the state says legal expenses associated with claim disputes are out of control. For example, in 2010, one lawyer was paid \$3,380 in legal fees for a case where the patient received \$375 in benefits.

A: What changes are proposed for medical services?

The new rules expand the list of treatments that have predetermined fees attached from about 1,000 to more than 2,000, making it harder for providers to bilk the system using creative billing. They also clamp down on multiple billings. For example, a doctor going over X-ray results with a patient won't be able to bill separately for the office visit and for interpreting the X-ray.

The revised billing codes are also intended to curb overuse by limiting how many treatments a provider can bill for the same injury. They also aim to temper the use of expensive, unconventional procedures such as manipulation under anesthesia.

"This involves a chiropractor putting a patient out and then climbing all over the patient, contorting the patient's body into positions you probably wouldn't move silly putty into, then the patient wakes up having God knows what done to them," Conside said. "That procedure costs thousands and is inherently dangerous."

Providers will only be able to bill for that and other such procedures if there is evidence in peer-reviewed medical journals that the treatment is effective for the patient's injury.

Rates for individual procedures are being adjusted for inflation and will actually increase.

Q: What are the changes to the approval and dispute process?

A: In the past, the firms enlisted by insurance companies to approve or deny coverage were unregulated. Now they will have to register with and be subject to state monitoring.

When a treatment is denied and the policyholder or doctor wants to appeal, they will have to submit to an internal review by the insurance company before pursuing arbitration, which often involves expensive legal fees.

And arbitration disputes for claims under \$1,000 will be done on paper, saving the costs of having parties show up in person.

Q: Who stands to gain from the new rules?

A: Insurance companies will see the most immediate benefit if the cost of providing benefits goes down.

The insurance commissioner says this is a pro-consumer proposal enabling policyholders to get more for their dollar, by freeing up money currently spent on extraneous costs and abuse. Considine said only the few doctors who abuse the system stand to lose.

But it's unclear whether insurance companies will pass savings on to customers, instead of using the extra money to pad their bottom line.

Q: Who supports the regulations?

A: New Jersey Manufacturers Insurance Company, the state's largest auto insurer, is urging its members to support the changes.

Other insurance companies and organizations contacted by The Associated Press said personal injury costs are a major factor driving up premiums, but that they were still reviewing the 219-page regulations.

Q: Who is against them?

A: New Jersey Citizen Action, a consumer advocacy group, says the new rules are about helping insurance companies and limiting consumers' access to the benefits they pay for.

"This is like a teacher having two bad kids in the class who are unruly, then telling every kid in the class to put their head down on the desk and miss lunch for the day," said Lauren Townsend, the group's organizing and advocacy director.

Michael Goione, a chiropractor and insurance consultant for the Association of New Jersey Chiropractors, says there is widespread agreement that arbitrations are too common and costly, but that the regulations won't fix the problem because they provide no incentive for insurance companies to do it right.

"More appeals process, more paperwork," Goione said. "In the end, we're probably going to end up in arbitration anyway."

Q: Are the new regulations a done deal?

A: Not necessarily. The public has until the end of September to comment. After that, the state can adopt them as written, make changes or start over.\_\_\_\_

Reach Josh Lederman on Twitter at <http://www.twitter.com/joshledermanAP>.