

PUBLIC OPINION MONITOR

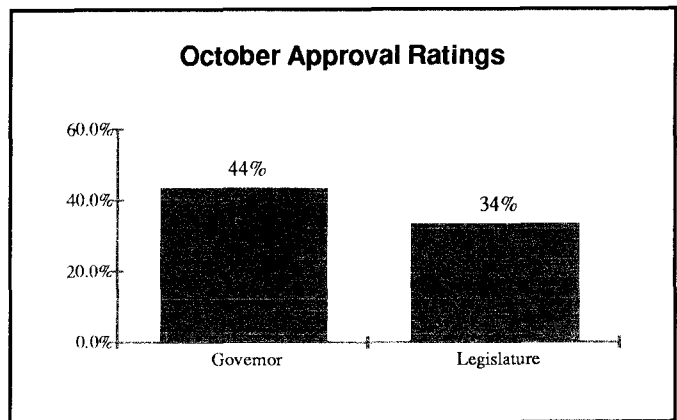
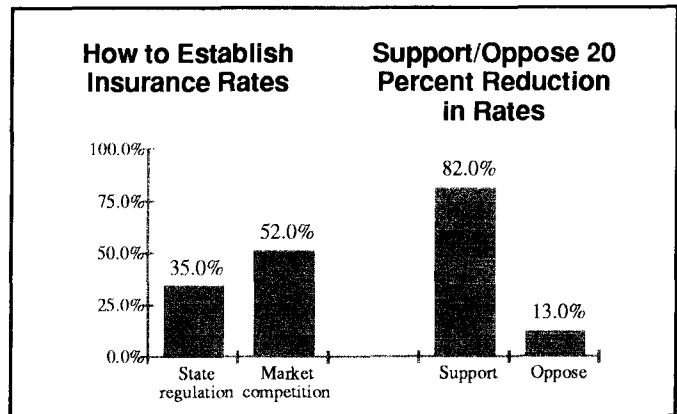
In Focus: Michigan's Insurance Reform Proposals

By William Sederburg
 Vice President and Director, Public Opinion Research Institute

December's *Public Opinion Monitor* focuses on Michiganians' attitudes toward the insurance industry in the state. Automobile insurance, health insurance, and medical liability reform were the major foci of this poll. These issues will dominate the legislative agenda in 1992. In addition, trend questions measuring the changing political climate assessed approval ratings of the governor and legislature, economic confidence, and the outlook on the future. What does our survey show?

Major Findings

- Michigan residents are more pessimistic than at any time since October 1990.
- This pessimism extends to both economic and political attitudes.
- While they philosophically support the market setting insurance rates, people favor mandatory reductions.
- Public concern over jobs and the economy are at the forefront.
- Forty-one percent of blacks, compared to 22 percent of whites, believe that race relations will worsen in the coming year.



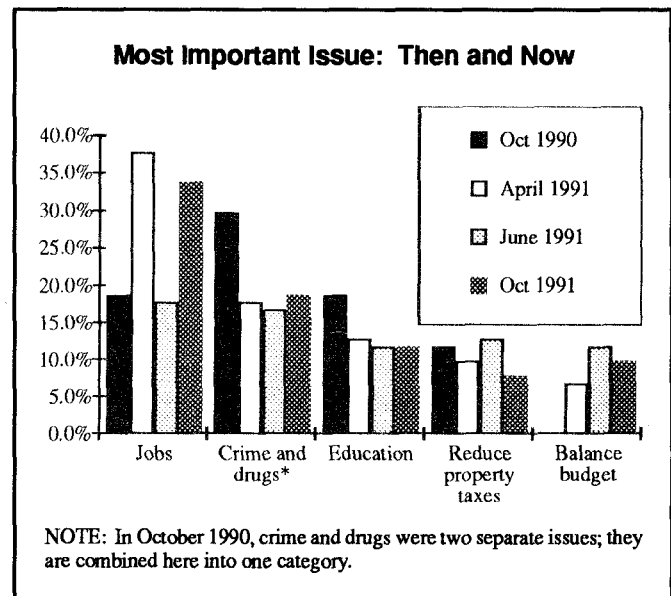
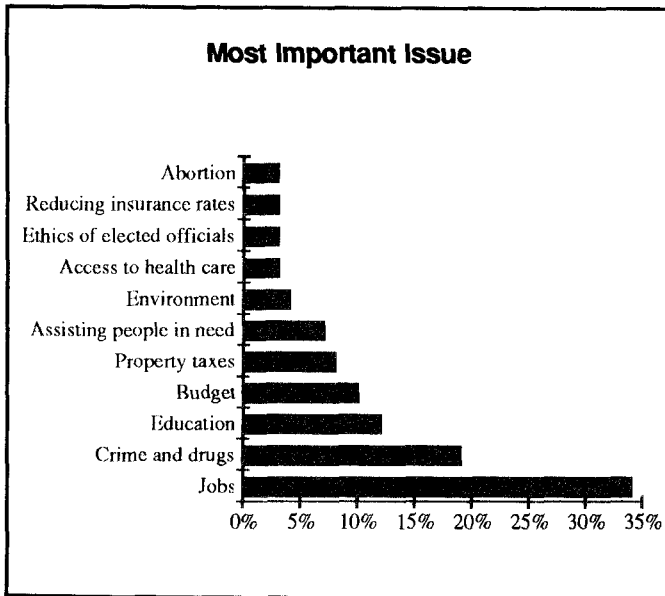
The *Public Opinion Monitor* reports the findings of a series of surveys done each year on state policy issues. The *Public Opinion Monitor*, underwritten by the Michigan Hospital Association, interviewed 800 residents between October 26 and 29, 1991. The survey included trend data on the governor's and legislature's approval ratings, economic confidence, and party affiliation.

The special focus of this survey was the public's attitude toward insurance issues. The complete survey, including questions and data, is available from Public Sector Consultants' Public Opinion Research Institute. For further information, call 484-4954

ISSUES IDENTIFIED AS MAJOR STATE PROBLEMS

Findings

- Jobs and the economy re-emerge as the most important issue, climbing from 18 percent in June to 34 percent in October.
- Concern about crime and drugs is at the highest level since October 1990.
- The issue of crime and drugs is more important than jobs to Detroit residents (42 percent) than to those from elsewhere (15 percent) and to blacks (37 percent) than whites (17 percent).
- Surprisingly, there was no increase in the percentage of respondents who believe assisting those in need is the major state issue.



Analysis

Michigan residents are deeply concerned about their future. After a period of increased optimism about the economy, voters are again very pessimistic and identify jobs as the most important state issue. Uncertainty about the future and the welfare of the state have been fueled by below-average growth in Michigan's economy, the possibility of the nation sliding into another recession, and the downsizing of numerous state firms. Concern about jobs cuts across all groups, including people making more than \$50,000 per year.

With the public's mind occupied with the economy, other issues were rated less important. For example, only 8 percent said lowering property taxes

was the most significant issue. With the assessment freeze in effect for 1992, this percentage may drop further, thereby diminishing political pressure for property tax reform.

With the considerable press attention that homelessness and the effects of elimination of general assistance has received, it is surprising that in this poll the same percentage of respondents (7 percent) identified helping the needy as the major state problem as did last June. It may be that the public's choice of major issue is motivated by self-interest rather than concern for others.

Affordable Insurance: New Worries and Calls for Relief

by Peter Pratt and Christine Fedewa

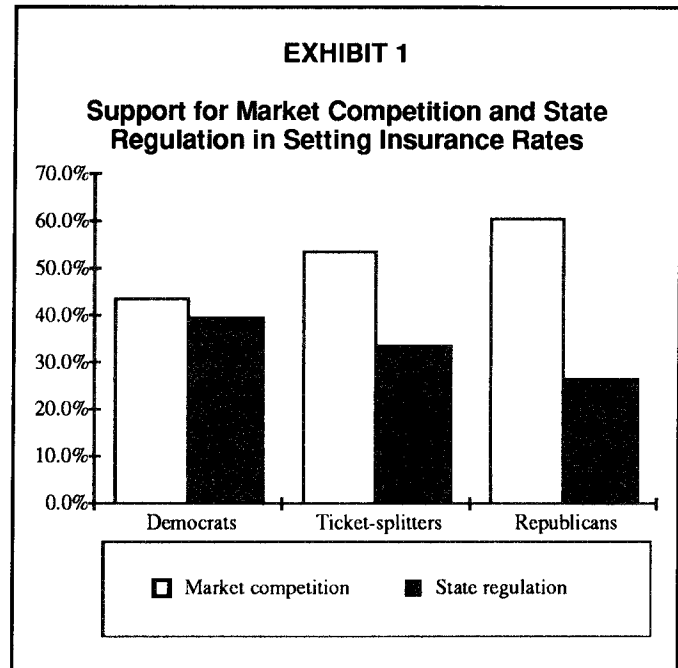
Introduction

Insurance was once something you could take for granted. Although everyone complained about high insurance premiums from time to time, few disputed that the cost of insurance was a small price to pay for protection against catastrophic accidents and illnesses. Today, however, public concern about rising no-fault automobile and health insurance premiums is growing. As the middle class struggles to maintain its standard of living in weak economic times, rising insurance rates gnaw away at disposable income. People once bought insurance because they could not afford a catastrophe; now more and more are worrying that they cannot afford insurance.

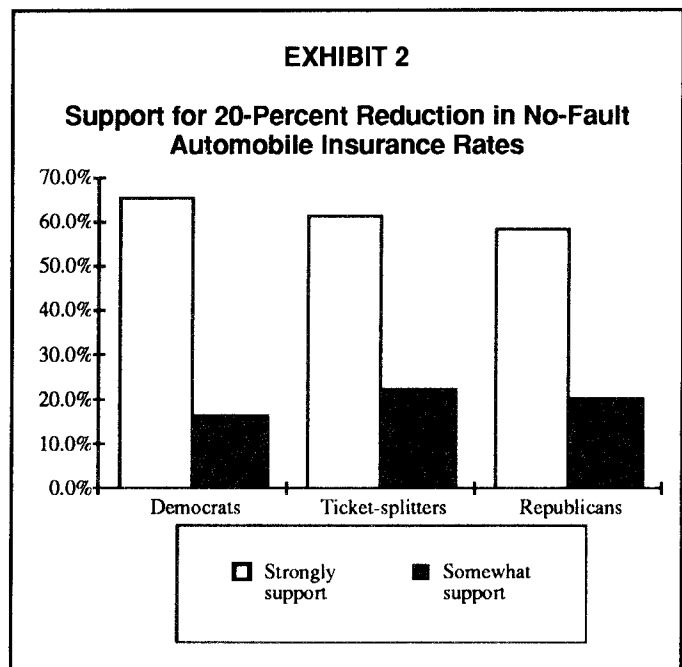
This *Public Opinion Monitor* assesses public attitudes about no-fault automobile insurance, health insurance, and medical liability insurance, increases in the cost of which have prompted considerable dismay and calls for reform. Proposals to address rising costs in all three arenas are currently under consideration in the Michigan legislature. Questions on many of those proposals are included in this survey.

The fear that insurance will become unaffordable comes through in all parts of the survey. Although clearly preferring some solutions to others, survey respondents rarely hesitated to support **any** proposal that would reduce automobile, health, or medical liability insurance premium costs.

► **Economics, Not Ideology** In this atmosphere, ideology plays only a small part. Most people appear to be responding out of economic necessity: Whatever might save them money deserves serious consideration. There are surprisingly few significant differences between responses of those who define themselves as liberals and those who see themselves as conservatives; the same can be said for self-defined Democrats and Republicans. The biggest ideological differences emerge in answers to theoretical questions on the survey. Republicans, for example, favor a market approach to regulating insurance much more than Democrats. Still, a plurality of Democrats favor market competition. (See Exhibit 1.) On specific

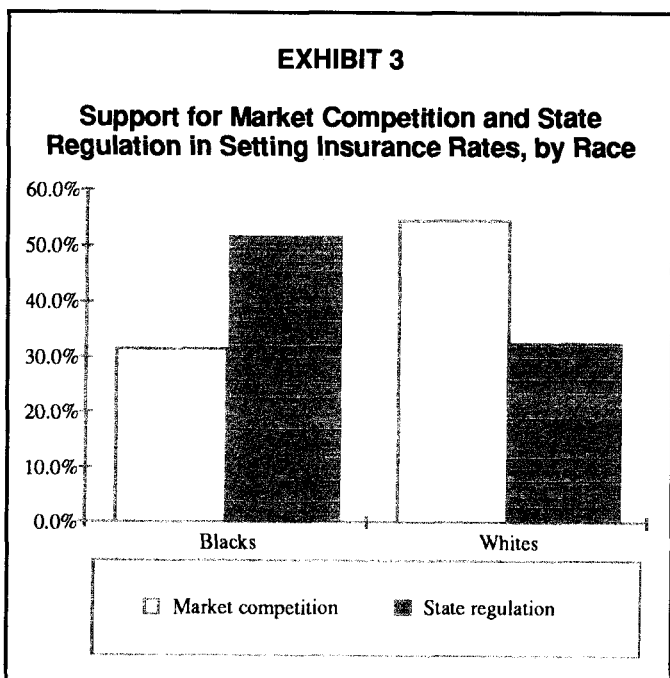


reform proposals, however, differences often almost disappear: For example, support for the mandatory 20-percent reduction in automobile insurance rates is only slightly stronger among Democrats than among Republicans. (See Exhibit 2.)



Ideology also beat a retreat in answers to questions on health care, as the cost of health insurance becomes a problem for more and more middle-class families whatever their political leanings. While Democrats and liberals support a proposal to have the government guarantee basic health coverage more than Republicans and conservatives do, conservatives (67 percent) and liberals (66 percent) both strongly believe that businesses should be required to provide health insurance for their full-time employees.

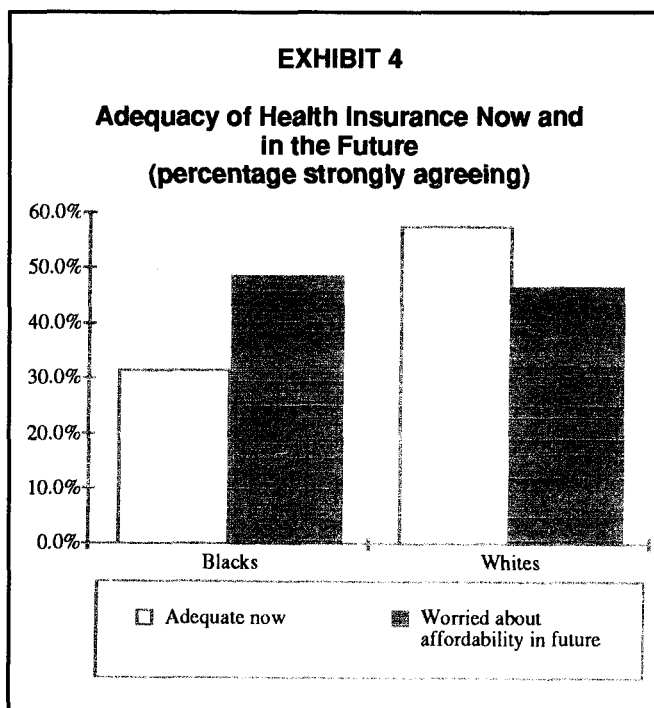
► **Racial Differences** If ideology appears tempered by shared economic fear, racial differences in the survey responses are often startlingly wide. Blacks and whites often differ in their attitudes more strongly than do liberals and conservatives or Democrats and Republicans. The division is deepest in responses related to automobile insurance issues. Blacks are the only group that prefers that state regulation rather than market competition guide the setting of insurance rates. (See Exhibit 3.) More than twice the percentage of whites as blacks favor (a) limits on mandated no-fault coverage for medical care and rehabilitation and (b) fixed medical fees for specific types of injury as a means of controlling no-fault premiums.



The division extends to health insurance issues. Blacks are much stronger supporters than whites of government assuring basic health care for all, but their support for business being required to offer coverage to all full-time employees is even stronger. Despite

the variations between races here, overall support for the latter proposal is widespread and strong.

When asked about their own insurance, 58 percent of whites and only 32 percent of blacks say that their health insurance is adequate for their needs. Significantly, however, blacks (49 percent) and whites (47 percent) are almost equally concerned about whether they can afford health insurance in the future. Despite the difference in responses to the first question, the message is clear: Regardless of race, many feel their health insurance is inadequate now and likely to be even more inadequate in the future. (See Exhibit 4.)



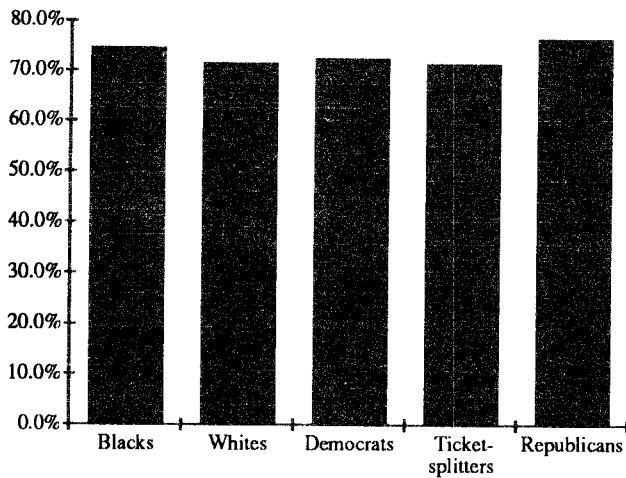
► **Call for Health Reform** This may explain why a proposal to increase taxes to address health care access received support across all demographic and political groups. Blacks and whites, liberal and conservatives, and Democrats and Republicans all voice equally strong support (73 percent on average, with little variation) for a 20-cent increase in the cigarette tax to fund basic health insurance for workers and children not presently covered. (See Exhibit 5.)

General Attitudes Toward Insurance

Our survey began by asking respondents to assess the state's role in overseeing the insurance industry. Few appear satisfied: Only 14 percent say that the insurance commissioner is doing a good job of

EXHIBIT 5

Support for 20-Cent Increase in Cigarette Tax



making sure insurance companies have adequate funds to pay future claims, and fewer (12 percent) believe the commissioner is doing a good job of protecting the rights of consumers.

The public is even less pleased with the commissioner's role in making sure insurance companies do not make excessive profits (8 percent say he is doing a good job) and in keeping consumers' insurance rates reasonable (7 percent). Apparently, many respondents believe that insurers are making excessive profits at their expense. As Exhibit 6 illustrates, while many more respondents believe that the commissioner is doing a fair job in addressing these issues, it is clear that dissatisfaction is prevalent.

It is equally clear that the high number of "don't know" responses indicate that the public is not well

EXHIBIT 6

Insurance Commissioner Ratings

	Good Job	Fair Job	Poor Job	Don't Know
Making sure companies have adequate funds	14%	34%	24%	28%
Keeping rates reasonable	7	28	52	12
Protecting consumers	12	39	32	17
Making sure companies do not make excessive profits	8	29	37	25

acquainted with the state's role in regulating insurance, despite the recent press coverage of health and no-fault automobile insurance. It also is safe to say that the public's dismay with insurance should not be laid at the door of the insurance commissioner, particularly David Dykhouse, who has held the office for only eight months. These are most likely the public's response to the state's role in overseeing the industry and defending consumers.

The public's dissatisfaction with high insurance rates is almost always a given. As dependent as the public is on the protections provided by insurance, many people have long questioned insurers' profits, which makes it surprising that by a ratio of 52 percent to 35 percent respondents favor market competition over state regulation of insurance rates. While people support market competition in theory, however, they prefer regulation in addressing specific problems.

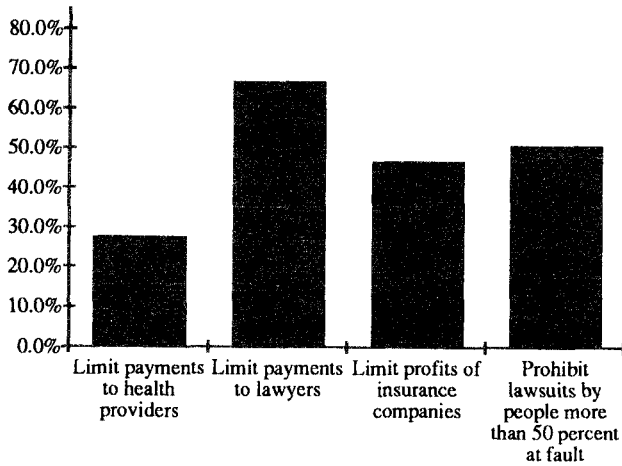
Automobile Insurance

► **Rate Reduction** This paradox is most evident in the public's support (62 percent strongly support and another 20 percent somewhat support) for a mandatory 20-percent reduction in automobile insurance rates. The results are even more striking when one considers that this question and the general question on market competition and state regulation were asked consecutively. Support for lower rates was strongest in Detroit (88 percent strongly support) and weakest in southeast Michigan (53 percent strongly support).

► **Legal Costs** If the public is wary of insurance company profits, it is even wariar of attorneys. When given several suggestions on how to reduce automobile insurance rates, 67 percent strongly support limiting payments to lawyers in automobile accident lawsuits. This is consistent with respondents' belief that legal costs, including attorney fees, are the main reason for rising auto insurance costs: 71 percent state that legal costs are very significant in driving up premiums. Fifty-one percent also strongly support prohibiting lawsuits by persons who are more than 50 percent responsible for causing an accident. There is less strong, but still considerable, support for limiting the profits of insurance companies (48 percent). Although many do not condone insurance companies' profits, the public evidently looks most to the legal profession when laying blame for high insurance rates. (See Exhibit 7.)

EXHIBIT 7

Ways to Reduce Costs of Auto Insurance
(percentage strongly agreeing)



The public also appears willing to change the current method for determining the size of non-economic damage awards to accident victims, if the change can be shown to save money. Respondents were told that Michigan's no-fault insurance law allows policyholders to sue for pain and suffering only when very serious injuries occur. Since 1987, juries have made decisions on the seriousness of injuries; before that, judges did. Respondents believe that juries (48 percent) more than judges (30 percent) should be responsible for such decisions. After being told that judges were much more likely than juries to control costs such as damage awards and attorney fees, however, only 26 percent continue to support juries. The public prefers lowering insurance costs and premiums by modifying the legal system and attorney fees.

➤ **Health Care Costs** The public, however, does not let other professions off the hook. Next to legal fees, the public sees the cost of medical care as the biggest reason for rising auto insurance rates: 60 percent state that such costs are very significant in increasing premiums.

Curiously, people are less willing to control those increases by regulating fees or limiting patients' choices of physicians and hospitals. While 67 percent strongly favor limiting payments to lawyers in automobile injury lawsuits as a way of reducing auto premiums, only 27 percent strongly support limiting payments to health care providers, and 35 percent strongly support establishing fixed medical fees for

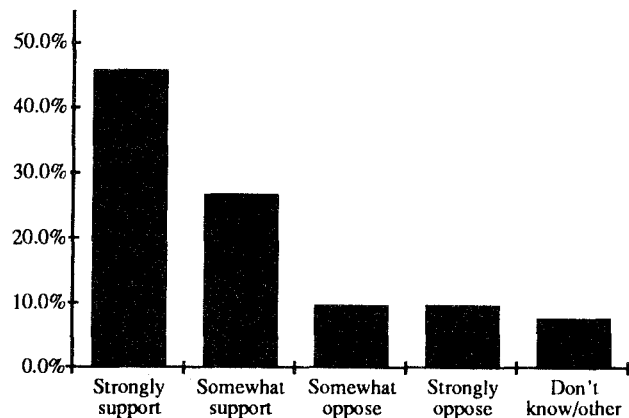
specific types of injury. Moreover, there is strong opposition (69 percent) to proposals that would allow insurance companies to require accident victims to use health care providers designated by the insurance company, even if it enables insurers to negotiate lower prices.

Perhaps respondents' support for cuts in medical fees is weaker because they fear that it could further threaten their access to health care (see "Health Insurance" below). Also, most people believe that they will need health care more than they will need an attorney for an automobile injury lawsuit so are less worried that reducing attorney fees will harm them.

Public reluctance to change the no-fault insurance system's methods of paying for health care should not be mistaken for opposition to all change. Forty-six percent strongly support (with another 27 percent somewhat supporting) a proposal that would limit mandatory coverage for accident victims' medical and rehabilitation expenses to \$250,000, with an option to purchase coverage above that amount. Currently, there is no limit on coverage for these expenses. (See Exhibit 8.)

EXHIBIT 8

Limit Mandatory Coverage to \$250,000 and
Allow an Option to Buy Coverage Above
\$250,000



➤ **Territorial Rating** The state legislature also is debating the value of territorial rating, which allows insurers to determine premium levels in part based on regional factors, such as the risk of theft at the location in which one parks one's car. Because losses and claims payments generally are highest in larger cities, urban consumers pay more for their insurance. These

overall regional costs and an individual's driving record are the main factors used in setting rates.

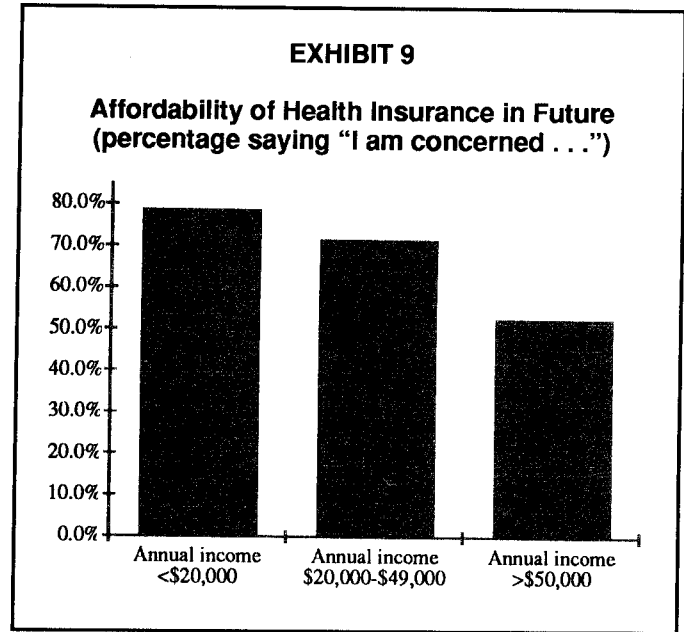
Survey participants were asked whether they believe rates should be established by regions and driving records or by driving records alone. Sixty-one percent believe only driving records should be used in setting rates, and 27 percent support the current method of rate setting. Of the 61 percent who support using only driving records, 24 percent say they would change their position if this resulted in rate increases in rural and suburban areas and reductions in urban areas. A plurality, then, still favors setting rates by driving records alone.

Health Insurance

With the surprising victory of Harris Wofford, a strong advocate of national health insurance, in the Pennsylvania U.S. Senate election last month, health care has assumed an immediacy in electoral politics. U.S. Senate Democrats have offered proposals in past months, but Wofford's victory signaled to the White House that President Bush needs to announce his plan for reform of a health care system that almost everyone agrees is sorely in need of repair.

It is common knowledge among policy makers that the nation and Michigan have unacceptably high numbers of persons without health insurance, more than 30 million nationally, and between 750,000 and one million in Michigan. Everyone laments the relentlessly rapid annual increases in health care costs. However, not until the middle class began to fear that it could no longer afford the health insurance it had were our lawmakers compelled to act.

These fears are visible in answers to our poll's questions about health insurance. More than 80 percent state that their current health insurance is adequate, while 71 percent say that they are concerned about whether they can afford insurance in the future. Concern is stronger (79 percent) among respondents making \$20,000 or less a year, but only slightly more so than among those making between \$20,000 and \$49,999 annually (72 percent). Even 53 percent of those making \$50,000 or more a year fear they will not be able to afford health insurance in the near term. (See Exhibit 9.) Until recently, affordable insurance was a problem only for persons with low incomes; now, it is a worry of many, regardless of income.



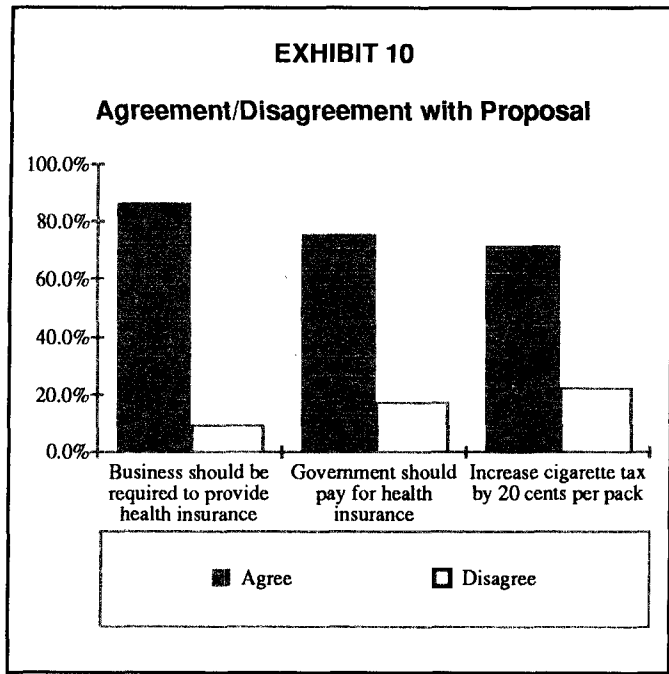
These fears also fuel the public's call for major reform in health care. Seventy-six percent believe that the government should pay for basic health insurance for those who cannot get it elsewhere. (See Exhibit 10.) Blacks (78 percent), moderates (58 percent), and liberals (56 percent) most strongly support this proposal; whites (44 percent) and conservatives (43 percent) least strongly favor it.

There is equally strong support (73 percent) for a 20-cent-per-pack increase in the cigarette tax to fund basic health insurance for workers and children without it. (See Exhibit 10.) Despite lukewarm conservative support for government-financed basic health care for all, conservatives' strong support for a cigarette tax hike (74 percent) is slightly higher than liberals' and moderates' support.

Most respondents think the burden to provide health care should fall on the private sector not the government: 85 percent believe that businesses should provide health insurance for their full-time employees (see Exhibit 10), and 66 percent believe this strongly. Again, conservative support is slightly stronger than liberal support. Clearly, ideology matters less and less when the topic is health care reform, except in relation to private sector versus government solutions.

Medical Liability Insurance

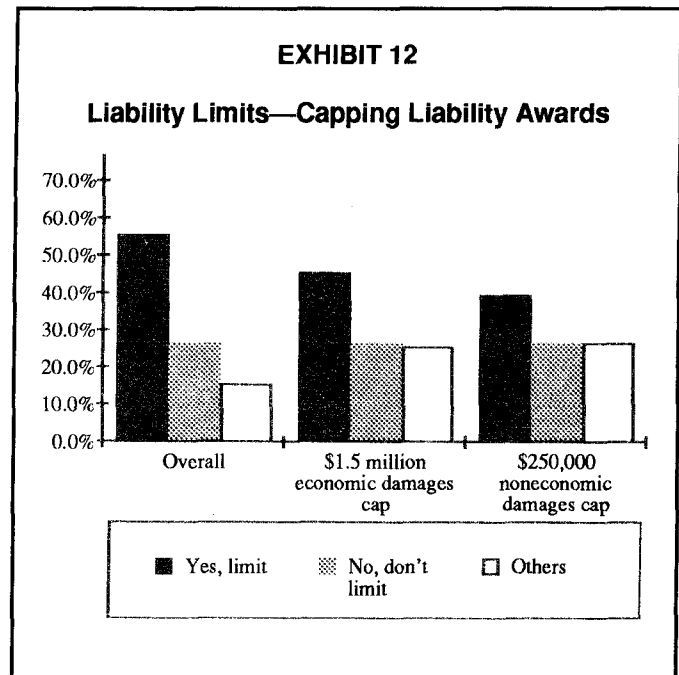
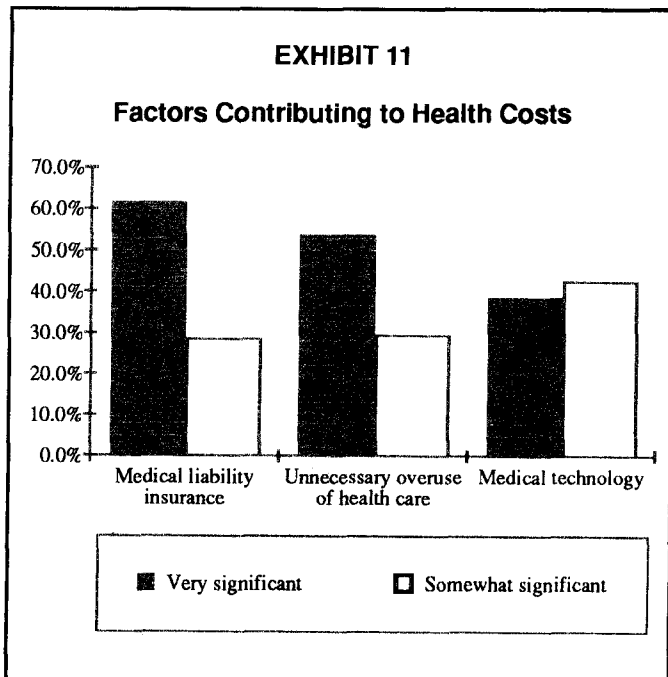
In Michigan, medical liability reform has been the focus of health policy discussions since Governor



In answers to another question, 82 percent strongly or somewhat agree that increasing liability insurance costs are making it harder for people to get access to health care in Michigan. Forty-four percent strongly or somewhat agree that higher liability insurance costs are making it harder for their family to get access to health care. As if worries about their own health insurance are not enough, many people now are concerned that their doctors' malpractice premiums may threaten their access to care.

One of the most controversial proposals for holding down the cost of medical liability insurance is to cap the amount a plaintiff can collect in damages for rehabilitation, wage loss, and pain and suffering. (See Exhibit 12.) Fifty-six percent support and 28 percent oppose such a limit (16 percent did not answer). There is slightly less support for specific proposals for such limits: 44 percent favor (and 27 percent oppose) limiting economic damages for lost wages, future earnings, and rehabilitation to \$1.5 million, and 40 percent favor (with 27 percent opposing) \$250,000 limits on noneconomic damages for pain, suffering, and emotional stress.

Engler took office in January. This seems justified, given survey respondents' assessment of the close relationship between high medical malpractice insurance costs, high overall health care costs, and impediments to access to affordable health insurance. Ninety percent believe that the cost of medical liability insurance is a very or somewhat significant reason for the increasing cost of health insurance. Eighty-two percent say the same of unnecessary overuse of health care services and 81 percent of new medical technology. (Exhibit 11.)



Conclusions: Major Findings

- A majority (52 percent) supports market competition over state regulation (35 percent) as a means of determining insurance rates, but a larger majority favors a proposed 20-percent reduction in no-fault automobile insurance rates. The

public appears to prefer market competition in theory, and more regulation in practice.

- Although many do not condone insurance companies' profits and what they deem is the state's lax oversight of insurers, the public evidently blames the high cost of lawsuits most for high automobile insurance rates.
- There is broad support (85 percent) for requiring that businesses offer health insurance to all full-time employees.

➤ There is widespread support (73 percent) for a cigarette tax increase to fund basic health coverage for workers and children not presently covered.

➤ Forty-four percent of those surveyed strongly or somewhat agree that rising medical liability premium costs are making it harder for their families to get health care.

Responses to Selected Survey Questions on Insurance Issues (in percentages)

	Detroit	Metro Detroit	Southeast	Thumb	Central	Western	Northern	Male	Female	Black	White
Q. 8. Reduce auto insurance rates by 20 percent?											
Strongly support	88	55	53	66	73	57	68	65	62	74	62
Somewhat support	6	29	12	20	13	24	13	19	19	19	20
Somewhat oppose	5	10	19	9	7	11	9	7	12	6	10
Strongly oppose	1	2	7	1	4	3	4	4	2	2	3
Q. 16a. Present health care insurance is adequate?											
Strongly agree	32	56	57	73	62	53	53	55	54	32	58
Somewhat agree	42	31	26	10	21	22	24	26	27	41	25
Disagree	15	6	4	4	4	11	8	8	7	20	5
Strongly disagree	2	6	14	13	10	13	11	7	10	3	9
Q. 16b. Concerned about affording health insurance in the future?											
Strongly agree	60	29	42	61	49	62	49	47	47	49	47
Agree somewhat	19	31	31	10	26	14	21	24	22	19	24
Disagree	15	23	15	14	9	9	17	16	16	21	15
Strongly disagree	2	12	12	14	17	12	12	11	11	10	11
Q. 16c. Having a hard time paying for health insurance?											
Strongly agree	22	23	9	11	21	23	17	19	20	25	18
Agree somewhat	22	17	16	6	5	13	3	13	13	26	11
Disagree	24	30	32	24	39	30	59	32	34	23	34
Strongly disagree	5	22	41	53	33	30	17	28	25	8	30
Q. 16d. Government should pay for basic health insurance of those who cannot get it elsewhere?											
Strongly agree	72	47	46	54	44	46	37	46	53	78	44
Agree somewhat	21	35	26	21	26	23	31	26	29	20	30
Disagree	2	8	14	9	15	13	21	13	9	1	13
Strongly disagree	1	4	12	9	10	12	3	9	5	0	8

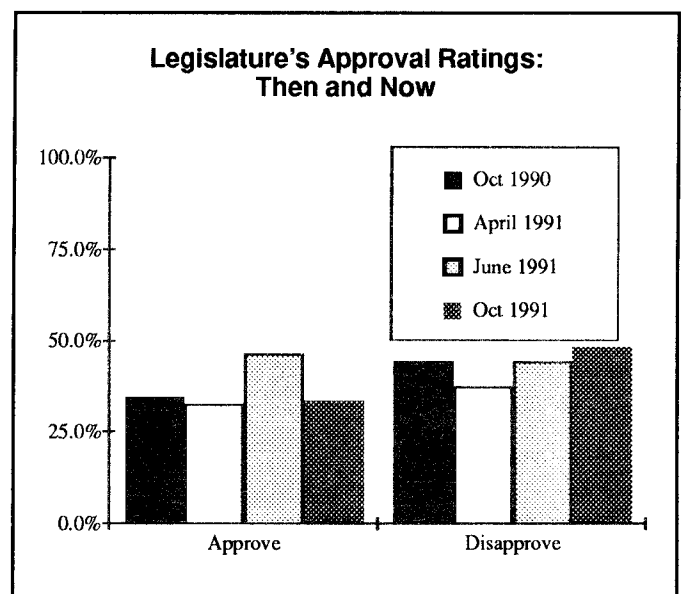
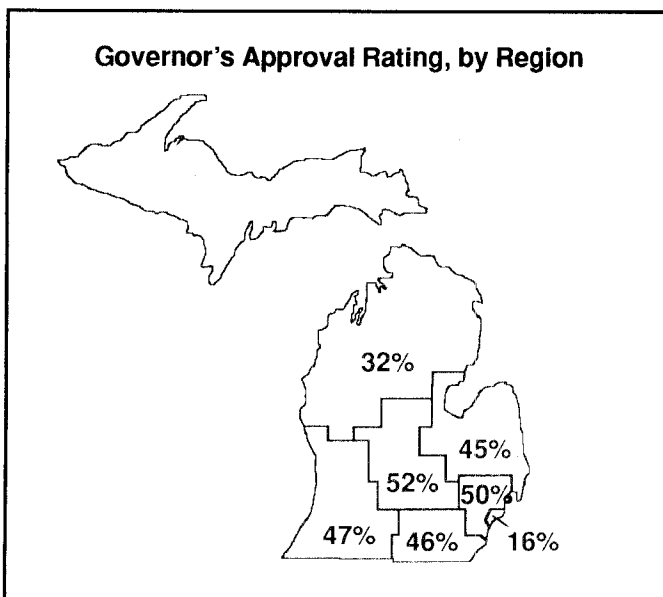
Changes in Governor Engler's and Legislature's Approval Ratings

Subgroup	Governor Engler			Legislature		
	June	October	Change	June	October	Change
Liberal	28%	28%	0%	45%	38%	-7%
Moderate	44	39	-5	48	20	-28
Conservative	63	54	-9	49	39	-10
Age 18-34	42	41	-1	55	36	-19
Age 35-65	52	45	-7	45	36	-9
Age 65 and older	58	45	-13	37	31	-6
Detroit	30	16	-14	43	25	-18
Metro Detroit	51	50	-1	45	34	-11
Southeast	43	46	3	50	29	-21
Thumb	44	45	1	46	28	-18
Central	49	52	3	43	45	2
Western	61	47	-14	47	43	-4
Northern	57	32	-25	55	30	-25
Annual income of less than \$20,000	41	33	-8	40	40	0
Annual income of \$20-49,000	48	46	-2	49	33	-16
Annual income of \$50,000 or more	58	59	1	50	40	-10
Male	56	50	-6	50	31	-19
Female	43	37	-6	43	37	-6
Black	13	17	4	48	23	-25
White	53	49	-4	47	37	-10
Other	66	35	-31	53	29	-24

POLITICS: APPROVAL RATINGS

Findings

- Governor Engler's approval rating decreased marginally from 49 percent to 44 percent, while his negative rating increased from 46 percent to 47 percent.
- The governor suffered large losses in Detroit, which could be expected, but also in the north and west, which are traditionally Engler's strongest areas of support.
- The number of people who strongly disapproved of Engler has increased from 24 to 29 percent.
- The legislature suffered large losses; its approval rating plummeted from 47 percent in June to 34 percent in October.
- Approval of the Congress was a dismal 29 percent; President Bush registered a 56 percent approval rating.



Analysis

Michigan is seen to be a polarized state. Governor Engler's approval rating remains sharply divided between whites and blacks (49 percent to 17 percent) and men and women (50 percent to 37 percent) and by geography (16 percent of Detroit, 52 percent of the central regions). Engler's approval rating among conservatives ran at 63 percent in June but fell to 54 percent in October.

The Michigan legislature's approval rating dropped substantially from June (47 percent) to October (35 percent). This precipitous fall is most likely

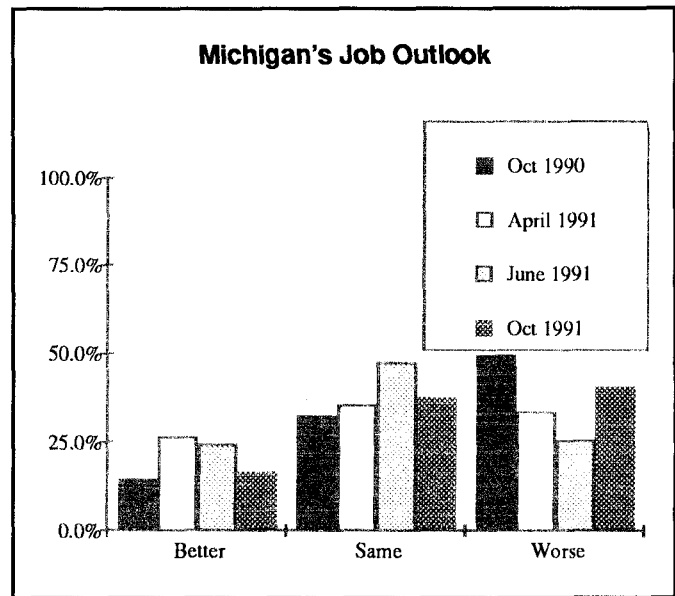
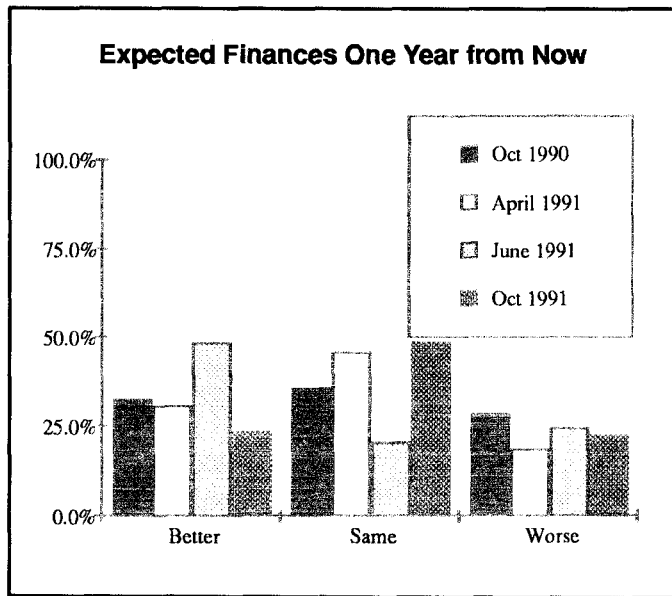
due to negative reaction to the Clarence Thomas hearings played out in the Congress. The backlash from this event was so severe that its effects can be felt by local as well as national elected representatives.

President Bush received an approval rating of 56 percent, while the United States Congress received an approval rating of only 29 percent. The *Public Opinion Monitor* will be tracking the approval rating of the president and Congress through 1992.

TRENDS IN PUBLIC CONFIDENCE

Findings

- Economic confidence drops to its lowest levels since October 1990.
- The public retains its skepticism toward elected officials.
- More Michiganian's are pessimistic about the coming year.



Analysis

Only 24 percent of respondents expect to be better off a year from now. This compares with 49 percent who, when surveyed in June, expected to be better off next year. The dramatic drop, due to the possibility of "twin recessions," does not bode well for a recovery of Michigan's economy in the near future.

By two to one (24 to 12 percent), more people thought race relations would get worse than get better over the next year. This ratio is consistent with previous surveys. Forty-one percent of blacks, compared to 22 percent of whites, thought race relations would get worse.

Methodology

Public Sector Consultants' October 26-29 1991, survey sampled 800 Michigan residents over the age of eighteen, yielding a margin of error of plus or minus 3.5 percent in 95 out of 100 samples. Survey participants were not required to be registered voters. This sample was stratified with respect to geography and gender and was designed to represent the population correctly. The surveys were conducted by Florence Morros Interviews in Oak Park, Michigan. PSC is convinced that these numbers accurately reflect current political attitudes in Michigan.