



MICRA VS. PROP. 103

WHY ARE MEDICAL LIABILITY PREMIUMS STABLE AND COMPETITIVE IN CALIFORNIA?

What Is MICRA and How Has it Kept Medical Liability Rates Stable?

MICRA is the Medical Injury Compensation Reform Act. It was enacted into law in 1975 by a special session of the California Legislature called by Governor Jerry Brown.

At the time, California was facing a medical liability crisis – much like the one facing America today – that was caused by, in Governor Brown’s words, “the inability of doctors to obtain insurance at reasonable rates,” which he said “endangers the health of the people . . . and threatens the closing of many hospitals.” (*Proclamation to Legislature, May 16, 1975*)

MICRA protects patients and health care providers by:

- Providing full compensation for all economic damages, including medical bills, lost wages, future earnings, custodial care and rehabilitation.
- Placing a fair and reasonable limit of \$250,000 on non-economic damages.
- Establishing a statute of limitations on claims.
- Ensuring that the bulk of any award goes to the plaintiffs, not attorneys.

How successful has MICRA been? At the height of California’s medical liability crisis, insurance premiums for anesthesiologists reached \$22,702 per year. Current rates are \$10,337 per year – 50% below the rates charged in 1975. (*Norcal Mutual Insurance Company, January 31, 2003*)

Since MICRA was enacted 27 years ago, medical liability premiums in CA have risen just 167% compared to 505% for the rest of the nation.

(Physician Insurers Association of America)

What Is Proposition 103 and Why Has it Had No Impact on Medical Liability Rates?

Proposition 103, the Insurance Rate Reduction and Reform Act, was passed as an initiative by California voters in 1988.

- Prop. 103 was adopted 13 years after MICRA;
- In many ways, Prop. 103 is actually weaker than earlier regulations governing insurance premiums;

- Prop. 103 does not prohibit insurance companies from raising premium rates, but merely provides that an insurer seeking a rate increase must file an application with the State Insurance Commissioner;
- Under Prop. 103, insurers have regularly applied for and obtained significant rate increases in all lines of insurance, except medical liability where MICRA has kept the rates from rising astronomically. Between September and the end of October, 2002, the Insurance Department “approved more than 75 applications for double-digit increases in insurance rates.” (*San Diego Union-Tribune, October 25, 2002*)
- The California Department of Insurance has never denied a single medical liability rate filing since Prop. 103 was enacted.

Prop. 103 has had no impact on CA medical liability premiums.