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Medical Costs for Auto Injury Claims Outpace Inflation, Even as Reported Injuries Become Less Severe

MALVERN, Pa.—Medical expenses reported by auto injury claimants continue to increase faster than the rate of inflation, in spite of the fact that the severity of the injuries themselves remain on a downward trend. A new study by the Insurance Research Council (IRC) found that from 2007 to 2012, average claimed economic losses (which include expenses for medical care, lost wages and other out-of-pocket expenditures) grew 8 percent annualized among personal injury protection (PIP) claimants, reaching \$14,207 per claimant in 2012. Among bodily injury (BI) claimants, average claimed losses grew 4 percent, reaching \$10,541 in 2012. Over the same period, measures such as the percentage of claimants who had no visible injuries at the accident scene or who had fewer than 10 days in which they were unable to perform their usual daily activities provided evidence of a continuing decline in the severity of injuries.

The study examines several factors in the growth in medical care costs, including the shift toward more expensive treatment and diagnostic alternatives as well as dramatic increases in billed charges for visits to many types of medical providers. The use of pain clinics, attorney involvement, and claim abuse were found to exacerbate the increases in medical care expenses.

“Medical care costs continue to escalate, especially among first-party claimants,” said Elizabeth Sprinkel, senior vice president of the IRC. “Looking forward, the industry will need to continue its vigilance in contending with these expanding costs, particularly as it monitors the possible spillover effects from general healthcare reform.”

The study, *Auto Injury Insurance Claims: Countrywide Patterns in Treatment, Cost and Compensation, 2014 Edition*, is the seventh of its kind conducted by the IRC collected data on more than 35,000 auto injury claims closed with payment under the five principal private passenger coverages. Twelve insurers, representing 52 percent of the private passenger auto insurance market in the United States, participated in the study. The report shows results on injury, medical treatment, claimed losses and total payments, attorney involvement, and the appearance of fraud and buildup.

For more detailed information on the study’s methodology and findings, contact David Corum at 484-831-9046 or by email at irc@TheInstitutes.org. Copies of the study are available for \$300 for an electronic version, or \$400 for a printed copy. Visit IRC’s website at www.insurance-research.org for more information.

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