

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/CS/HB 967 Personal Injury Protection Insurance

**SPONSOR(S):** Civil Justice Subcommittee, Insurance & Banking Subcommittee, Horner and others

**TIED BILLS:** None **IDEN./SIM. BILLS:** SB 1694

| REFERENCE                            | ACTION           | ANALYST  | STAFF DIRECTOR or<br>BUDGET/POLICY CHIEF |
|--------------------------------------|------------------|----------|--|
| 1) Insurance & Banking Subcommittee  | 13 Y, 2 N, As CS | Reilly   | Cooper                                   |
| 2) Civil Justice Subcommittee        | 9 Y, 6 N, As CS  | Woodburn | Bond                                     |
| 3) Health & Human Services Committee |                  |          |  |
| 4) Economic Affairs Committee        |                  |          |  |

### SUMMARY ANALYSIS

The Florida Motor Vehicle No-Fault Law (No-Fault Law) requires motorists to carry at least \$10,000 of no-fault insurance, known as personal injury protection (PIP) coverage. PIP provides payment of medical, surgical, funeral and disability benefits to the named insured and persons injured while in, or struck by, the insured motor vehicle without regard to fault. In return for assurance of payment of these benefits, the No-Fault Law places limitations on lawsuits for non-economic damages (pain and suffering). PIP is designed to compensate individuals quickly and efficiently and reduce automobile insurance costs and litigation.

Committee Substitute for House Bill 967 makes various changes to Florida's no-fault motor vehicle law, as follows:

- Authorizes PIP insurance policies that require or allow the use of arbitration to resolve disputes.
- Charges the Department of Financial Services with adopting, by rule, procedures to implement arbitration of PIP disputes.
- Grants exclusive original jurisdiction to circuit courts to hear challenges to PIP arbitration decisions; provides for a trial de novo (new trial) in circuit court. Requires insurers to pay the costs of arbitration as well as attorney fees in certain situations.
- Caps attorney fee awards in disputes under the No-Fault Law based on a tiered system based on the amount of the disputed claim. Bars use of a contingency risk multiplier in determining fee awards in No-Fault cases.
- Permits insurers to use the schedule of maximum charges that is based on Medicare Part B when providing reimbursement for durable medical equipment and care and services rendered by clinical laboratories care and services rendered in ambulatory surgical centers.
- Establishes that when PIP reimbursement is made under a Medicare-based schedule of maximum charges, that the applicable Medicare schedule in effect on January 1<sup>st</sup> is to be used throughout the year in calculating reimbursement, regardless of any subsequent changes in Medicare rates.
- Requires insureds who are seeking PIP benefits to comply with all terms of the insurance policy, including submitting to an examination under oath (EUO). Makes compliance with policy terms a condition precedent to eligibility for policy benefits. Permits EUOs to be recorded.
- Requires assignees of PIP payment rights to comply with policy terms and cooperate with the insurer, including submitting to an EUO. Requires the insurer to make a written request for information sought before requesting an EUO from an assignee. Entitles assignees to reasonable compensation for time spent participating in an EUO.
- Provides that it is an unfair and deceptive trade practice for an insurer, as a general business practice, to request EUOs without a reasonable basis.

This bill does not appear to have a fiscal impact on state or local government.

The bill provides for a July 1, 2011 effective date.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0967b.CVJS

DATE: 3/25/2011

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### **No-Fault Motor Vehicle Insurance**

Florida is one of 12 states<sup>1</sup> with no-fault motor vehicle<sup>2</sup> insurance provisions. The purpose of the Florida Motor Vehicle No-Fault Law (No-Fault Law)<sup>3</sup> is to provide for medical, surgical, funeral, and disability insurance benefits without regard to fault. In return for assuring payment of these benefits, the No-Fault Law provides limitations on the right to bring lawsuits arising from motor vehicle accidents. Florida motorists are required to carry a minimum of \$10,000 of personal injury protection coverage (PIP) and \$10,000 of property damage liability coverage.<sup>4,5</sup> PIP is no-fault automobile insurance.

##### **History of the PIP System**

In 1971, Florida became the second state in the country to adopt a no-fault automobile insurance plan, which took effect January 1, 1972. Under a no-fault system, medical and other benefits are provided without regard to fault in return for limitations on lawsuits for non-economic damages. Since its enactment, various changes have been made to the No-Fault Law.

In 2000, a Statewide Grand Jury found rampant fraud in the PIP system. Reform legislation was enacted in 2001,<sup>6</sup> which adopted many of the Grand Jury's recommendations, including requiring certain health care clinics to register with the Department of Health and providing criteria for medical directors; applying fee schedules for certain procedures; limiting access to motor vehicle crash reports to curtail illegal solicitation; and providing that insurers/insureds are not required to pay claims of brokers.

Additional changes to the PIP system were enacted in 2003.<sup>7</sup> These included strengthening health care clinic regulation; requiring agency licensure with the Agency for Health Care Administration; requiring all PIP claimants to send a pre-suit demand letter to insurers for unpaid benefits; specifying criteria as to "reasonable" charges for services; strengthening various criminal penalties for PIP fraud; and providing for the repeal of the No-Fault Law on October 1, 2007, unless reenacted by the Legislature during the 2006 Regular Session.

In 2006, SB 2114, a bill that would have extended the repeal date of the No-Fault Law and made other changes, was passed by the Legislature and subsequently vetoed. The No-Fault Law then repealed on October 1, 2007.<sup>8</sup>

In Special Session C of 2007, the Legislature passed CS/HB 13C, which revived and reenacted the No-Fault Law effective January 1, 2008. The bill, signed into law as ch. 2007-324, L.O.F., limits medical reimbursement to services and care provided by specified health care providers and entities; authorizes insurers to use schedules of maximum charges in calculating reimbursement for medical services,

---

<sup>1</sup> Michigan, New Jersey, New York, Pennsylvania, Hawaii, Kansas, Kentucky, Massachusetts, Minnesota, North Dakota, and Utah also have no-fault automobile insurance systems. See the Insurance Information Institute's update on "No-Fault Auto Insurance." Available at: <http://www.iii.org/media/hottopics/insurance/nofault/> (last accessed: March 13, 2011).

<sup>2</sup> "Motor vehicle" is defined in s. 627.732, F.S., and includes private passenger motor vehicles and commercial motor vehicles.

<sup>3</sup> Sections 627.730-627.7405, F.S.

<sup>4</sup> Section 627.7275, F.S.

<sup>5</sup> Under Florida's Financial Responsibility Law (ch. 324, F.S.), motorists must also provide proof of ability to pay monetary damages for bodily injury and property damage liability at the time of motor vehicle accidents or when serious traffic violations occur.

<sup>6</sup> Chapter 2001-271, L.O.F.

<sup>7</sup> Chapter 2003-411, L.O.F.

<sup>8</sup> The Motor Vehicle No-Fault Law was repealed pursuant to s. 19, ch. 2003-411, F.S.

supplies, and care; and provides that an insurer's failure to pay PIP claims as a general business practice is an unfair and deceptive trade practice.

## **Current PIP Provisions**

Under current law, PIP provides \$10,000 of coverage (per person) for bodily injury sustained in a motor vehicle accident by the named insured, relatives residing in the same household as the named insured, persons operating the insured motor vehicle, passengers in the insured motor vehicle, and persons struck by the motor vehicle. PIP benefits are payable as follows:

- 80 percent of reasonable medical expenses.
- 60 percent of loss of income.
- Death benefit of \$5,000 or the remainder of unused PIP benefits, whichever is less.

PIP provides the policyholder with immunity from liability for economic damages (medical expenses) up to the \$10,000 policy limits and for non-economic damages (pain and suffering) for most injuries. Specifically, the immunity provision protects the insured from tort actions by others (and conversely, the insured may not bring suit to recover damages) for pain, suffering, mental anguish, and inconvenience arising out of a vehicle accident, except in the following cases:<sup>9</sup>

- Significant and permanent loss of an important bodily function.
- Permanent injury within a reasonable degree of medical probability, other than scarring or disfigurement.
- Significant and permanent scarring or disfigurement.
- Death.

Lawsuits for pain and suffering may commence only if the injuries meet these threshold levels.

## **Overdue PIP Benefits and Jurisdictional Issues**

### **Pre-Suit Demand Letter**

PIP insurance benefits are payable by the insurer within 30 days after receipt of a covered loss and the amount due. Benefits not paid within this time are overdue.<sup>10</sup> Before filing a lawsuit for overdue PIP benefits, the aggrieved person must give the insurer written notice of intent to sue.<sup>11</sup> If the insurer pays the claim (with interest and penalty) within 30 days of receipt of the pre-suit demand letter, a lawsuit cannot be brought against the insurer.

### **Florida Courts**

Under the Florida judicial system, the trial jurisdiction of county courts is established by statute. Currently, civil disputes involving \$15,000 or less are within county court jurisdiction.<sup>12</sup> As Florida does not have a separate system of "small claims courts," small claims are captured under the jurisdiction of county courts. The Florida Small Claims Rules apply to civil actions in county court in which the demand or value of the property involved is \$5,000 or less. These rules are designed to foster a simple, efficient, and inexpensive remedy at law for litigants.<sup>13</sup> Many PIP disputes are heard under the small claims jurisdiction of county courts.

In contrast to county courts, circuit courts have general trial jurisdiction over matters not assigned by statute to the county courts and also hear appeals from county court cases. Thus, circuit courts are simultaneously the highest trial courts and the lowest appellate courts in Florida's judicial system. The

---

<sup>9</sup> Section 627.737, F.S.

<sup>10</sup> Section 627.736(4)(b), F.S.

<sup>11</sup> Section 627.736(10), F.S.

<sup>12</sup> [http://www.floridasupremecourt.org/pub\\_info/system2.shtml](http://www.floridasupremecourt.org/pub_info/system2.shtml) (last accessed: March 13, 2011).

<sup>13</sup> "Review of the Small Claims Process in Florida." Interim Report 2009-121 by staff of the Florida Senate Committee on the Judiciary (October 2008).

trial jurisdiction of circuit courts includes original jurisdiction over civil disputes involving more than \$15,000.<sup>14</sup>

## **Mandatory Arbitration with Limited Rights on Appeal under Former s. 627.736(5), F.S., Held Unconstitutional**

In *Nationwide Mutual Fire Insurance Co. v. Pinnacle Medical, Inc.*,<sup>15</sup> the Florida Supreme Court held s. 627.736(5), F.S., which required medical providers to submit PIP claims to binding arbitration and provided limited rights on appeal, an unconstitutional denial of medical providers' access to courts under s. 21, Art. I of the Florida Constitution. As the right of assignees to sue for breach of contract predates the Florida Constitution, the right could not be abolished by the Legislature without providing a reasonable alternative, absent a showing of overpowering public necessity and no alternative for meeting this necessity. The Court held that the challenged arbitration process, with the scope of appeal limited to that available under the Florida Arbitration Code, chapter 682, F.S., did not constitute a reasonable alternative and that the Legislature had not shown an overpowering necessity to abolish this right. In contrast to the statute at issue, the Court noted its decision in *Chrysler Corporation v. Pitsirelos*,<sup>16</sup> in which it upheld a mandatory arbitration provision under the Motor Vehicle Warranty Act that entitled either party on appeal to a trial de novo on the grounds that it respected the parties' right of access to courts.

## **Attorney Fee Awards to "Prevailing" PIP Claimants**

### **Lodestar Calculation**

Pursuant to s. 627.428, F.S., parties that prevail against insurers in court, including PIP claimants, are entitled to an award of reasonable attorney fees. In determining a fee award, a court calculates the lodestar, which is the reasonable number of hours the attorney worked multiplied by a reasonable hourly rate.<sup>17</sup>

In determining a reasonable fee, courts should consider the following factors set forth by the Florida Bar:<sup>18</sup>

- Time and labor required, the novelty and difficulty of the question involved, and the skill requisite to perform the legal service properly.
- The likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the lawyer.
- The fee customarily charged.
- The amount involved and the results obtained.
- The time limitations imposed.
- The nature and length of the professional relationship with the client.
- The experience, reputation, and ability of the lawyer(s) performing the services.
- Whether the fee is fixed or contingent.

### **Contingency Risk Multiplier**

In personal injury cases in which the prevailing claimant's attorney has worked on a contingency fee basis, it is within the court's discretion whether or not to use a contingency risk multiplier of up to 2.5 times the lodestar in determining the fee award.<sup>19</sup> For example, if the lodestar were \$20,000 and the court determined it appropriate to apply a contingency risk multiplier of 2.5, the fee award would be \$50,000 (\$20,000 lodestar x 2.5).

<sup>14</sup> [http://www.floridasupremecourt.org/pub\\_info/system2.shtml](http://www.floridasupremecourt.org/pub_info/system2.shtml) (last accessed: March 13, 2011).

<sup>15</sup> 753 So.2d 55 (Fla. 2000).

<sup>16</sup> 721 So.2d 710 (Fla. 1998).

<sup>17</sup> The federal lodestar approach to determining fee awards was adopted by the Florida Supreme Court in *Florida Patient's Compensation Fund v. Rowe*, 472 So.2d 1145 (Fla. 1985).

<sup>18</sup> See Rule 4-1.5(b) of the Rules Regulating the Florida Bar.

<sup>19</sup> *Standard Guaranty Insurance Co. v. Quanstrom*, 555 So.2d 828 (Fla. 1990).

The Florida Supreme Court, in *Florida Patient's Compensation Fund v. Rowe*,<sup>20</sup> authorized the use of contingency risk multipliers in personal injury cases on two grounds:

- It provides personal injury claimants with increased access to courts.
- Since attorneys working on a contingency fee basis are not paid if they do not prevail, they must charge more for their services than an attorney who is guaranteed payment.

Subsequently, in *Standard Guaranty Insurance Co. v. Quanstrom*,<sup>21</sup> the Court clarified that use of a contingency risk multiplier was not mandatory, but was within the trial court's discretion.

In federal cases, the use of a contingency risk multiplier in computing attorney fee awards under federal fee-shifting statutes was effectively eliminated in 1987.<sup>22</sup>

Currently there is a split of authority between the First and Fifth District Courts of Appeal with respect to the evidence required to support the use of a contingency risk multiplier in calculating a fee award under s. 627.428, F.S. In *Progressive Express Insurance Co. v. Schultz*,<sup>23</sup> the 5th DCA held that use of a contingency risk multiplier in a PIP action was improper because the policyholder did not testify that he had any difficulty obtaining legal representation, there was no evidence presented on the issue, and the lawsuit was essentially a straightforward contract case involving \$1,315. In *Massie v. Progressive Express Insurance Co.*,<sup>24</sup> the issue before the 1st DCA was whether use of a contingency risk multiplier was proper when the PIP claimant did not testify that she had difficulty obtaining counsel, but expert testimony was offered that the claimant would have had such difficulty without the opportunity for a multiplier. On direct appeal, the 1st DCA, relying on *Schultz*, held that use of a multiplier was improper, and the claimant petitioned for certiorari review. Based on circuit precedent, the 1st DCA granted the petition, quashed the order on direct appeal, and affirmed the trial court's use of a contingency risk multiplier based on expert testimony.

### **Examinations of Insureds and Examinations Under Oath**

In *Custer Medical Center v. United Automobile Insurance Co.*,<sup>25</sup> a passenger injured in an automobile accident failed to appear for two medical examinations requested by the insurer. At the time the requests were made, the passenger had received all medical treatment and all bills had been submitted to the insurer. Due to the passenger's failure to attend the examinations, the insurer refused to pay the entity that provided treatment. The Florida Supreme Court remanded the case for reinstatement of a decision vacating a directed verdict for the insurer on the following grounds. Attendance at a medical examination is not a condition precedent to the existence of an automobile insurance policy. A dispute concerning attendance at a medical examination concerns an insured's right to receive "subsequent" PIP benefits pursuant to s. 627.736(7)(b), F.S., under an existing insurance policy, and is not a dispute about the policy's existence. Additionally, s. 627.737(7), F.S., provides that when a person "unreasonably refuses" to submit to an examination, the insurer is not liable for *subsequent* PIP benefits. Here, it was not shown that the injured passenger's failure to attend medical examinations constituted an "unreasonable refusal" to submit to examination. Further, the claim sought payment for medical services that had been provided before, and not after, the passenger failed to appear for examination.

---

<sup>20</sup> 472 So.2d 1145 (Fla. 1985).

<sup>21</sup> 555 So.2d 828 (Fla. 1990).

<sup>22</sup> See *Pennsylvania v. Delaware Valley Citizens Council for Clean Air*, 483 U.S. 711 (1987).

<sup>23</sup> 948 So.2d 1027 (Fla. 5th DCA 2007).

<sup>24</sup> 25 So.3d 584 (Fla. 1st DCA 2009).

<sup>25</sup> 2010 WL 4344089 (Fla.).

## Assignment of PIP Benefits

In *Shaw v. State Farm Fire and Casualty Co.*,<sup>26</sup> the 5th DCA held that policy language that required any person making a claim or seeking payment to submit to an examination under oath (EUO) did not require a health care provider who had been assigned PIP payment rights for services rendered to submit to an EUO. The 5th DCA based its decision on the following:

- The assignment of rights to the health care provider did not entail an assignment of duties.
- Section 627.736(6)(b), F.S., provides the mechanism for insurers to obtain information from health care providers concerning treatment and expenses.
- If there is a dispute regarding an insurer's right to discover facts from a health care provider, the insurer, under s. 627.736(6)(c), F.S., has the right to petition the court for a discovery order.

As the en banc decision was not unanimous and had a potential wide ranging impact, the 5th DCA certified the following question of great public importance to the Florida Supreme Court:

Whether a health care provider who accepts an assignment of no-fault insurance proceeds in payment of services provided to an insured can be required by a provision in the policy to submit to an examination under oath as a condition to the right of payment?

### Effect of the Bill:

#### Arbitration of PIP Disputes

The bill authorizes insurers to offer motor vehicle insurance policies that require or allow the use of arbitration to resolve PIP disputes. A demand for arbitration, which can be made by the insurer or a claimant, must be in writing and sent by certified mail. Arbitration must be held within 60 days of receipt of the arbitration request, and the 60-day period will not be tolled for the discovery of documents. Claimants are required to make available for inspection and copying all records upon which they intend to rely at the arbitration within 15 days of receipt of the insurer's written request for information. Insurers are required to make available for inspection and copying all records it intends to rely on at arbitration within 10 days of receipt of such request. Discovery from an insurer is limited to documents, records, and information concerning insurance coverage, and does not extend to require the production of privileged information, underwriting files, documents that will not be relied on at arbitration, or documents relating to claims handling processes.

The arbitration will be conducted by a single arbitrator. The Department of Financial Service is charged with adopting, by rule, procedures to implement the arbitration program including:

- Reasonable requirements for processing and scheduling of requests for arbitration;
- Qualifications of arbitrators;
- Selection of arbitrators;
- Fees charged by arbitrators; and
- Criteria for conduct of arbitration.

The arbitration will take place in the county in Florida in which treatment was rendered. If treatment was in another state, the arbitration will take place in the county in which the claimant resides, unless the parties agree on another location. The insurer is responsible for payment of the arbitrator's fees and expenses, court reporter fees and any facility fees associated with the arbitration.

The arbitrator's written decision must be provided to the parties within 30 days of the arbitration and is binding on the parties, unless challenged within 20 days of receipt by filing a complaint in circuit court. The arbitration award cannot exceed the remaining coverage limits on the PIP policy. Claimants who prevail in arbitration will be reimbursed by the insurer for reasonable costs and attorney fees directly associated with the arbitration. The award of fees and costs must be set forth in the arbitration award.

---

<sup>26</sup> 37 So.3d 329 (Fla. 5th DCA 2010).

If the insurer pays the arbitration award, but the claimant files a challenge in circuit court, the claimant is not eligible for a fee award relating to the court proceedings,<sup>27</sup> and interest will not accrue on the amount in dispute during the course of the litigation. The circuit court will conduct a trial de novo (new trial) of the dispute.

### **Attorney Fees**

The use of contingency risk multipliers in calculating fee awards in disputes under the No-Fault Law is prohibited. Fee awards in no-fault litigation and arbitration are based on the lesser of two calculations based on the disputed amount of the claim. The fees are either the lesser of \$200 per billable hour or:

- For any disputed amount of less than \$500, fifteen times any disputed amount recovered by the attorney, limited to \$5,000.
- For any disputed amount of \$500 or more and less than \$5,000, ten times any disputed amount recovered by the attorney, limited to a total of \$5,000.
- For any disputed amount of \$5,000 or more and up to \$10,000, five times any disputed amount recovered by the attorney, limited to a total of \$15,000.

Attorneys fees in a class action are limited to the lesser of \$50,000 or three times the total of any disputed amount recovered in the class action proceeding.

### **PIP Reimbursement under Schedules of Maximum Charges**

PIP reimbursement for medical services, supplies, and care is under a schedule of maximum charges based upon the annual Medicare Part B<sup>28</sup> fee schedule developed by the Centers for Medicare and Medicaid Services (CMS). Currently, CMS develops annual fee schedules for physicians, ambulance services, clinical laboratory services, and durable medical equipment, prosthetics, orthotics, and supplies.<sup>29</sup> The bill provides that the PIP schedule of maximum charges, which is reimbursement at 80 percent of 200 percent of Medicare Part B, may be used by insurers to provide reimbursement for durable medical equipment, and care and services rendered by clinical laboratories and for care and services provided by ambulatory surgical centers.

For PIP schedules of maximum reimbursement that are based on Medicare, the applicable Medicare schedule in effect on January 1st is to be used throughout the year when calculating reimbursement for care, services, and supplies rendered in that year, regardless of subsequent changes to Medicare rates. However, the reimbursement amount may not be less than the allowable amount under the participating physicians schedule of Medicare Part B for 2007 for medical services, supplies, and care subject to Medicare Part B.

### **Examinations Under Oath and Compliance with Terms of PIP Policies**

The bill legislatively addresses the *Shaw* and *Custer* decisions. Compliance with policy terms by any insured seeking benefits under a PIP policy is made a condition precedent to eligibility for policy benefits. Compliance includes, when the policy so provides, submitting to an examination under oath (EUO) when requested by the insurer. An EUO may be recorded. An insured's failure to appear for

---

<sup>27</sup> The bill provides that s. 627.428, F.S., (awarding of attorney fees as an insured or beneficiary who prevails against in an insurer) does not apply to a circuit court review of a decision by the arbitrator.

<sup>28</sup> Medicare Part B covers doctors' services (not routine physical exams), outpatient medical and surgical services and supplies, diagnostic tests, ambulatory surgery center facility fees for approved procedures, and durable medical equipment (such as wheelchairs, hospital beds, oxygen, and walkers). Also covers second surgical opinions, outpatient mental health care, outpatient physical and occupational therapy, including speech-language therapy.

<sup>29</sup> "Fee Schedules – General Information," The Centers for Medicare and Medicaid Services, <http://www.cms.gov/FeeScheduleGenInfo/> (Last visited on March 14, 2011)

examination (mental or physical) is presumed to be an unreasonable refusal to submit to examination. The presumption, however, is rebuttable, and may be overcome by the claimant upon showing that the failure to attend was not an unreasonable refusal to submit to examination.

Assignees of PIP payment rights are also required to comply with policy terms and to cooperate with the insurer, including submitting to an EUO upon insurer request. The insurer is required to make a written request for information before requesting an EUO from an assignee. When an insurer requests an EUO, the medical provider must produce those individuals with the most knowledge of the issues identified by the insurer. Assignees are entitled to reasonable compensation for time spent participating in an EUO.

An insurer that, as a general business practice, requests EUOs without a reasonable basis commits an unfair and deceptive trade practice.

### **Miscellaneous**

The bill also provides as follows:

- Requests for insurance-related information made to self-insured corporations must be sent by certified mail to the registered agent of the disclosing entity.
- Insurers that deny reimbursement due to improperly completed medical statements or bills are required to notify the provider about the specific provisions that were not properly completed and to give the provider 15 days to submit a properly completed form.

#### **B. SECTION DIRECTORY:**

Section 1 amends s. 26.012, F.S., regarding circuit court jurisdiction to challenges to PIP arbitration awards.

Section 2 amends s. 627.4137, F.S., regarding requests for insurance-related information.

Section 3 creates s. 627.7311, F.S., regarding Legislative intent.

Section 4 amends s. 627.736, F.S., regarding personal injury protection (PIP) coverage.

Section 5 provides an effective date of July 1, 2011.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

None.

#### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

To the extent this bill helps reduce litigation and contain costs now associated with uncapped attorney fees, the cost of PIP insurance should be reduced.

Some health care providers may find the new requirements placed on them by this bill, including arbitration, burdensome. Health care providers may opt not to accept assignment. Consequently, injured parties would have to pay for their treatment up front and seek reimbursement from their insurers.

**D. FISCAL COMMENTS:**

The costs to the public sector associated with the arbitration process delineated in the bill are unknown. Arbitration is currently used to settle disputes outside of the courts. Arbitration of PIP disputes may reduce the court docket, but possible reductions of costs to the court are indeterminate at this time.

The bill charges the Department of Financial Services to adopt rules and procedures in order to implement the arbitration of PIP disputes. The costs are indeterminate at this time.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

**1. Applicability of Municipality/County Mandates Provision:**

Not applicable. This bill does not appear to: require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or, reduce the percentage of a state tax shared with counties or municipalities.

**2. Other:**

None.

**B. RULE-MAKING AUTHORITY:**

The bill charges the Department of Financial Services with adopting rules and procedures to implement the arbitration of PIP disputes.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

On March 16, 2011, the Insurance & Banking Subcommittee adopted a proposed committee substitute for HB 967. The PCS:

- Provides that the circuit court has jurisdiction for all actions involving the Florida Motor Vehicle No-Fault Law where an arbitration decision is challenged.
- Deletes legislative intent relating to no-fault insurance.
- Creates s. 627.7311, F.S., regarding effect of law on no-fault policies.
- Provides that an insured must comply with the terms of the policy including submitting to examinations under oath and that compliance is a condition precedent to benefits.

- Provides that arbitration must take place within 60 days of the receipt of notice of arbitration rather than providing that arbitration not occur sooner than 30 days after receipt of notice and must occur no later than 20 days after discovery.
- Limits discovery of certain documents.
- Provides that the chief judge of the circuit county choose one arbitrator rather than the parties each choosing an arbitrator and the two arbitrators choosing a third arbitrator.
- Deletes subsection providing for how a prevailing party is determined in arbitration.
- Provides that the insurer is to pay the costs of arbitration rather than the non-prevailing party or if there is not a prevailing party, the parties are to split the costs of arbitration.
- Provides that the court review of the arbitration decision is de novo rather than a review of the record.
- Provides that s. 627.428, F.S., does not apply in an appeal of a arbitration decision, rather than s. 627.428, F.S., not apply only if the insurer pays the arbitration decision and the opposing party appeals the decision.

On March 23, 2011, the Civil Justice Subcommittee adopted three amendments. The amendments:

- Provide that "all other supplies and care, including durable medical equipment and care and services rendered by ambulatory surgical centers and by clinical laboratories," are paid at 200 percent of the allowable amount under Medicare Part B.
- Create a tiered system of payment of attorneys fees.
- Provide that the Department of Financial Services adopt, by rule, procedures to implement an arbitration program for PIP disputes.
- Provide that the insurer is responsible for the arbitrator's fees and expenses, court reporter fees and any facility fees associated with arbitration proceedings.