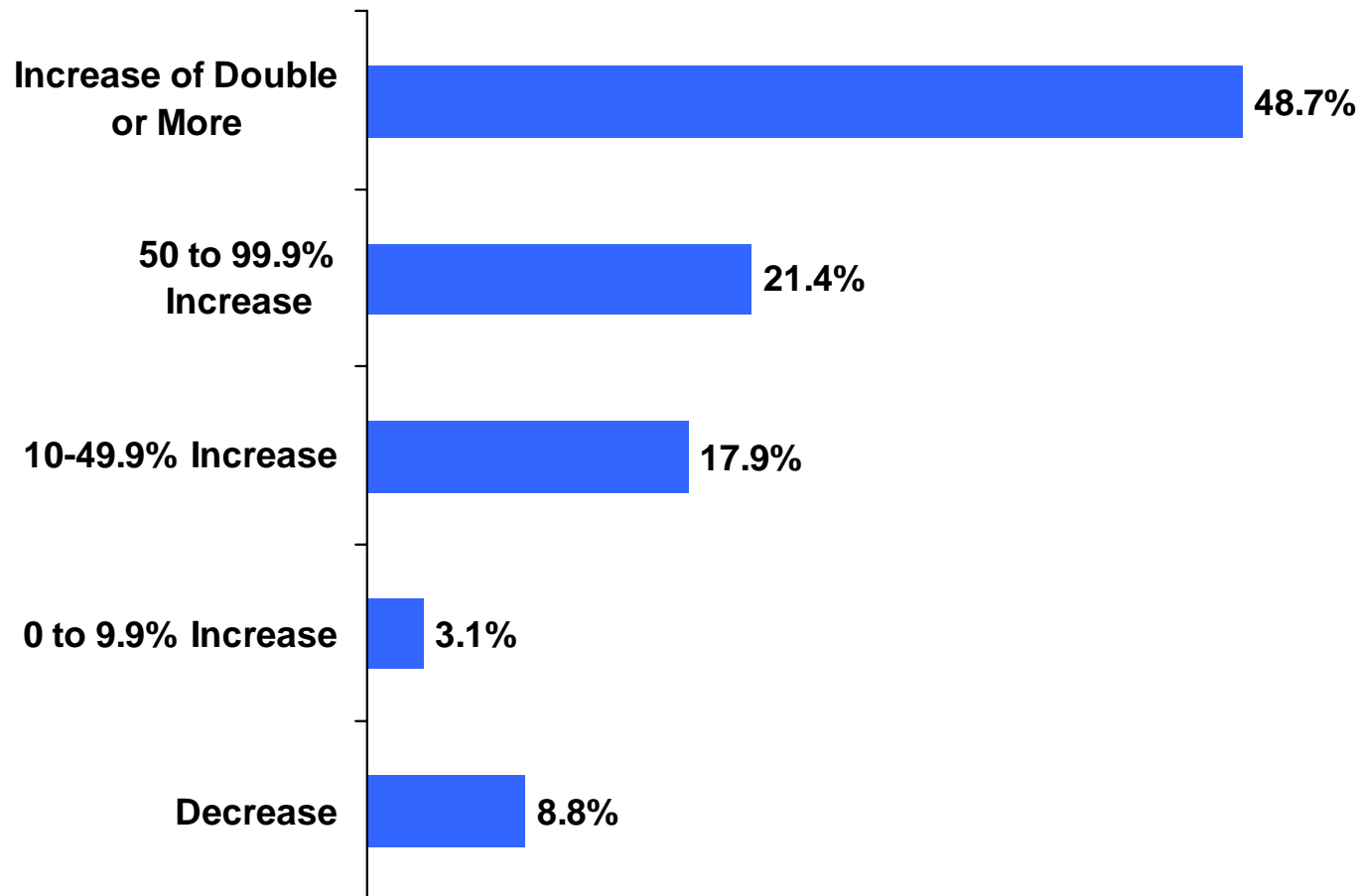


Professional Liability Insurance: A Growing Crisis

*Results of the AHA Survey of
Hospitals on Professional Liability Experience*

Professional liability expenses have doubled for nearly half of hospitals in crisis states.

Percent of Hospitals in Crisis States* by Rate of Growth in Professional Liability Expense over Past Two Years



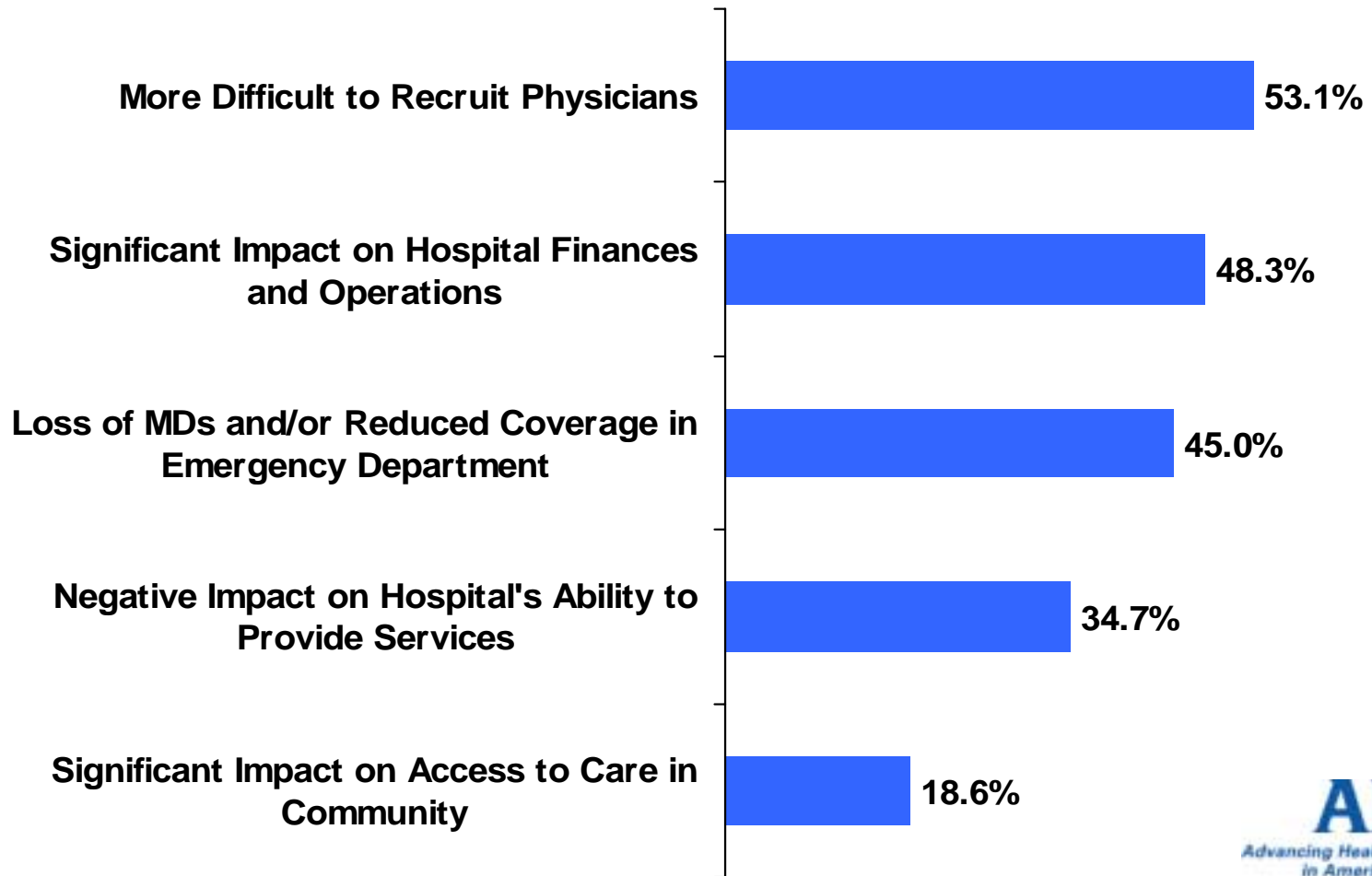
Source: AHA Professional Liability Insurance Survey, March 2003

*Crisis states as identified by AMA as of March of 2003 include: PA, WV, NV, MS, WA, OR, TX, AR, MO, GA, FL, IL, NC, KY, OH, NY, CT, NJ



The professional liability crisis is affecting hospitals and the patients they serve.

Percent of Hospitals in Crisis States* Reporting Specific Effects of Increased Professional Liability Expenses



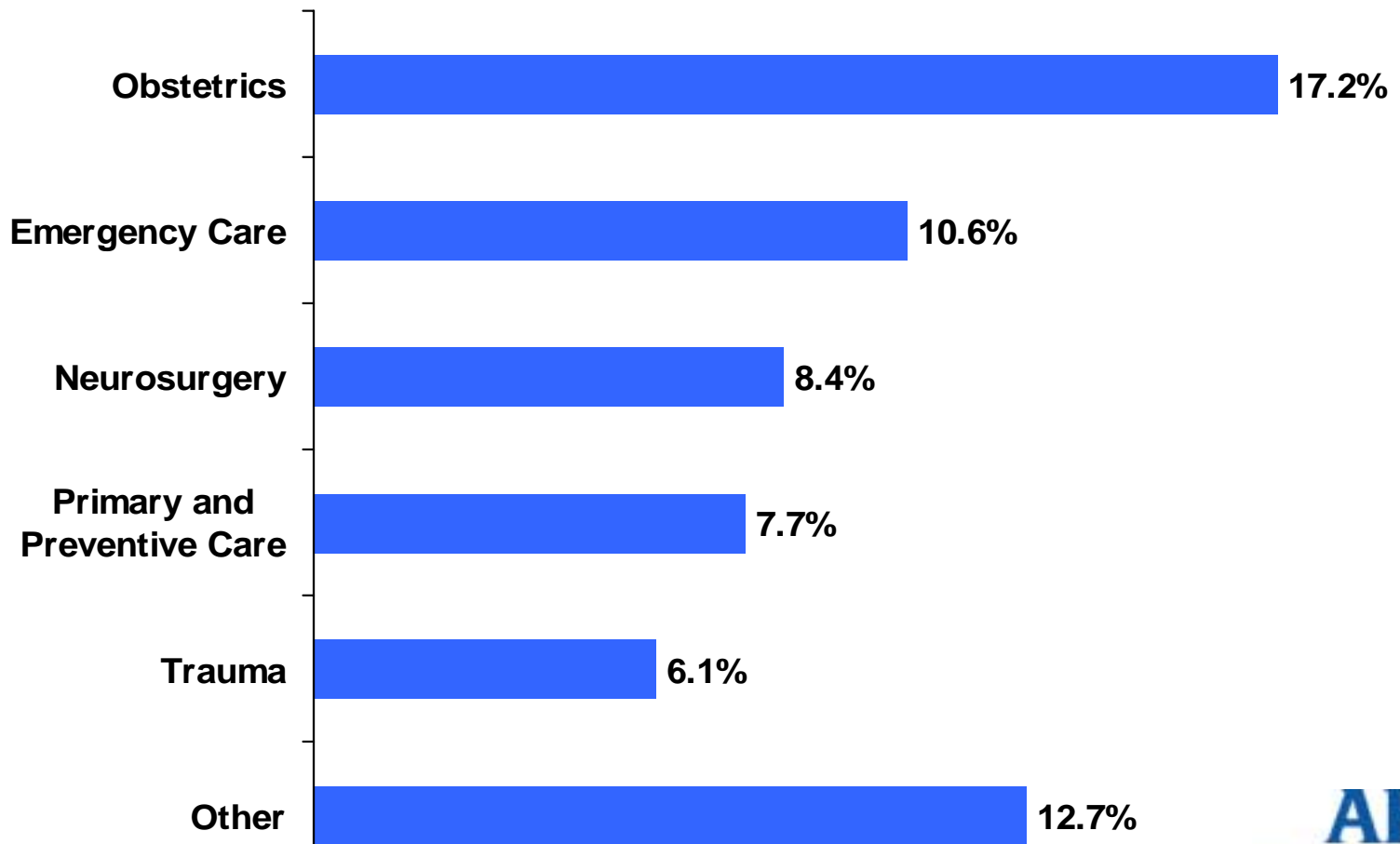
Source: AHA Professional Liability Insurance Survey, March 2003

*Crisis states as identified by AMA as of March of 2003 include: PA, WV, NV, MS, WA, OR, TX, AR, MO, GA, FL, IL, NC, KY, OH, NY, CT, NJ



Obstetrics and emergency care are the services most affected.

Percent of Hospitals in Crisis States* Reporting Negative Impact on Ability to Provide Specific Services



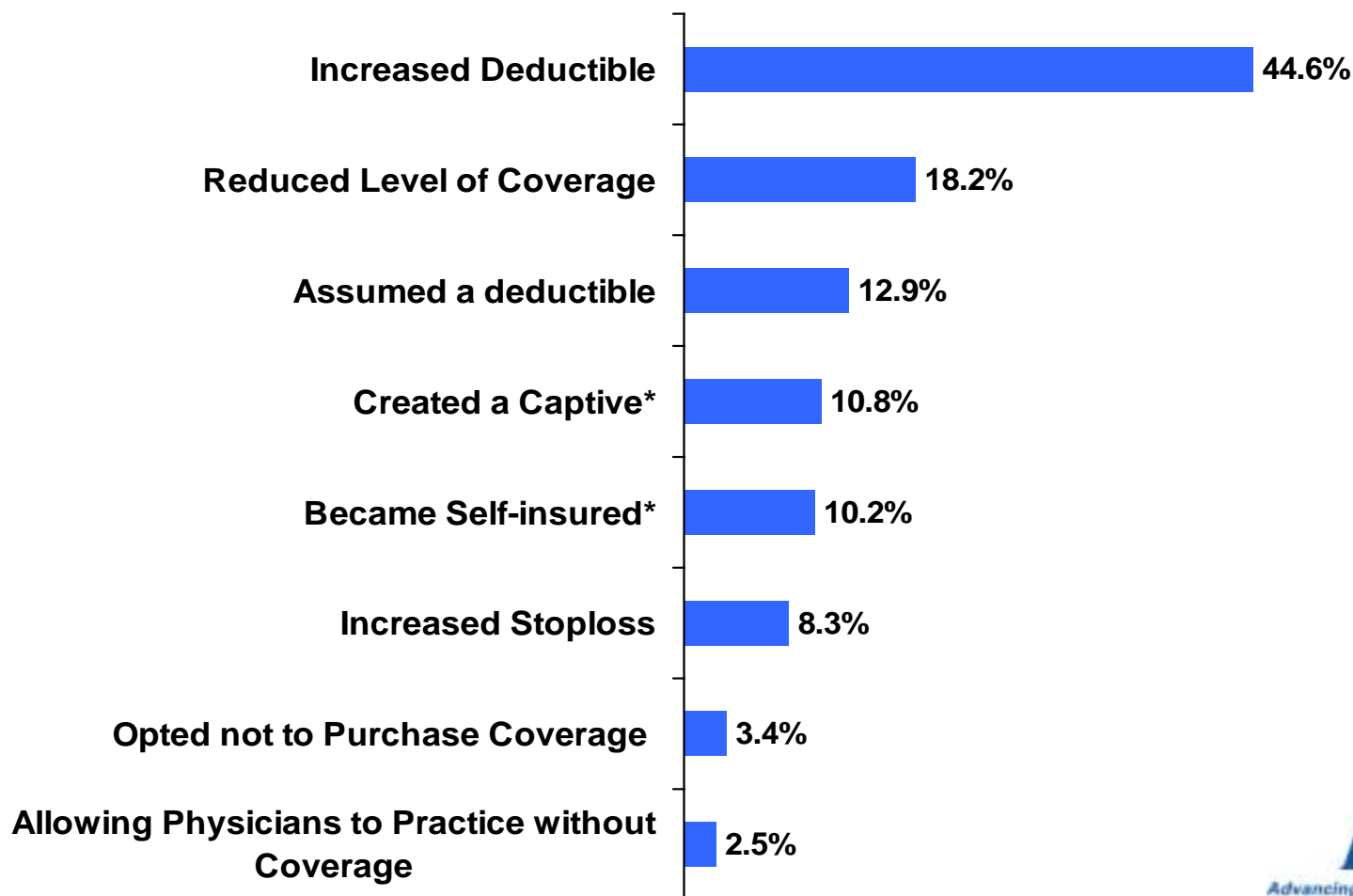
Source: AHA Professional Liability Insurance Survey, March 2003

*Crisis states as identified by AMA as of March of 2003 include: PA, WV, NV, MS, WA, OR, TX, AR, MO, GA, FL, IL, NC, KY, OH, NY, CT, NJ



Hospitals are also having to take on additional risk.

Percent of Hospitals in Crisis States⁺ Reporting Taking on Additional Risk



Source: AHA Professional Liability Insurance Survey, March 2003

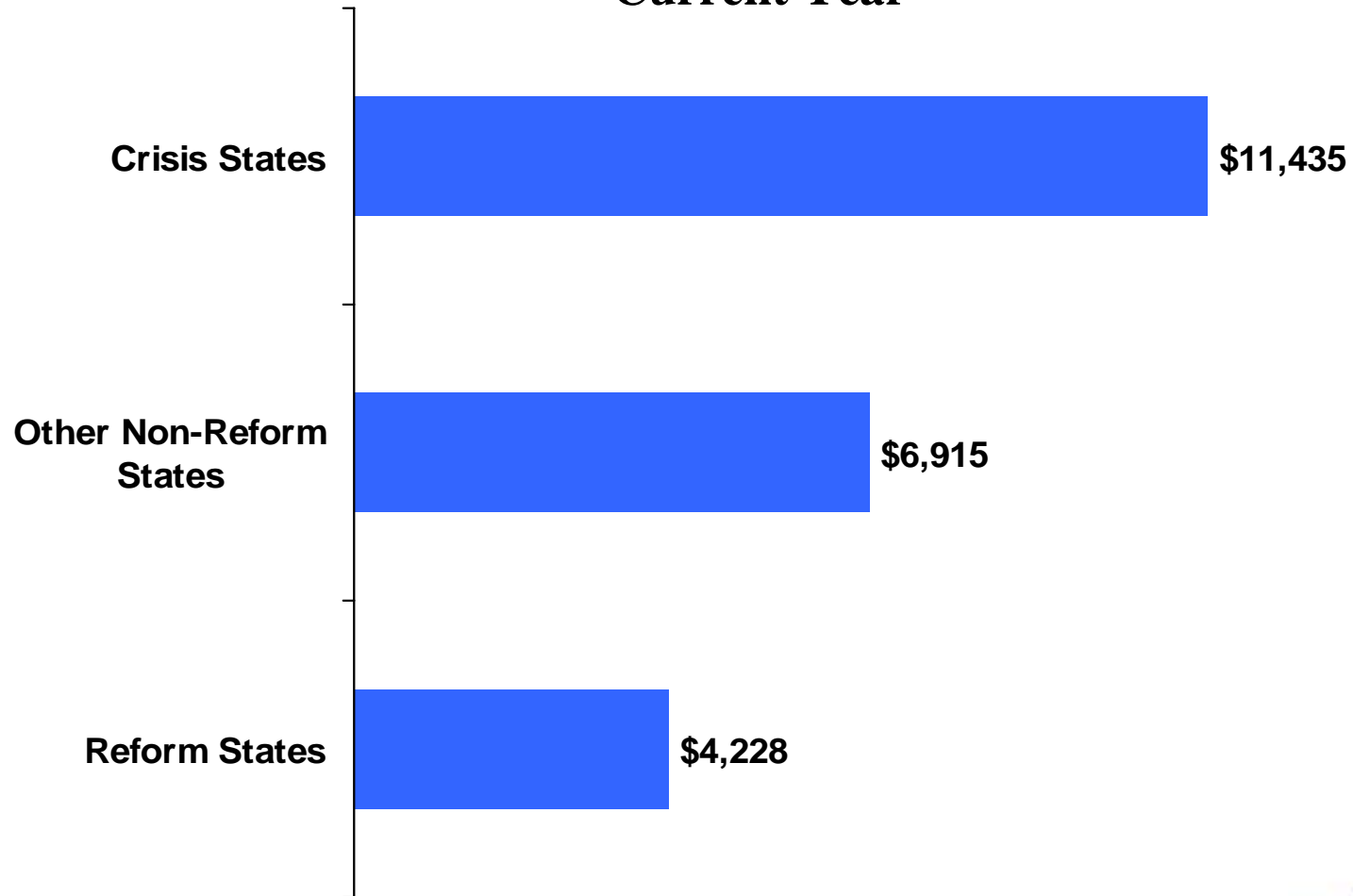
⁺Crisis states as identified by AMA as of March of 2003 include: PA, WV, NV, MS, WA, OR, TX, AR, MO, GA, FL, IL, NC, KY, OH, NY, CT, NJ

*Overall, 40% of responding hospitals reported being currently self-insured (including risk retention groups/captive, trust)



Reforms make a difference in the amount spent on professional liability coverage...

Professional Liability Expense per Staffed Bed Current Year

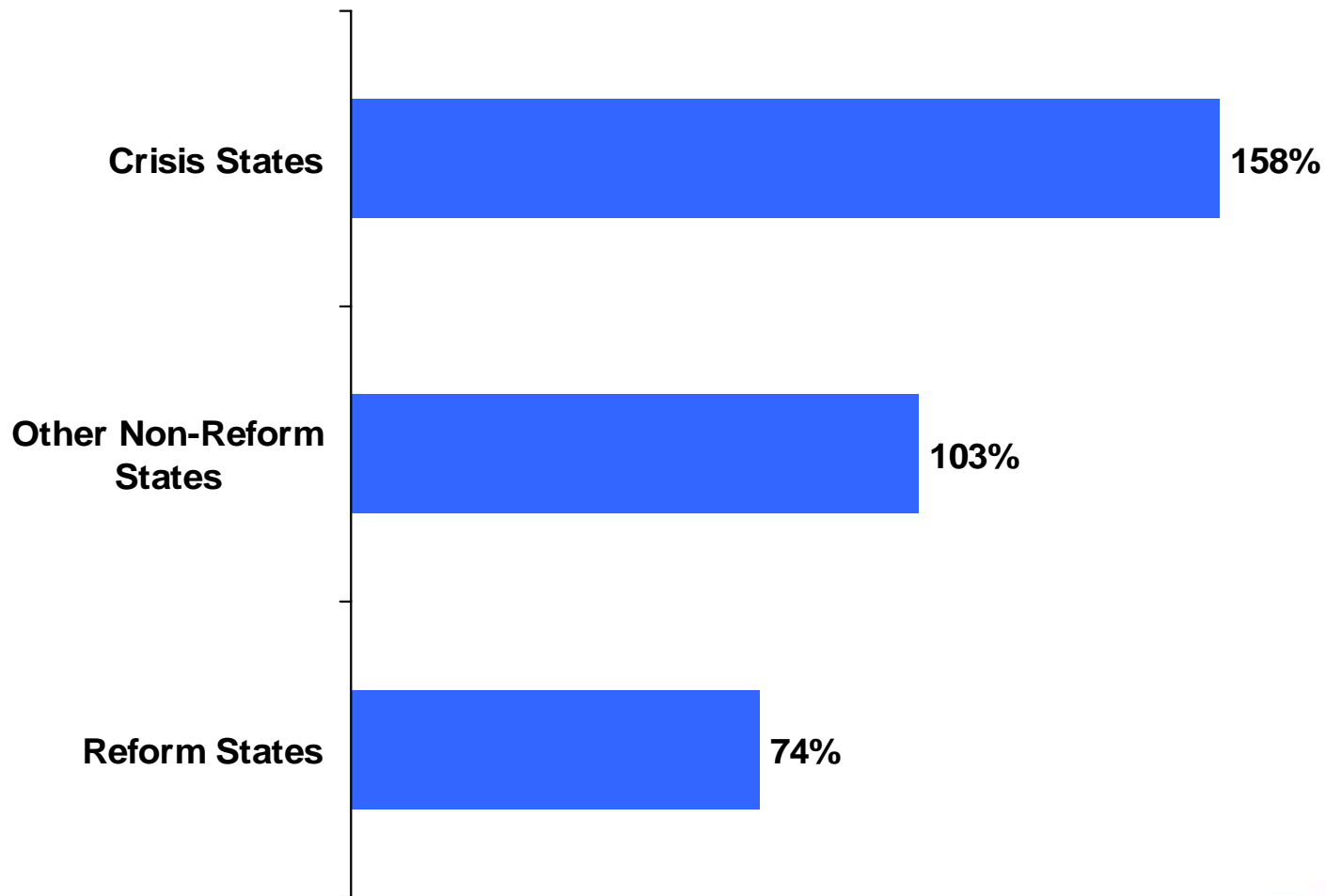


Source: AHA Professional Liability Insurance Survey, March 2003; cost per bed represents a bed-weighted number for reporting hospitals in category



...and in the rate of increase.

Average Professional Liability Expense Growth over Past Two Years



Source: AHA Professional Liability Insurance Survey, March 2003

*Crisis states as identified by AMA as of March of 2003 include: PA, WV, NV, MS, WA, OR, TX, AR, MO, GA, FL, IL, NC, KY, OH, NY, CT, NJ. Reform states include: CA, CO, IN, WI



Appendix

Study Objectives and Methodology

- ◆ Survey conducted by AHA to gather data on hospital experience with professional liability insurance:
 - Magnitude of and growth in professional liability costs
 - Impact of current crisis on hospital finances and operations
 - Impact on access to care
 - Actions hospitals have taken to reduce professional liability costs
- ◆ Survey faxed to all community hospitals in U.S. in March of 2003
- ◆ 1089 hospitals responded—representing 22% of all U.S. community hospitals

Study Objectives and Methodology (continued)

- ◆ Definition of “crisis” states comes from the AMA and includes:
 - PA, WV, NV, MS, WA, OR, TX, AR, MO, GA, FL, IL, NC, KY, OH, NY, CT, and NJ
 - Characterization based on legal and legislative environment and AMA member experience
- ◆ Reform states include CA, CO, IN, and WI. These states have in place some or all of the reforms in the package before the Senate.
 - Cap on non-economic damages
 - Reform of collateral source rules
 - Reform of joint and severable liability rules
 - Periodic payment of damages
 - Limitations on attorney fees

Distribution of Respondents vs. Universe of Hospitals

Urban/Rural Numbers

Location	Number in Category		Percent Responding
	2001 AHA Annual Survey	Liability Survey	
Urban	2,742	508	18.5%
Rural	2,166	581	26.8%

Bed Size Distribution

Bed Size	Number in Category		Percent Responding
	2001 AHA Annual Survey	Liability Survey	
Less than 100 Beds	2,267	600	26.5%
100-299 Beds	1,853	342	18.5%
300-499 Beds	539	102	18.9%
500 Beds and More	249	45	18.1%

Regional Distribution

Location	Number in Category		Percent Responding
	2001 AHA Annual Survey	AHA Liability Survey	
New England	205	51	24.9%
Mid Atlantic	495	113	22.8%
South Atlantic	730	174	23.8%
East North Central	734	187	25.5%
East South Central	429	80	18.6%
West North Central	673	167	24.8%
West South Central	727	165	22.7%
Mountain	345	69	20.0%
Pacific	570	77	13.5%

Reform Status

	Number in Category		Percent Responding
	2001 AHA Annual Survey	Liability Survey	
Crisis States	2,383	574	24.1%
Other Non-reform	1,844	412	22.3%
Reform States	681	103	15.1%

Source: AHA Annual Survey and AHA Professional Liability Insurance Survey

Distribution of Respondents vs. Universe of Hospitals

Urban/Rural Distribution

	2001 AHA Annual Survey	AHA Liability Survey
Urban	55.9%	46.6%
Rural	44.1%	53.4%

Bed Size Distribution

Bed Size	2001 AHA Annual Survey	AHA Liability Survey
Less than 100 Beds	46.2%	55.1%
100-299 Beds	37.8%	31.4%
300-499 Beds	11.0%	9.4%
500 Beds and More	5.1%	4.1%

Regional Distribution

Location	2001 AHA Annual Survey	AHA Liability Survey
New England	4.2%	4.7%
Mid Atlantic	10.1%	10.4%
South Atlantic	14.9%	16.0%
East North Central	15.0%	17.2%
East South Central	8.7%	7.3%
West North Central	13.7%	15.3%
West South Central	14.8%	15.2%
Mountain	7.0%	6.3%
Pacific	11.6%	7.1%

Reform Status

Bed Size	2001 AHA Annual Survey	AHA Liability Survey
Crisis States	48.6%	52.7%
Other Non-reform	37.6%	37.8%
Reform states	13.9%	9.5%