



Hospital Cost Shifting Adds to Auto Injury Claim Costs

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According to a recent study from the Insurance Research Council, low reimbursements from public health insurance programs, such as Medicare and Medicaid, have prompted hospitals to shift costs to automobile insurance companies—raising auto injury claim costs and forcing auto insurers to more closely scrutinize and negotiate hospital bills prior to payment. The IRC estimates that for Bodily Injury (BI) liability claims in 38 tort and add-on states, cost shifting in 2007 resulted in \$1.2 billion in excess hospital charges. The full impact of hospital cost shifting, including that occurring in other insurance coverages and in other states, is likely much greater.

“The conventional wisdom is that hospitals aggressively seek to shift costs from public insurance programs to private payers such as auto insurance companies,” said Elizabeth Sprinkel, Senior Vice President of the IRC. “With this study, we now have information on the magnitude of cost shifting and a better understanding of the need for supportive state laws and effective tools that will enable auto insurers to pay hospitals appropriately and help control auto injury claim costs,” said Sprinkel.

Kraft & Associates
2777 Stemmons Freeway
Suite 1300
Dallas, Texas 75207
Toll Free: (800) 989-9999
FAX: (214) 637-2118
E-mail: info@kraftlaw.com