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Soaring Diagnostic and Chiropractic Treatment Costs Drive Florida No-Fault Claim Costs Higher

MALVERN, Pa.—Recent growth in the frequency and cost of diagnostic tests and chiropractic treatment have helped fuel rapid growth in personal injury protection (PIP) claim costs in Florida, according to a new study from the Insurance Research Council (IRC). The average total claimed PIP economic loss, consisting primarily of medical expenses, increased 18 percent, from \$8,289 in 2002 to \$9,769 in 2005. Average claim payments increased 24 percent, from \$4,606 to \$5,712. During the same period, the general rate of inflation was 9 percent, and the rate of inflation for medical services was 13 percent.

The recently released study, *Florida Auto Injury Insurance Claim Environment, 2007 Final Report*, examines key cost drivers in the no-fault system. Among the primary cost drivers is increased use of magnetic resonance imaging (MRI) services. The proportion of PIP claimants who had an MRI rose from 26 percent of all PIP claimants in 2002, to 33 percent in 2005. Another key cost driver is rapid growth in the cost of computerized tomography (CT) services. The average total CT charge for PIP claimants increased 31 percent, from \$2,755 in 2002 to \$3,601 in 2005.

The study also documents the use and cost of chiropractic treatment. The percentage of PIP claimants receiving chiropractic treatment grew from 33 percent in 2002 to 44 percent in 2005. The cost implications of this trend were magnified by rapidly increasing charges from chiropractors. Average total chiropractor charges for PIP claimants grew 35 percent over the three-year period, from \$4,837 to \$6,510.

The growing utilization and cost of diagnostic services and chiropractic treatment contrast sharply with an apparent decline in the seriousness of auto injuries. According to the study, 71 percent of PIP claimants had no disability resulting from their injuries in 2005, compared with 67 percent in 2002 and 66 percent in 1997. The percentage of PIP claimants who had fewer than 10 days of restricted activity also grew, from 81 percent in 1997 and 86 percent in 2002, to 87 percent in 2005.

Insurance Research Council

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Almost three-quarters (73 percent) of PIP claimants reported a sprain or strain as their most serious injury in 2005, compared with 68 percent in 2002 and 61 percent in 1997. Fractures, lacerations, concussions, and other more serious injuries were less likely to be reported in 2005 than earlier.

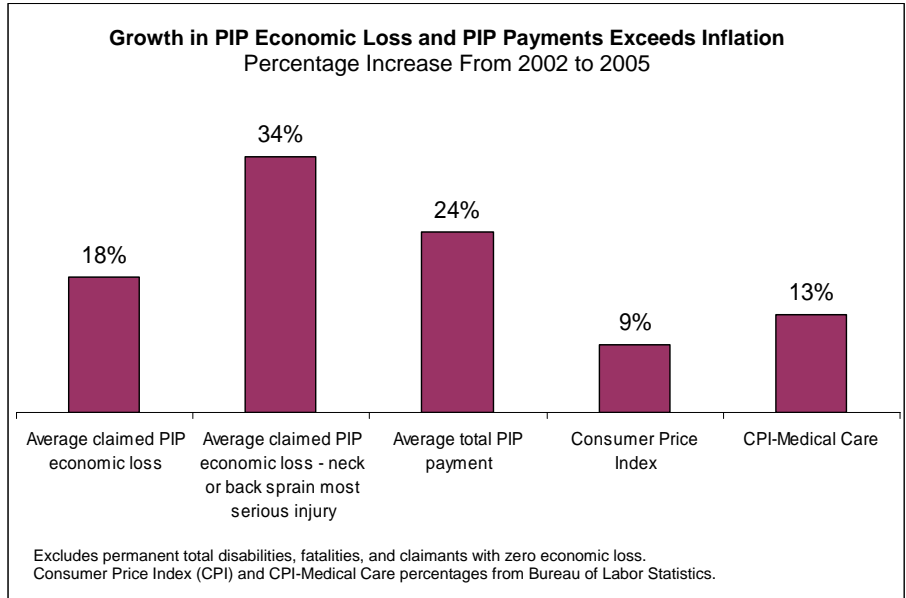
Another important finding is that PIP claimants in Florida hired attorneys more frequently in 2005 than three years earlier. The study found that 45 percent of claimants in 2005 hired attorneys, compared with 34 percent in 2002. Claimants with attorneys were much more likely to receive chiropractic treatment and to have an MRI than claimants without attorneys. Attorney involvement also was associated with higher average claimed economic losses and longer times to settle claims. These differences were especially pronounced for claimants whose most serious injury was a neck or back sprain.

“The trends documented in this report—rapidly increasing costs, less serious injuries, explosive growth in the utilization of chiropractic services, and extensive attorney involvement—explain why the current no-fault system is widely viewed as broken,” said Elizabeth A. Sprinkel, senior vice president of the IRC.

The IRC study examines detailed claim information from more than 4,000 claims closed with payment during 2005. Ten insurers, representing approximately 60 percent of the 2005 private passenger auto insurance market in Florida, participated in the study. For more detailed information on the study's methodology and findings, contact Elizabeth Sprinkel by phone at (610) 644-2212, ext. 7568; by fax at (610) 640-5388; or by e-mail at irc@cpcuiia.org; or visit the IRC's Web site at www.ircweb.org. Copies of the study are available for \$100 each in the U.S. (\$115 elsewhere) postpaid from the Insurance Research Council, 718 Providence Rd., Malvern, Pa. 19355-0725. Phone: (610) 644-2212, ext. 7569. Fax: (610) 640-5388.

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PIP claimants	2002	2005
Average claimed economic loss	\$8,289	\$9,769
Average claimed economic loss - neck or back sprain most serious injury	6,855	9,162
Average total PIP payment	4,606	5,712

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