

Contact :
Laura Rzasa, Donley Communications
(212) 751-6126, lrzasa@donleycomm.com

MILLIMAN USA ANALYSIS SEES SAVINGS FOR PROFESSIONAL MEDICAL MALPRACTICE COSTS

Examines Large States Using Caps on Non-Economic Damages

NEW YORK, April 8, 2003: A Milliman USA analysis of medical malpractice claims in the 15 largest states from late 1990 to early 2001 shows wide differences in medical malpractice loss costs by state for physicians, and these differences correlate to whether or not the state has enacted caps on non-economic damages. The study demonstrates that the large states with caps on non-economic damages have below-average medical malpractice loss costs for physicians. Conversely, the large states without caps have the highest medical malpractice costs.

“The data indicate that caps on non-economic damages reduce the cost of insuring medical malpractice for physicians in the states in our study that have instituted this element of tort reform,” said Richard S. Biondi, Principal and Consulting Actuary at Milliman USA and the author of the Milliman study. “The study implies that caps on non-economic damages would significantly reduce total losses for both physicians and hospitals.”

The data is consistent with results others have observed in California, which is well-known for capping non-economic damages at \$250,000 since 1975. In that state, the medical malpractice losses per physician are about half (52%) of the countrywide average. Other large states in the study that have instituted caps and subsequently have lower medical malpractice losses per physician are: Colorado (69% of the countrywide average), Indiana (86%) and Maryland (64%).

Conversely, large states without caps have higher than average medical malpractice losses per physician. They include: Florida (136% of countrywide average), Illinois (144%), New Jersey (131%), New York (156%), Pennsylvania (171%), and Washington, D.C. (144%).

In a separate 1997 analysis performed by Mr. Biondi using data for New York, which does not have caps, savings were estimated on physicians’ medical malpractice losses if caps were instituted. It was projected that caps of \$250,000, \$500,000, \$750,000, and \$1,000,000 would result in a reduction in losses of 29%, 20%, 14% and 11% respectively on policies providing \$1 million to \$3 million coverage for physicians.

press release

“There are other differences between these states besides the fact that they either have or don’t have caps, and there are also differences in the size and application of the caps in the states that have them,” said Mr. Biondi. “However, the pattern in this particular study is still very clear in showing that caps on non-economic damages are highly correlated to medical malpractice costs.”

The data in the Milliman USA study included physicians’ statistics by state from the National Practitioners Data Base Public Use Data File (NPDB), which contains selected variables from medical malpractice payment reports on physicians, dentists and other licensed healthcare professionals. A spreadsheet summarizing the results is attached.

Milliman USA, whose corporate offices are in Seattle, serves the full spectrum of business, financial, government and union organizations. Founded in 1947 as Milliman & Robertson, the company has 29 offices in the United States as well as offices in Bermuda, Hong Kong, Japan, Korea, Brazil, and the UK. Milliman USA employs approximately 1,750 people, including a professional staff of over 750 qualified consultants and actuaries. The firm has consulting practices in property and casualty, employee benefits, healthcare and life insurance. It is a founding member of Milliman Global, an international organization of consulting firms serving insurance, employee benefits and healthcare clients worldwide. For further information, visit www.milliman.com.

###

NPDB* Loss Data for 15 Largest States and Nationwide

NPDB* Public Use Data File

*NPDB refers to the National Practitioners Data Base

9/1/90-4/30/01

National Claim and Loss Rate per Doctor Reported to the NPDB

(annual losses not trended)

	Doctors		Relativity	Status Re Caps (Reference: Aug./Sept. 2002 Medical Liability Monitor)
	(approximate number in 1990)	Annual Loss Per Doctor		
CA	66,996	2,884	0.52	\$250K cap on non-economic damages.
CO	6,724	3,817	0.69	\$250K cap on non-economic damages. \$1M cap total.
DC	3,068	7,901	1.44	No cap.
FL	26,394	7,508	1.36	No cap for most claims. Caps apply when parties arbitrate.
IL	25,565	7,929	1.44	No cap. Declared unconstitutional.
IN	9,607	4,734	0.86	\$1.25M cap on total damages.
KS	4,673	5,846	1.06	No cap. Declared unconstitutional.
MA	20,089	3,802	0.69	\$500K cap on non-economic damages with exceptions.
MD	15,061	3,503	0.64	\$500K cap on non-economic damages.
MI	18,463	4,347	0.79	\$345K cap on non-economic damages.
NJ	18,765	7,232	1.31	No cap.
NY	56,264	8,610	1.56	No cap.
OH	22,401	6,443	1.17	No cap. Declared unconstitutional.
PA	29,784	9,386	1.71	No cap.
TX	29,004	6,083	1.11	No cap.
All Others	181,034	4,363	0.79	
Total	537,389	5,502		

Milliman USA Study includes physicians' statistics from the NPDB Public Use Data File, which contains selected variables from medical malpractice payment reports on physicians, dentist and other licensed healthcare professionals.

Author of Milliman USA Study: Richard S. Biondi, Principal and Consulting Actuary, New York office
 Contact: Laura Rzasa, Donley Communications, (212) 751-6126, lrzasa@donleycomm.com