

NATIONAL MEDICAL MALPRACTICE TRENDS

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OSHRM SOHA

The Willis logo is displayed in white text on a dark blue rectangular background. The word "Willis" is written in a serif font, with the 'W' being significantly larger than the other letters.

NATIONAL MEDICAL MALPRACTICE TRENDS: 2015

Overview

- Positive and Negative Medical Malpractice Trends
- Medical Malpractice Insurance Trends
- Medical Malpractice Claim Trends
- The Future: Health Care Reform Liability



NATIONAL MEDICAL MALPRACTICE TRENDS: POSITIVES AND NEGATIVES

NATIONAL MEDICAL MALPRACTICE TRENDS

2015: The National Medical Malpractice Environment

The Positives

- Claims counts/frequency still down markedly
- Severity rising but not drastically
- Much competition in the insurance market makes for favorable pricing across all health care professional liability segments
- Improvement in obstetric claims seen across a number of databases: Unprecedented?
- MICRA laws upheld in California by overwhelming public vote last November
- Industry Combined Ratio improved: HPL is profitable

NATIONAL MEDICAL MALPRACTICE TRENDS

2015: The National Medical Malpractice Environment

The Negatives

- Claims costs rising due to medical costs and legal expenses
- The number of jumbo verdicts have increased but are not a problem (yet). No affect on premiums
- The numbers of large verdicts is increasing nationally

MEDICAL MALPRACTICE INSURANCE TRENDS: 2015



MEDICAL MALPRACTICE INSURANCE TRENDS

Medical Professional Liability Combined Ratio 2008 - 2013

<u>Year</u>	<u>Combined Ratio</u>
2008	77.4
2009	83.4
2010	80.6
2011	87.9
2012	93.8
2013	92.5

Source: A.M. Best 2014

MEDICAL MALPRACTICE INSURANCE TRENDS

- Medical malpractice continues as the most profitable line of P&C insurance
- Fierce competition and rate decreases continue across all segments: hospitals, physicians, long term care, managed care, facilities
- Market consolidation by acquisition continues and likely to continue.
- Reinsurance market has been favorable; more capital coming in
- Continued growth of captives/RRGs: 253 Cayman health care captives; 100 Vermont captives

Top Ten Medical Professional Liability Insurers - 2013

2013 Rank	Company	Net Premiums Written
1	Berkshire Hathaway	\$825.5M
2	Doctors Company	736.1
3	MLMIC (NY)	542.0
4	ProAssurance	494.9
5	CNA	477.2
6	PRI (NY)	373.2
7	AIG	351.5
8	Coverys	346.2
9	NORCAL	285.2
10	ISMIE Mutual (Illinois)	243.2

Source: AM Best 2014

M&A Transactions Involving Medical Professional Liability Carriers

BUYER

2014 TRANSACTIONS

Coverys

2013 TRANSACTIONS

Coverys

MAG Mutual

MMIC

2012 TRANSACTIONS

ProAssurance Corporation

ProAssurance Corporation

TARGET

PPIC

OHAIS

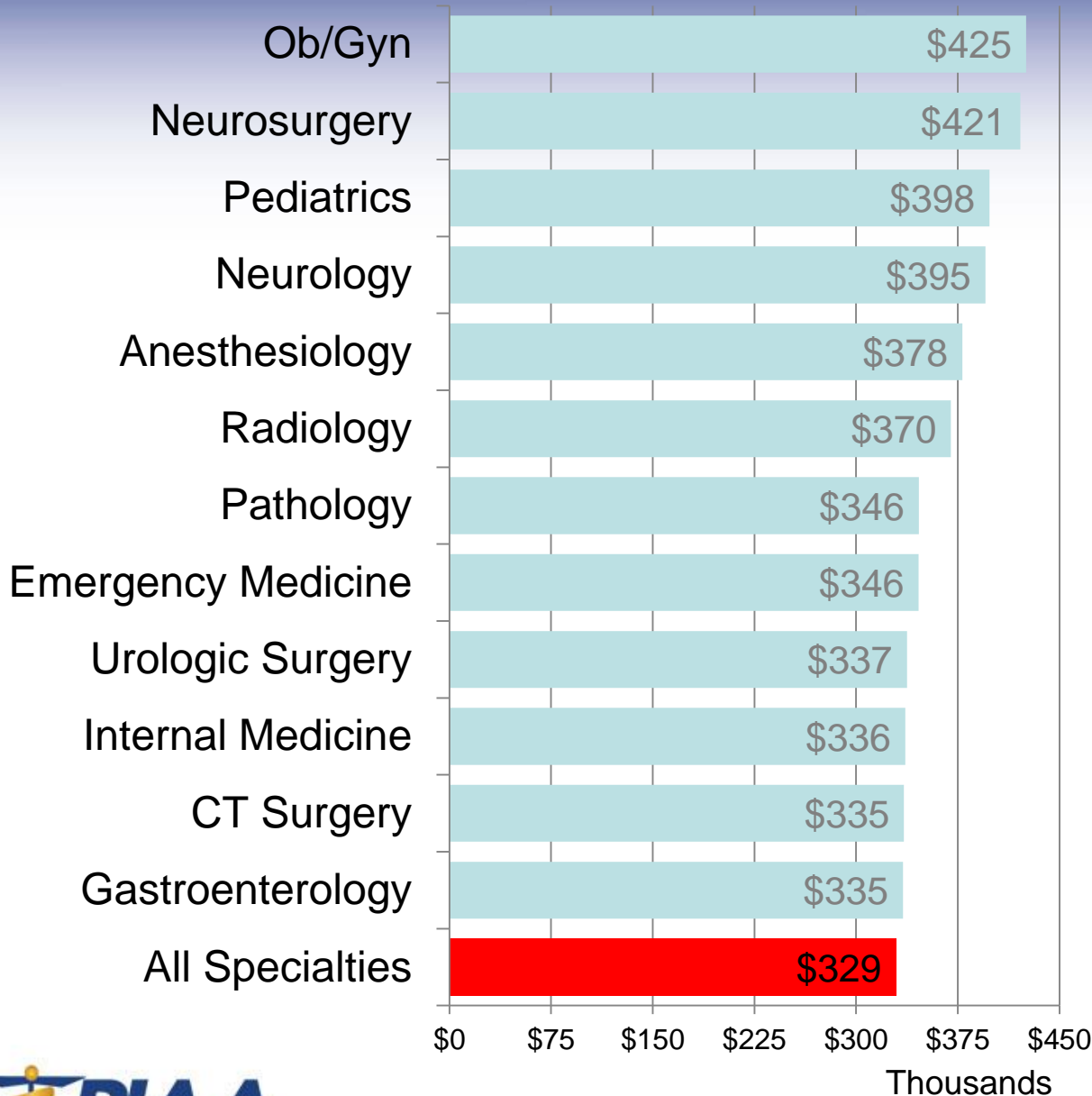
South Carolina Physician Assurance Co.

Utah Medical Insurance Association

Medmarc Insurance Group

Independent Nevada Doctors Insurance Exchange

NATIONAL MEDICAL MALPRACTICE CLAIM TRENDS



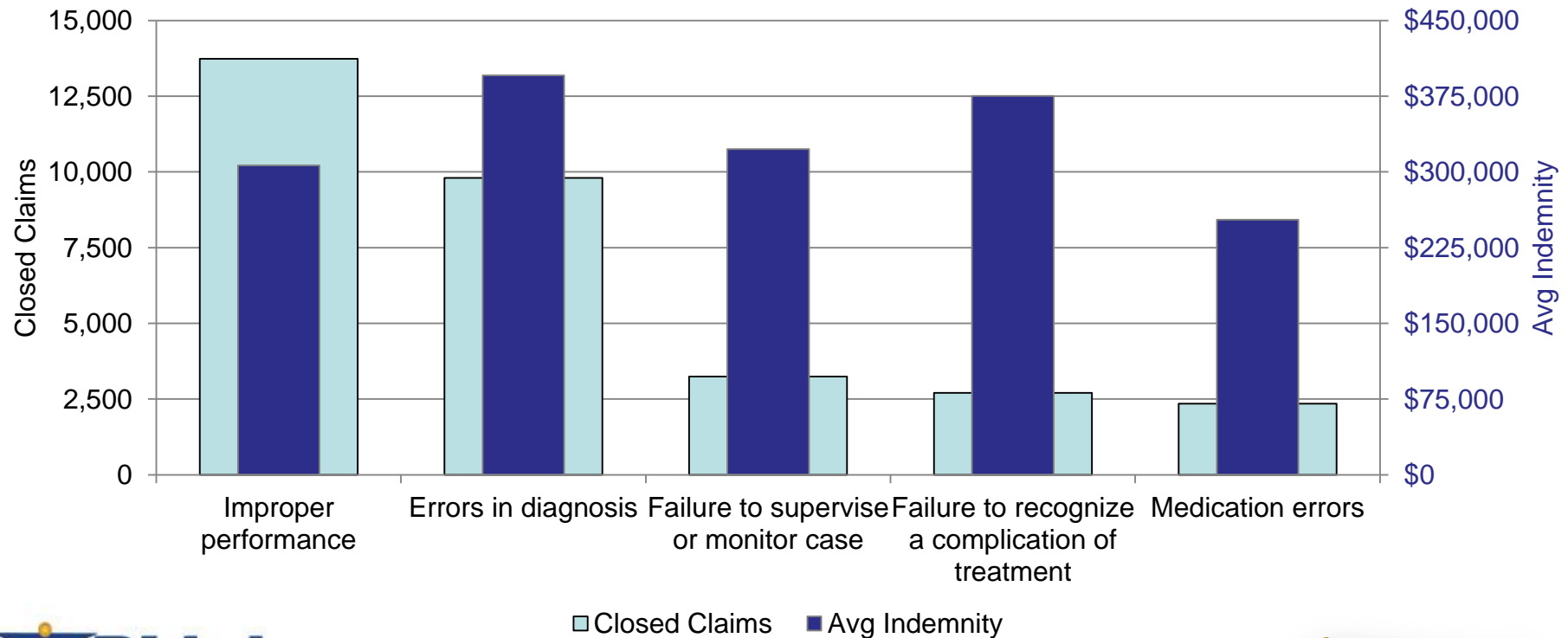
Top Medical Specialties by Average Indemnity (2008-2012)



Top Chief Medical Factors (2008-2012)



**Diagnostic Error second by number of closed claims;
highest by average indemnity payment.**



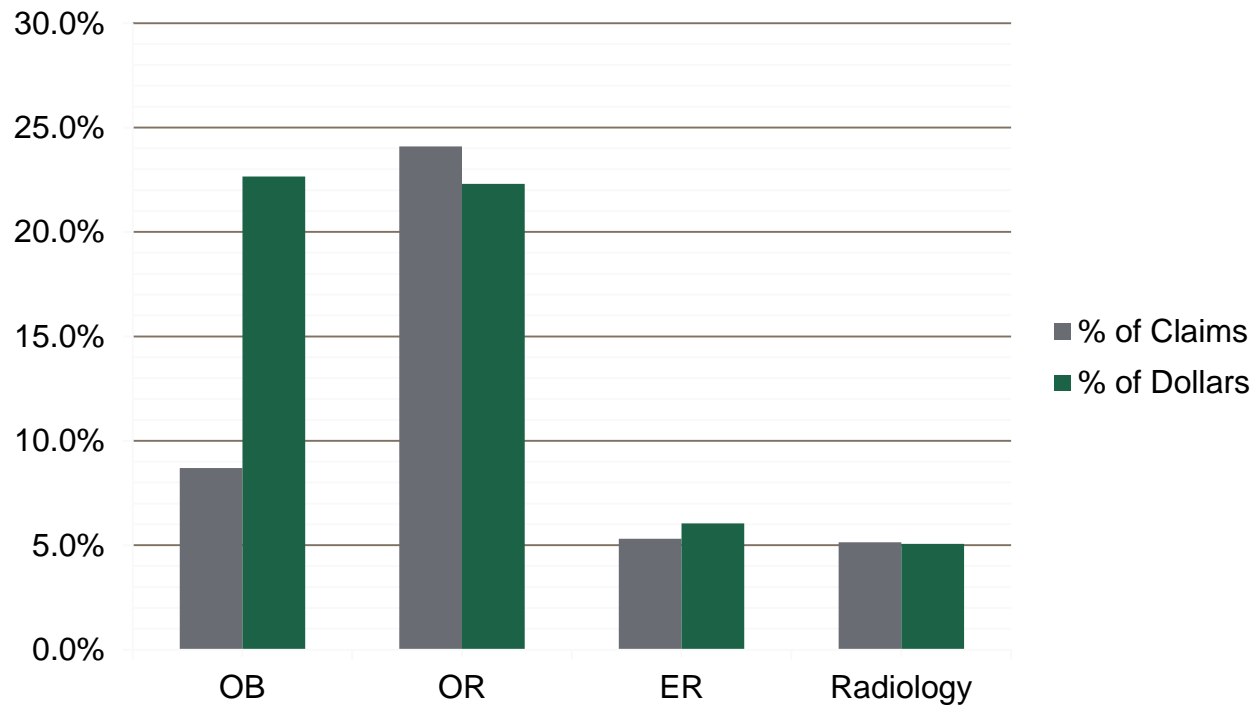
Trends of Note - 5 year intervals (2003-2007) and (2008-2012)



Classification	% Paid-to-Closed	Average Indemnity	Average ALAE
OB/Gyn	Decreased 2%	Decreased	Increased
Radiology	Increased 1%	Increased	Decreased
Medication Errors	Increased 10%	Increased	Increased



Hospital Claims for High-Risk Services Generate over Half of Total Liability Dollars



Source: BerkleyMed, 2015

Obstetrics Claims – Metrics

Hospitals

- About one out of every 3,711 births results in a medical malpractice claim with indemnity
- The average value of these cases, including defense, is about \$1.1M
- The cost per delivery to cover liability is, on average, \$296

Source: BerkleyMed, 2015

Hospital Claim Trends

Zurich Annual Benchmark Report

- Issued October 2013
- Overall trends reported for AY 1999 - 2009
- Over 315,000 claims and about \$27 billion in estimated ultimate losses
 - Zurich claims and underwriting data submitted to Zurich
 - 2010 was the cut off year to allow for maturation of claims

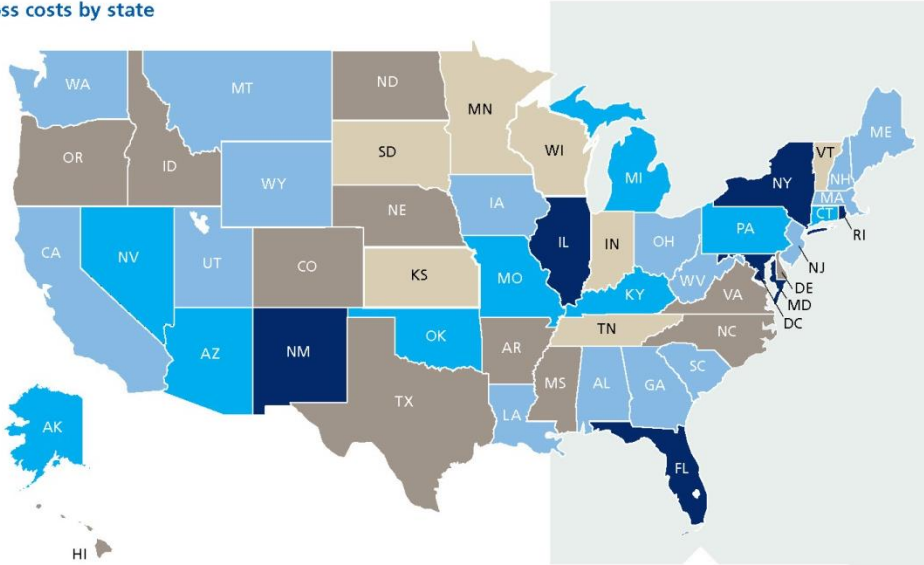
HOSPITAL CLAIM TRENDS

Zurich 2014 Claims Analysis: Key Findings

- Claim frequency: “very stable”
- Severity trending up. Rose 6% per year from 2006 to 2011
 - IL, NY, PA lead in severity
- Frequency of large claims continues to rise
 - Pctg >\$1M and those >\$5M but moving at the same pace
- Children’s hospitals had the highest severity followed by teaching hospitals. These two types of facilities had much higher severity than others.
- Early resolution programs had little impact on expense and indemnity

Loss Cost Per OBE Zurich Claims

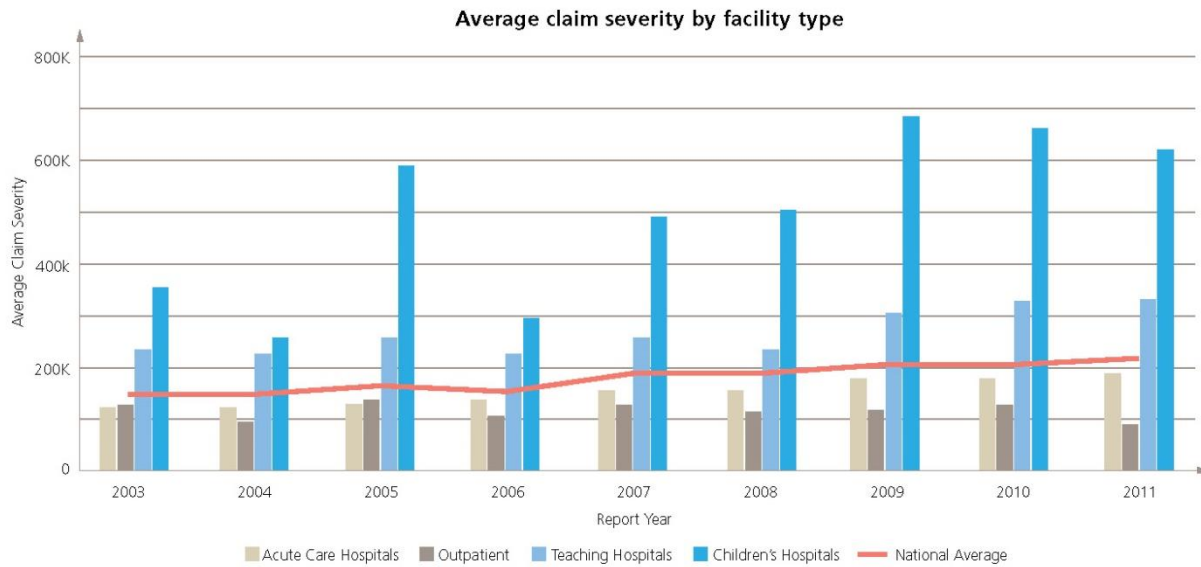
Loss costs by state



Average loss cost per OBE:

780 to 1,280	1,410 to 1,790	1,880 to 2,390	2,480 to 3,350	3,750 to 5,800
IN	AR	AL	AK	DC
KS	CO	CA	AZ	FL
MN	DE	GA	CT	IL
SD	HI	IA	KY	MD
TN	ID	LA	MI	NM
VT	MS	MA	MO	NY
WI	NC	ME	NV	RI
	ND	MT	OK	
	NE	NH	PA	
	OR	NJ		
	TX	OH		
	VA	SC		
		UT		
		WA		
		WV		
		WY		

Claim Severity by Facility Type: Zurich



Zurich: Facility Dashboards

Frequency, Severity, Loss Cost



Claim Frequency
Acute Care Hospitals



Claim Severity
Acute Care Hospitals



Loss Cost per Exposure
Acute Care Hospitals



Claim Frequency
Teaching & Children's Hospitals



Claim Severity
Teaching & Children's Hospitals



Loss Cost per Exposure
Teaching & Children's Hospitals

National MPL Trends 2015: Conclusion

- Integration/Reform has yet to notably impact MPL risk
- Cost for plaintiff's to pursue malpractice cases is a huge barrier
- Telemedicine: Very few cases
- Frequency remains at historic lows; severity is predictable
- The public's perception of hospitals and the health care industry must be closely watched, especially with consolidation
- Managing patient expectations is crucial in a time of transition