

# Casualty Loss Reserve Seminar

## Trends in Professional Liability

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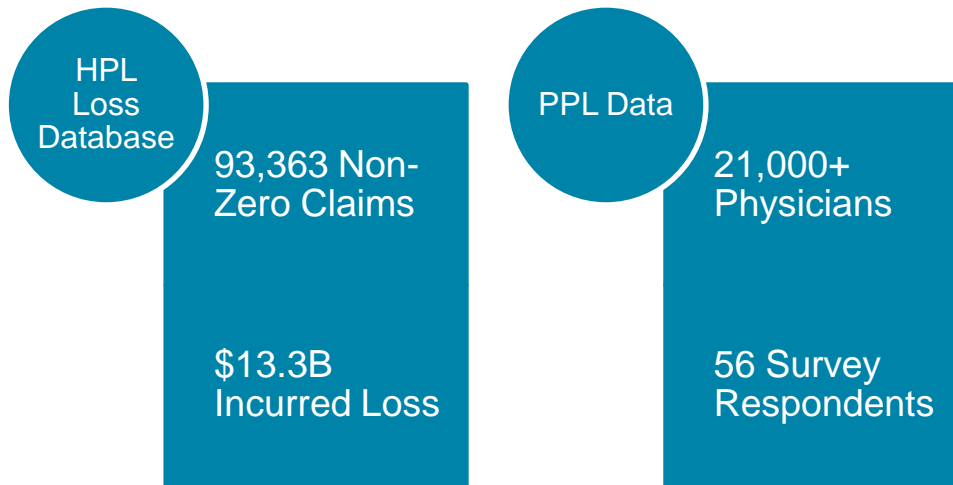
## Overview

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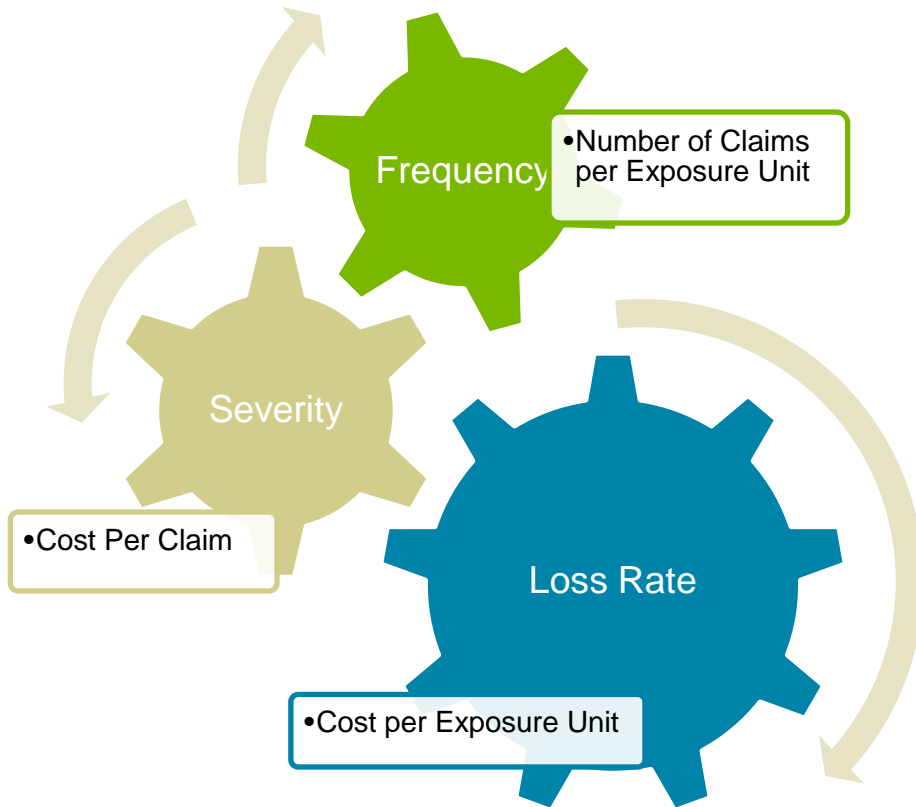
- Data underlying the study
- Countrywide statistics and trends
- Influences Changing the PL risks faced by Health Care Organizations
  - Emerging trends in state legislation
  - Integration of hospital and physician risks

# Participation

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# Key Metrics



## Exposure Unit

### OBE

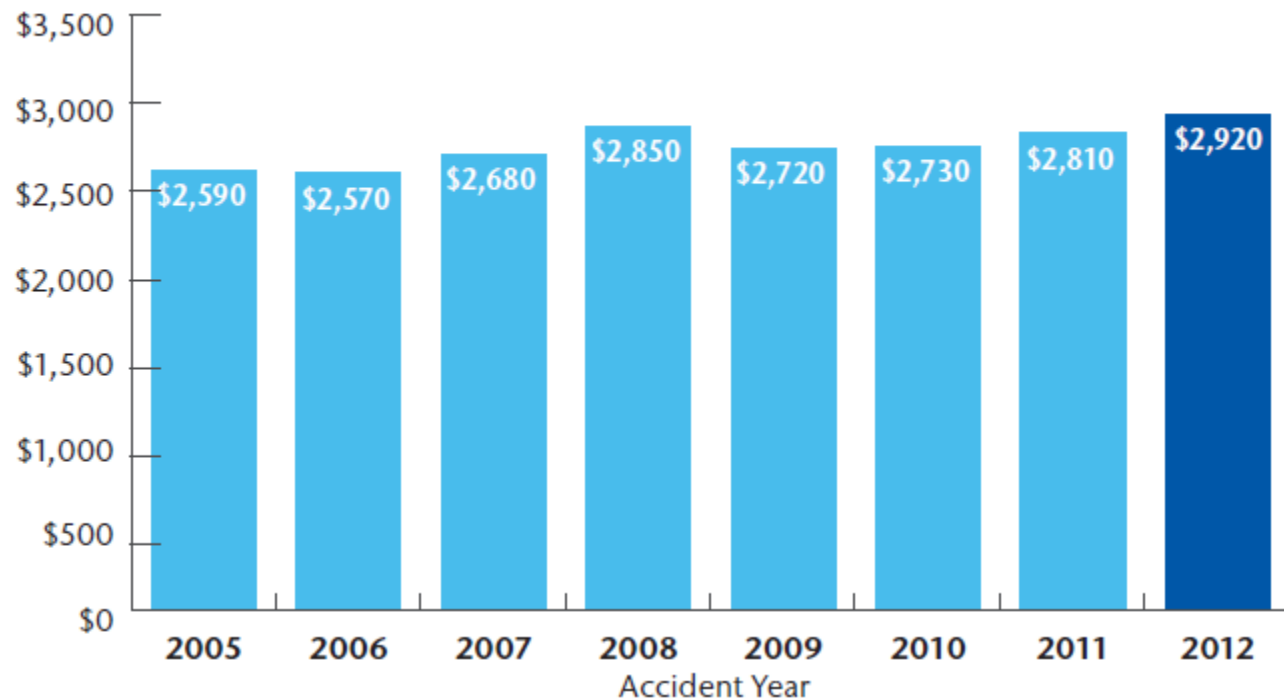
- Occupied Bed Equivalent
- Represents range of hospital activities

### Class 1 Physician

- Represents annual exposure of one full-time Internal Medicine Physician

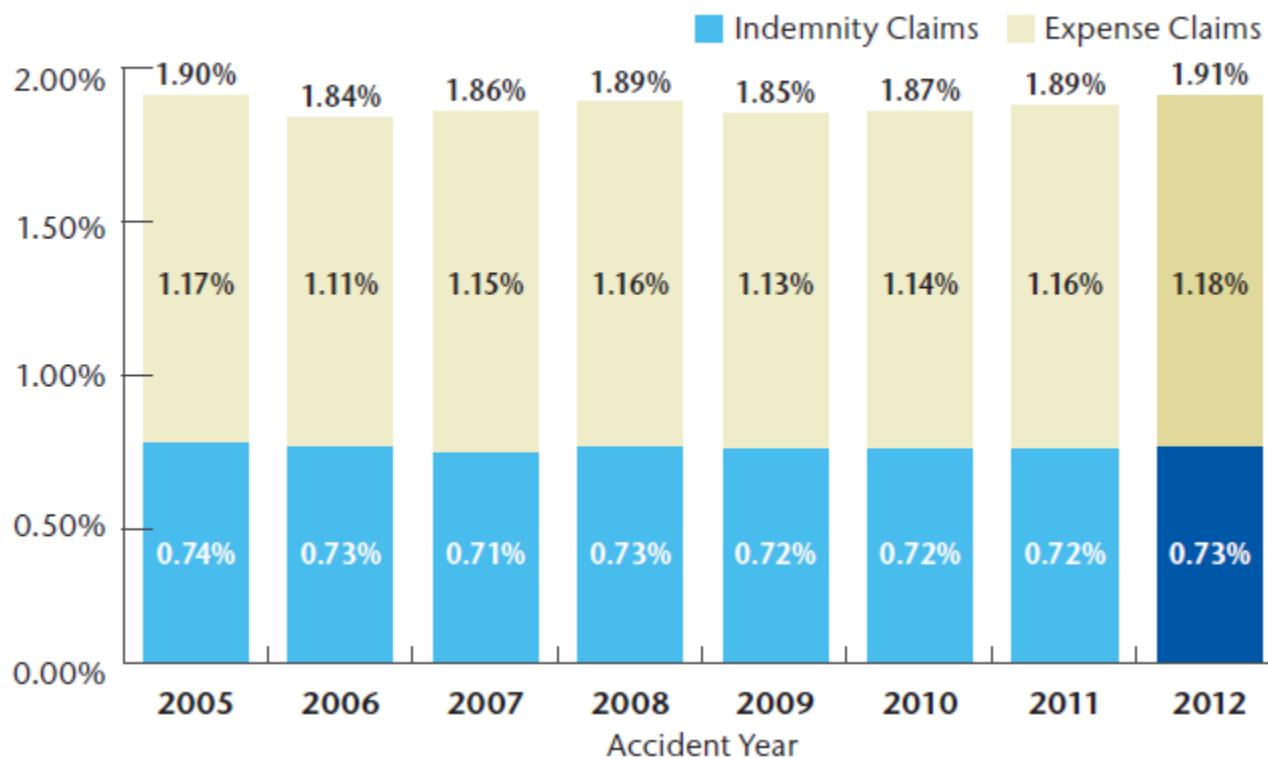
# Countrywide HPL Trends - Loss Rates

Loss Rate per OBE Limited to \$2M per Occurrence



# Countrywide HPL Trends - Claim Frequency

Frequency per OBE



# Countrywide HPL Trends - Claim Severity

Claim Severity Limited to \$2M per Occurrence





# Emerging Trends in State Legislation

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# Next Wave of State Legislation

- Massachusetts, New Hampshire, Oregon, Florida, Georgia
- Recent Legislative Efforts Focused On:
  - Patient Safety
  - Fair Access to Compensation
  - Cost Reduction and Improving Efficiency

*Changing the patient/provider relationship and the culture of malpractice liability*

- Influences
  - Tort Reforms based on damage caps in “trench warfare”
  - Pressure to unlock savings and efficiencies

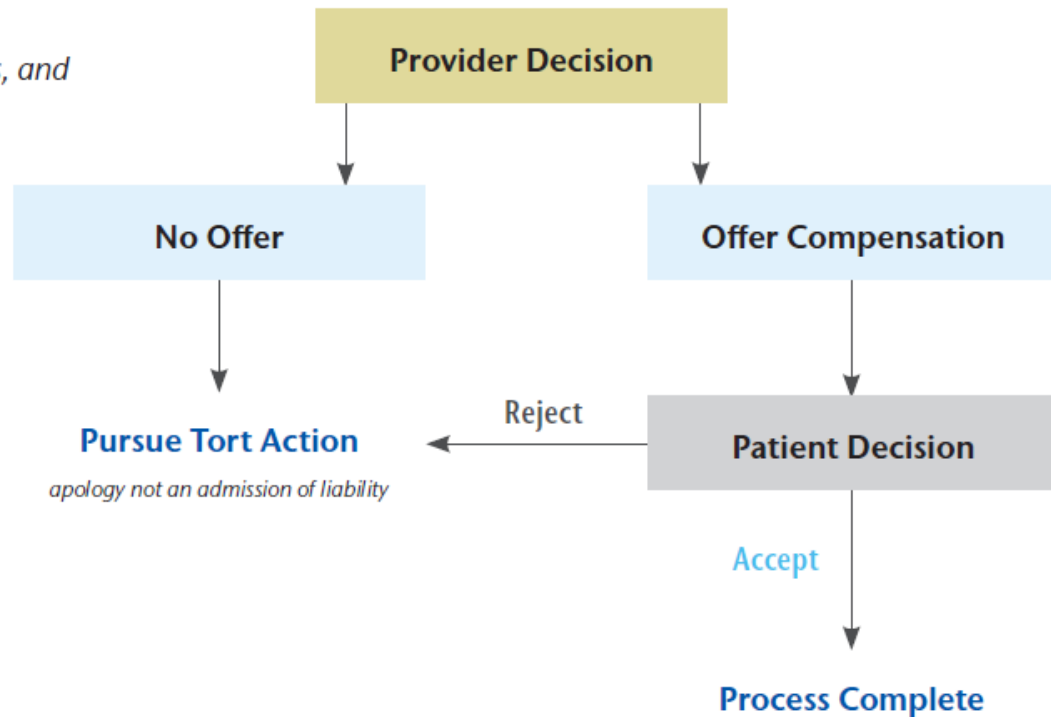


# Massachusetts

## Massachusetts' Disclosure, Apology, Offer

"Cooling Off" period – 180 days

1. Disclose adverse event
2. Issue apology
3. Convene a root cause analysis, and
4. Negotiate compensation



## New Hampshire

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- June 2012, “Early Offer Alternative”
  - Patients have option to engage provider in expedited fashion
  - Innovative additional payment schedule

Type of Injury	Type of harm	Additional Payment
Temporary	Insignificant	\$2,100
Temporary	Emotional	\$6,600
Temporary	Minor	\$7,800
Temporary	Major	\$31,500
Permanent	Minor	\$35,500
Permanent	Significant	\$81,500
Permanent	Major	\$127,500
Permanent	Grave	\$140,000
Death	Death	\$140,000

<http://www.gencourt.state.nh.us/legislation/2012/SB0406.html>

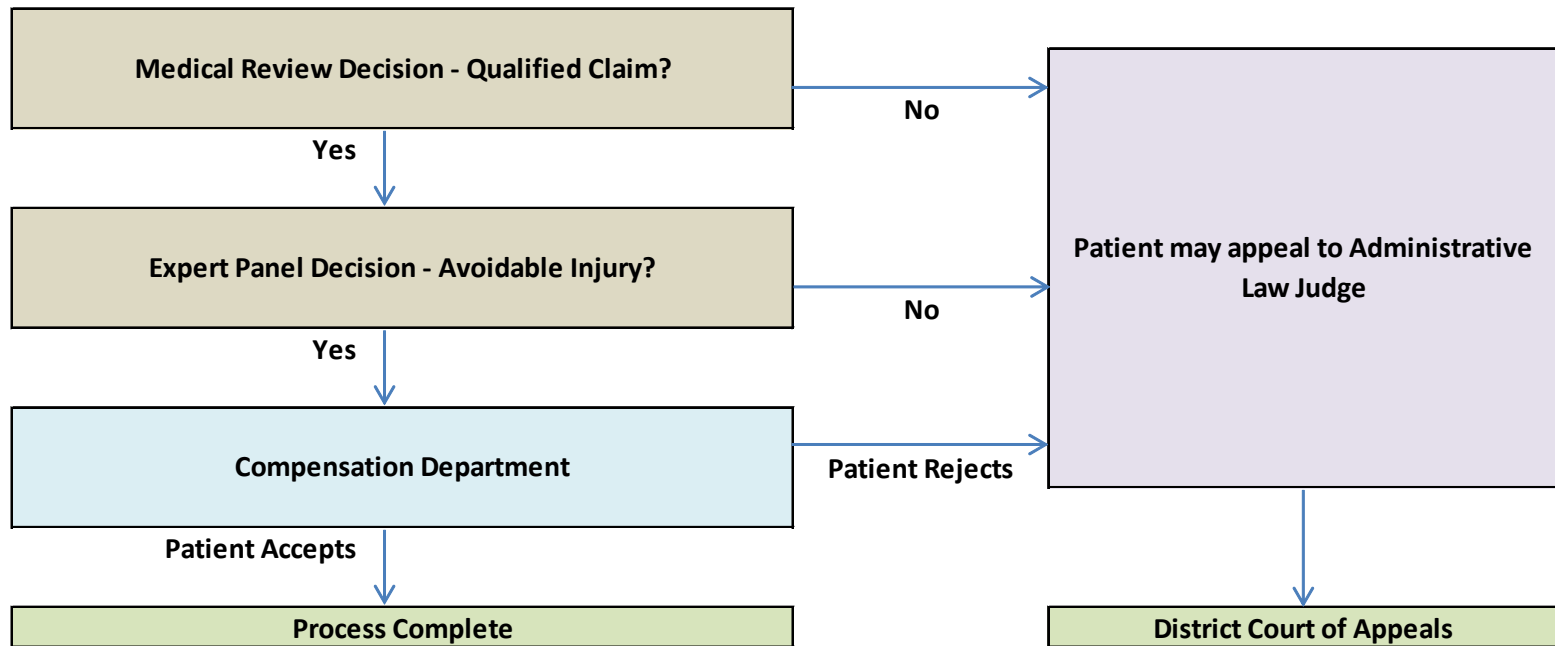
## Future State vs. Current State

Element of Medical Malpractice Settlement	Current State	Future State
Standard of Care	Negligence	Medical Injury
Wages and Income	Included in Settlement	Included in Settlement
Future Medical Expenses	Lump sum for future medical often drives settlement values. Future costs are difficult to predict and access to future stream of medical services is often claimant's biggest concern.	Access to lifetime of medical care at reasonable cost is guaranteed by Affordable Care Act.
Non-Economic Damages	Difficult to predict and subject to mega - awards	Additional Payment based on schedule and tied to classification of injury.
Plaintiff's Attorney Fee	Varies	20% of present value of claimant's economic loss
Total Time to Settlement	2 to 3 years on average	Less than one year

# Patient Compensation System

- Florida SB 1134/HB 897
- Georgia SB 141

Patient notifies PCS of a claim and is assigned an advocate

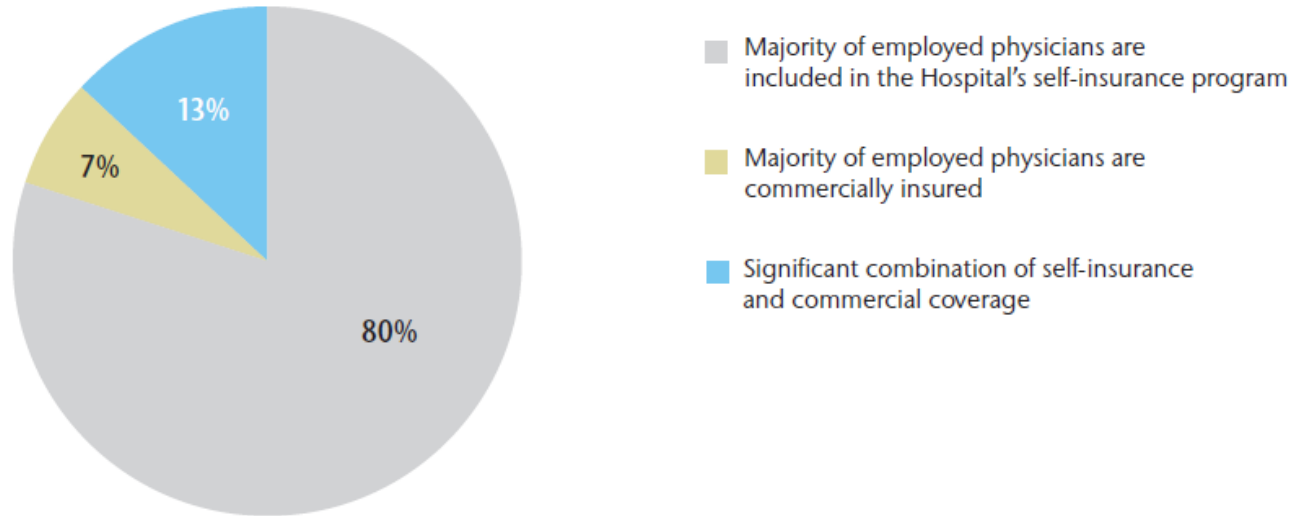


# Integration of Hospital and Physician Risks

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# Using Self-Insurance

## Prevalence of Hospital Self-Insurance for Employed Physicians



## Perceived Advantages of Self-Insurance

Advantage of Self-Insuring Employed Physicians	Top Ranked
Unified, joint defense of professional liability claims	36.7%
Cost savings relative to commercial insurance rates	32.7%
Improved control and uniformity of systemwide risk management	30.6%



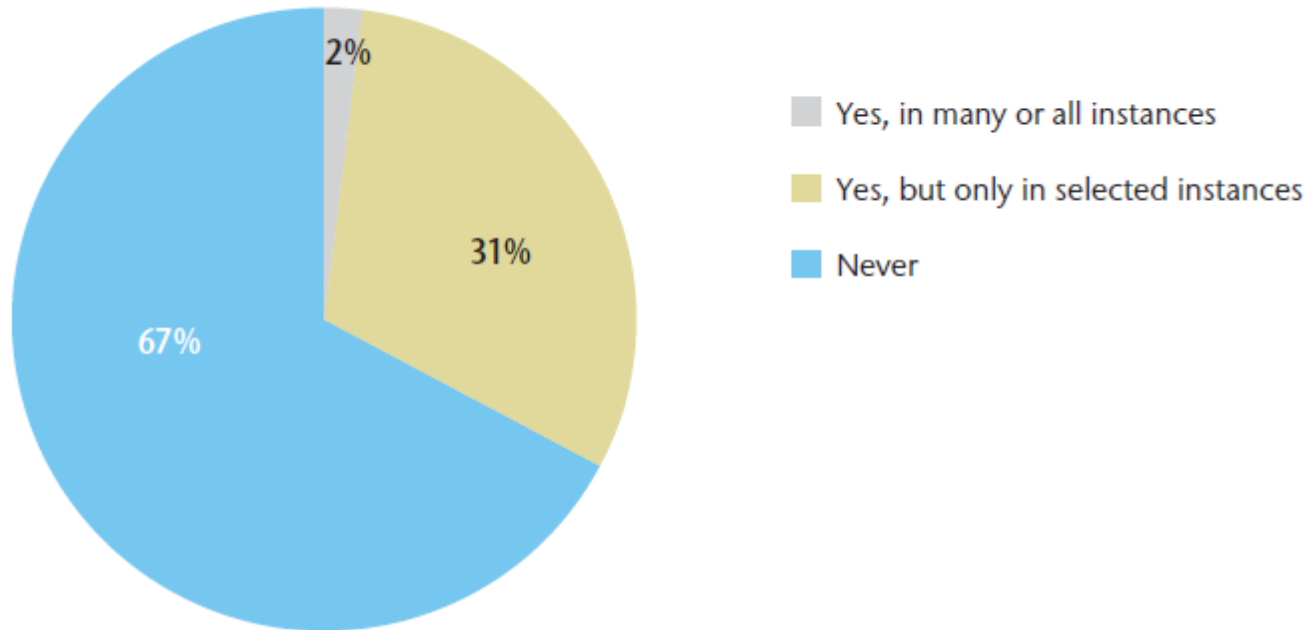
# Prior Acts and Tail Coverage

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- A majority of systems provide tail coverage to their physicians; opposite is true for prior acts coverage

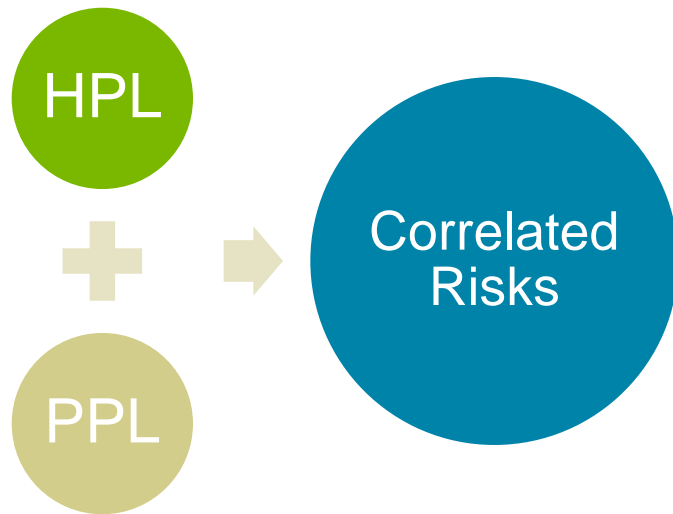
Provide Prior Acts Coverage to Employed Physicians?

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# Hospital-Physician Consolidation: Implications for Hospital Risk Financing

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- Health systems are accumulating correlated risks and now have increased exposure to changes in the underlying environment
- Health systems must administer and fund for individual obligations made to physicians such as tail and prior acts coverage
- Health systems must develop philosophies and practices for recording reserves and expenses for complex claims involving both physician and hospital

# States

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# States

## 2011 Accident Year Results

