

What's Next for Medical Professional Liability Writers?

Prepared for: Casualty Loss Reserve Seminar

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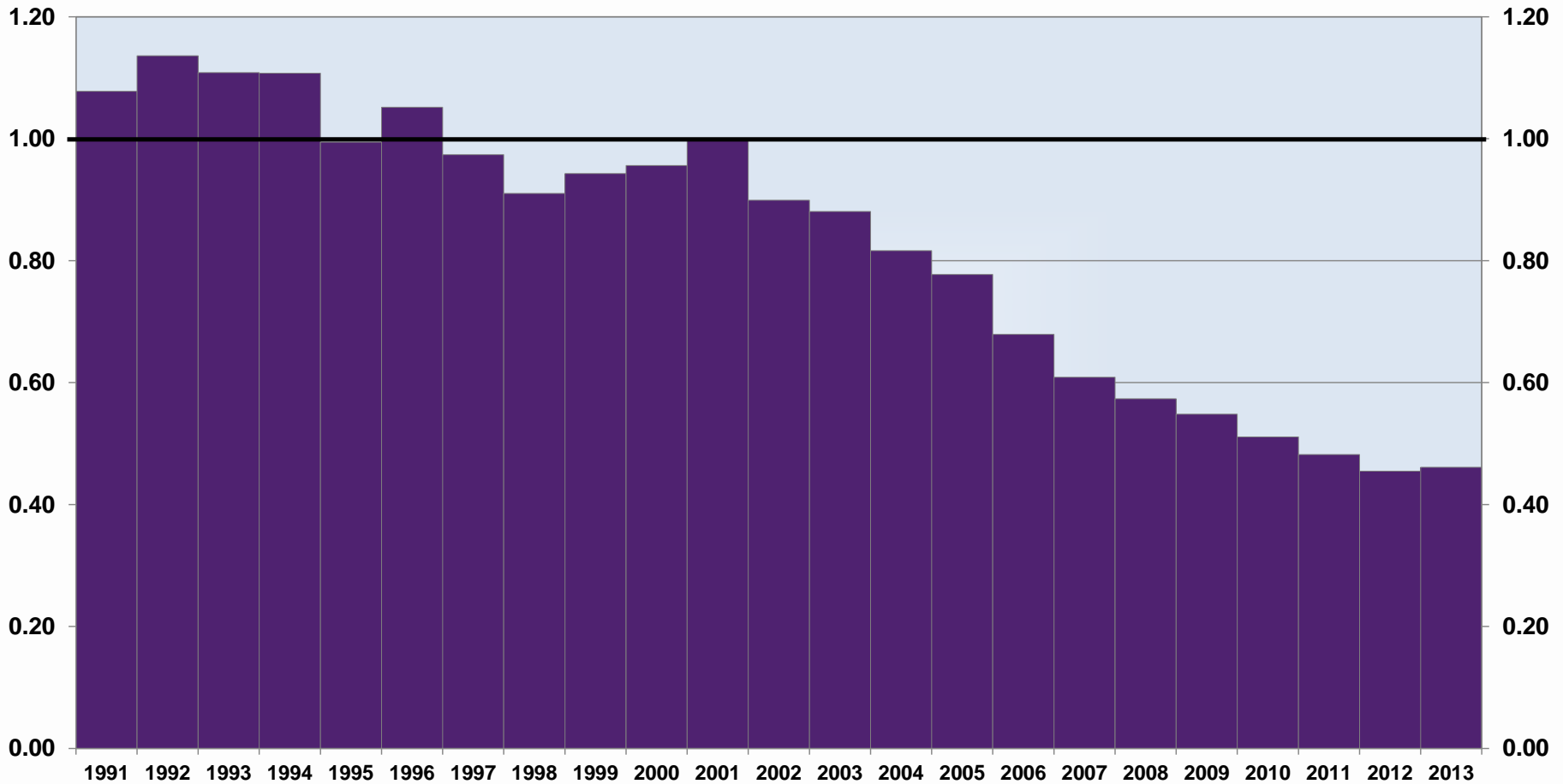
Overview of Presentation

- **Claim Frequency**
- **Indemnity Severity**
- **ALAE Severity**
- **Tort Reform – Where Are We Headed?**
- **Additional Concerns**
- **Closing Thoughts**

Claim Frequency

Claim Frequency

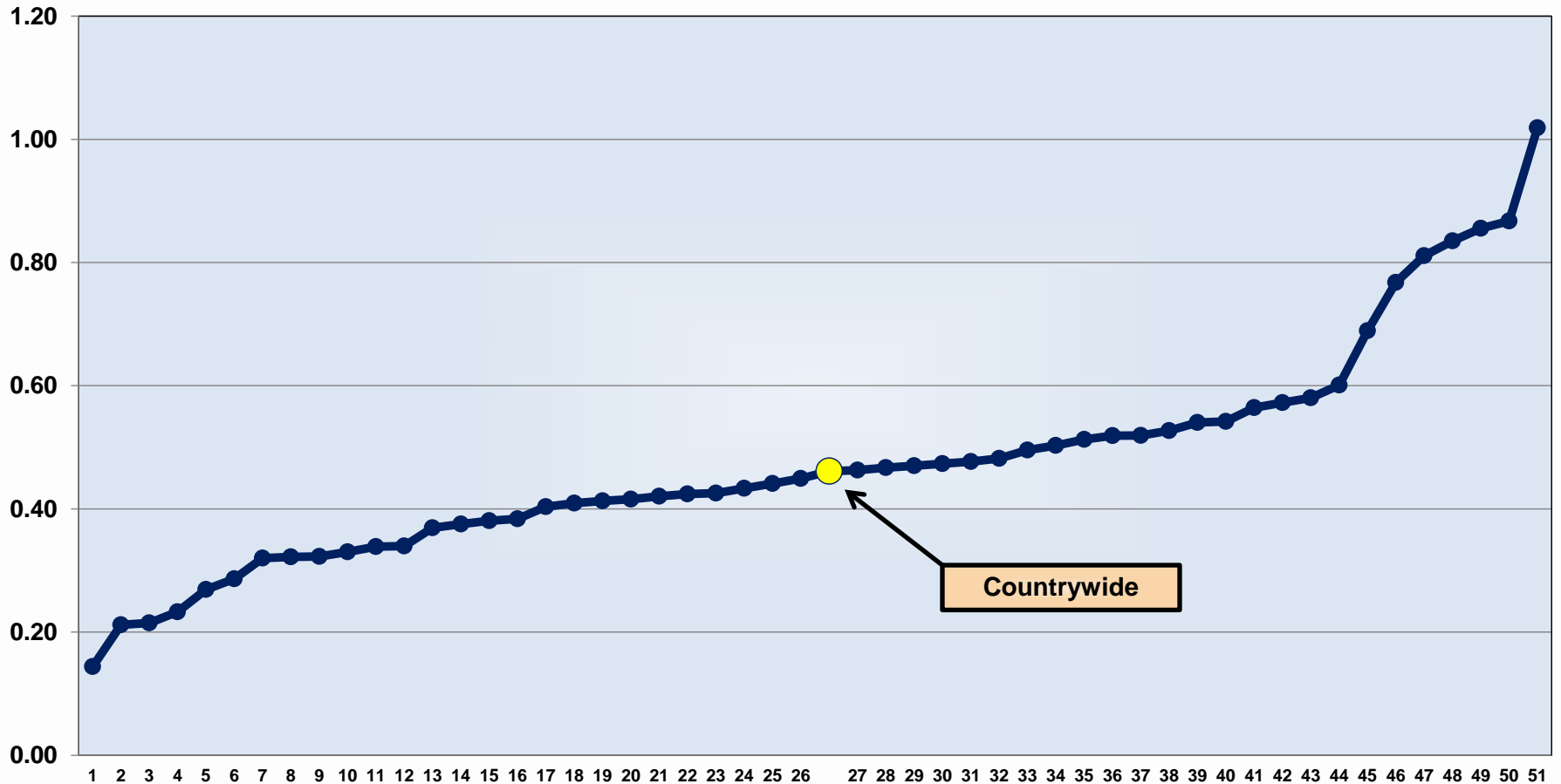
Closed Claim Frequency per Physician Countrywide, Base Year 2001



Sources: Milliman analysis of AMA Physician Characteristics and Distribution in the U.S.; multiple editions
Milliman analysis of National Practitioner Data Bank Public Use Data File, December 31, 2013

Claim Frequency

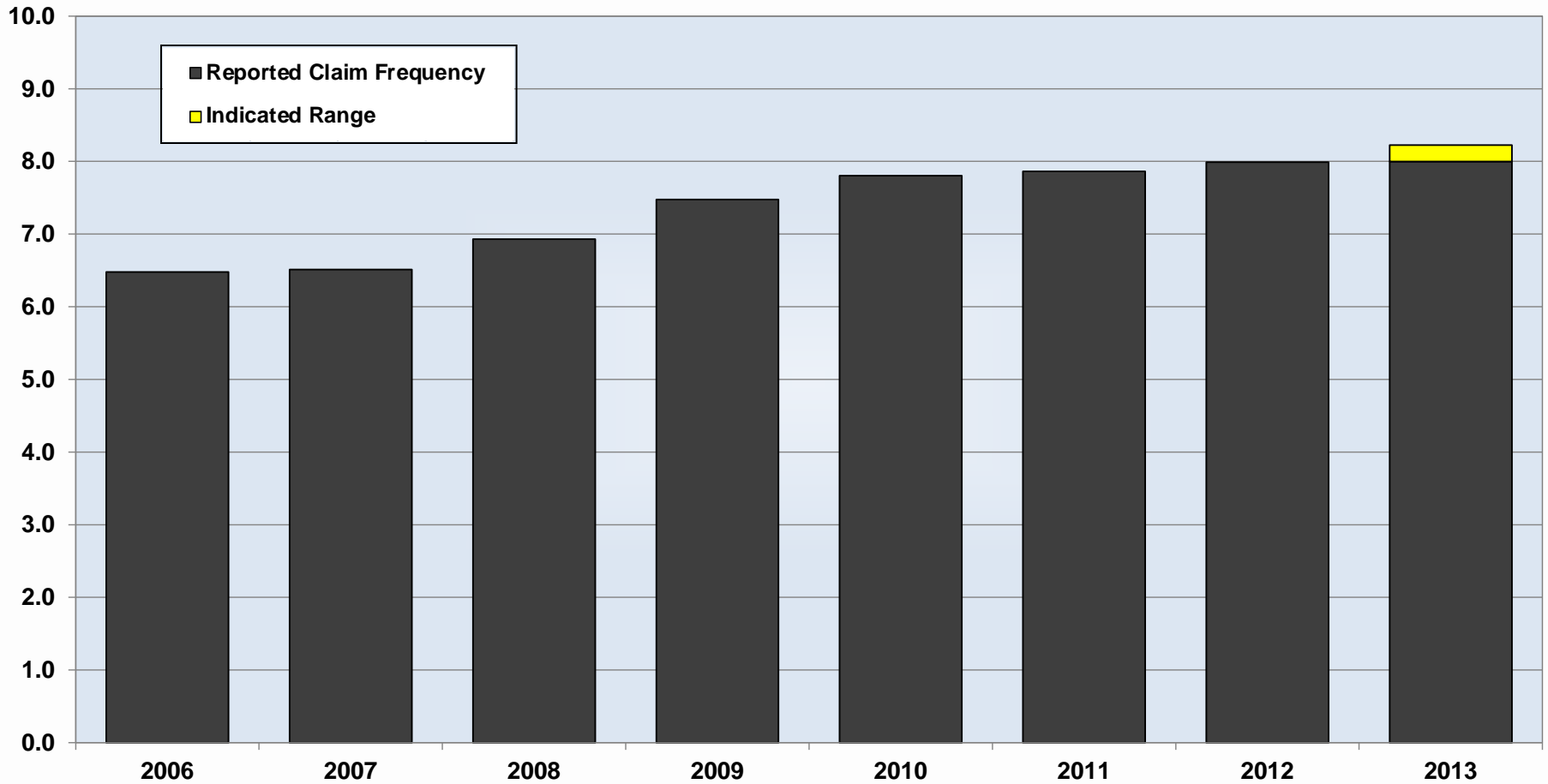
Change in Closed Claim Frequency by State 2013 Level Relative to 2001 Level



Sources: Milliman analysis of AMA Physician Characteristics and Distribution in the U.S.; multiple editions
Milliman analysis of National Practitioner Data Bank Public Use Data File, December 31, 2013

Claim Frequency

Reported Claim Frequency Claims-Made Business, Per \$1M Gross Earned Premium

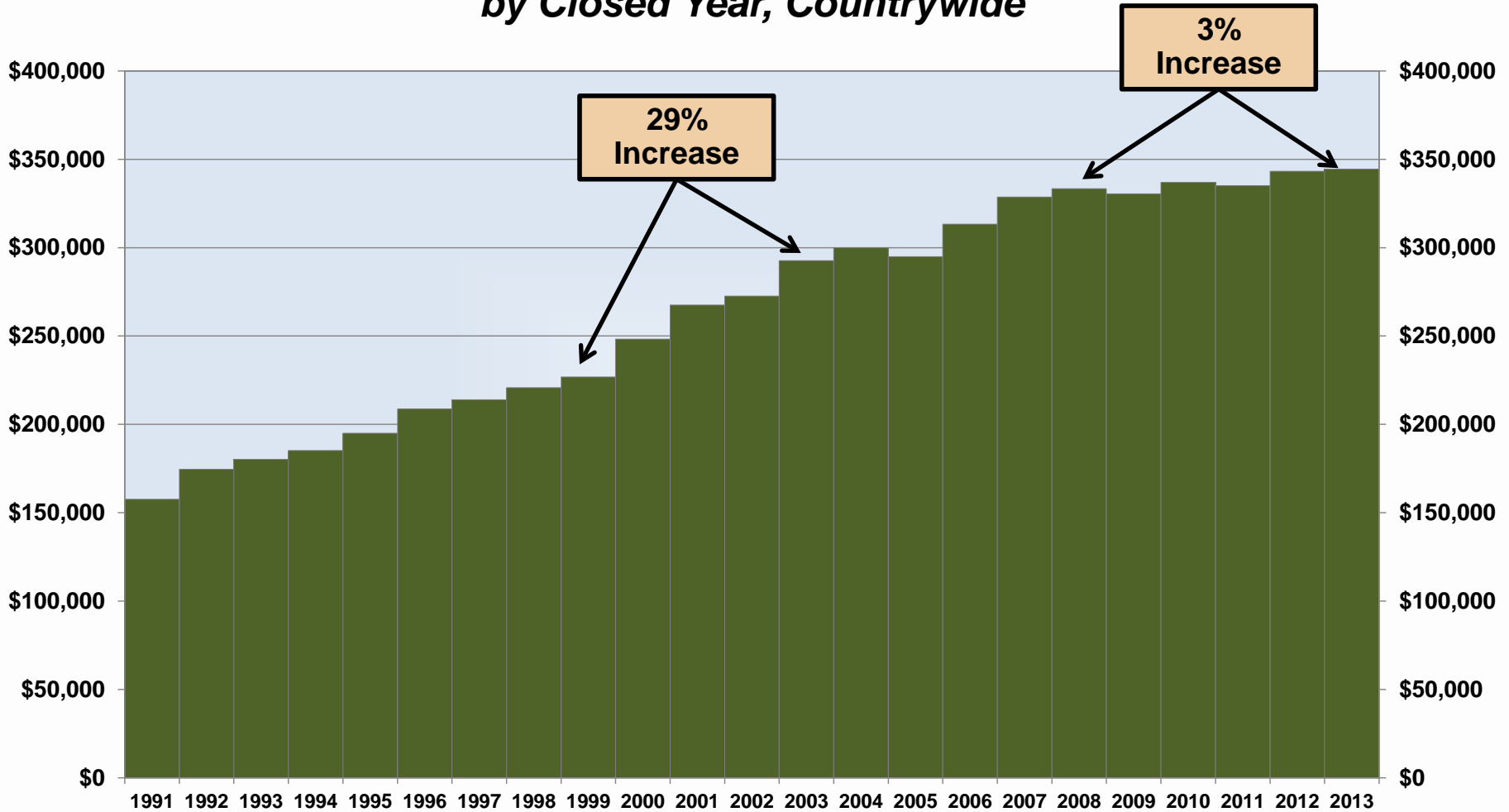


Source: Milliman analysis of P&C insurance statutory data as provided by SNL Financial
Chart represents results of 40 MPL specialty companies

Indemnity Severity

Indemnity Severity

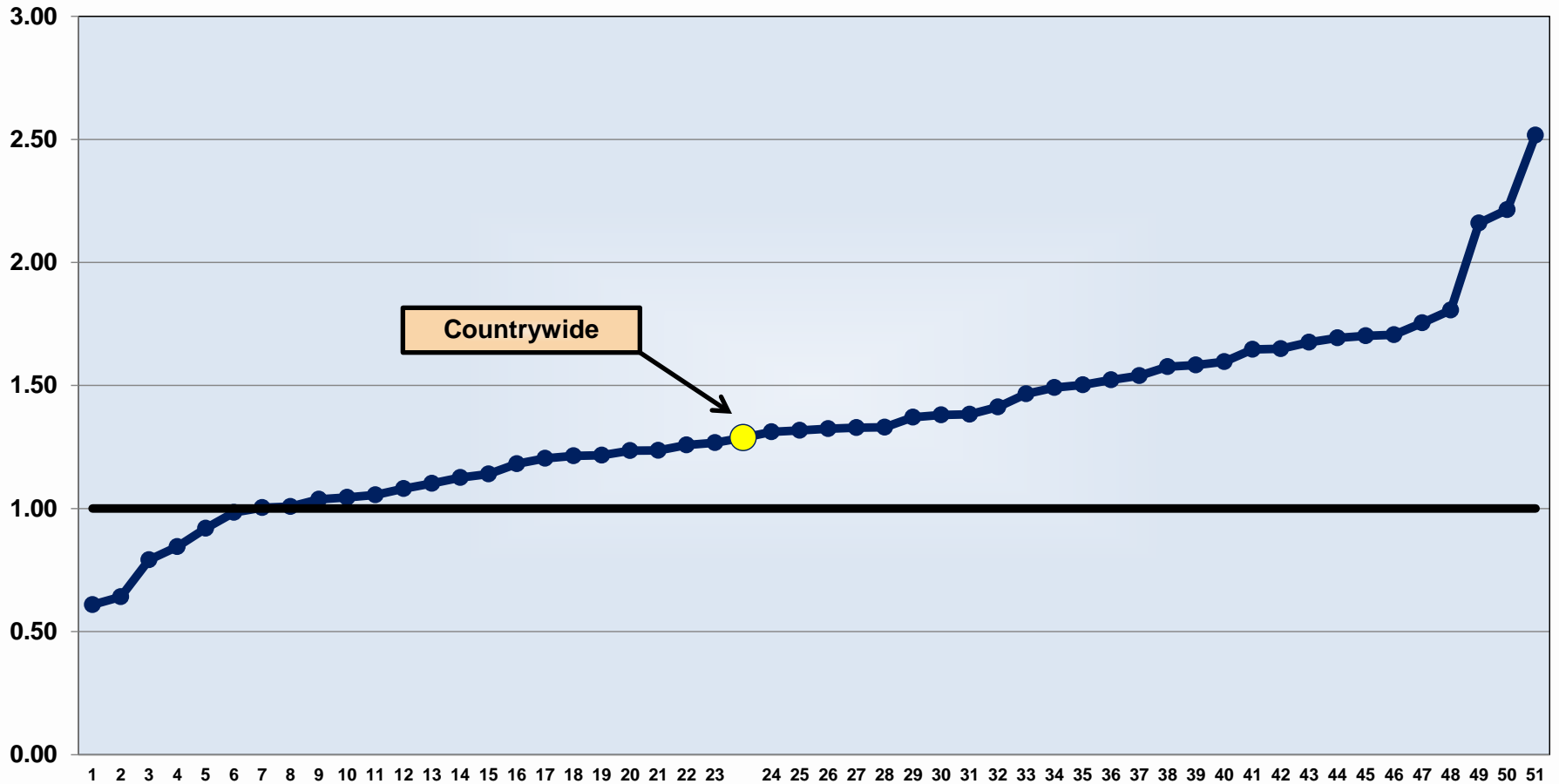
Paid Indemnity Severity by Closed Year, Countrywide



Source: Milliman analysis of National Practitioner Data Bank Public Use Data File, December 31, 2013

Indemnity Severity

Change in Paid Severity by State 2013 Level Relative to 2001 Level

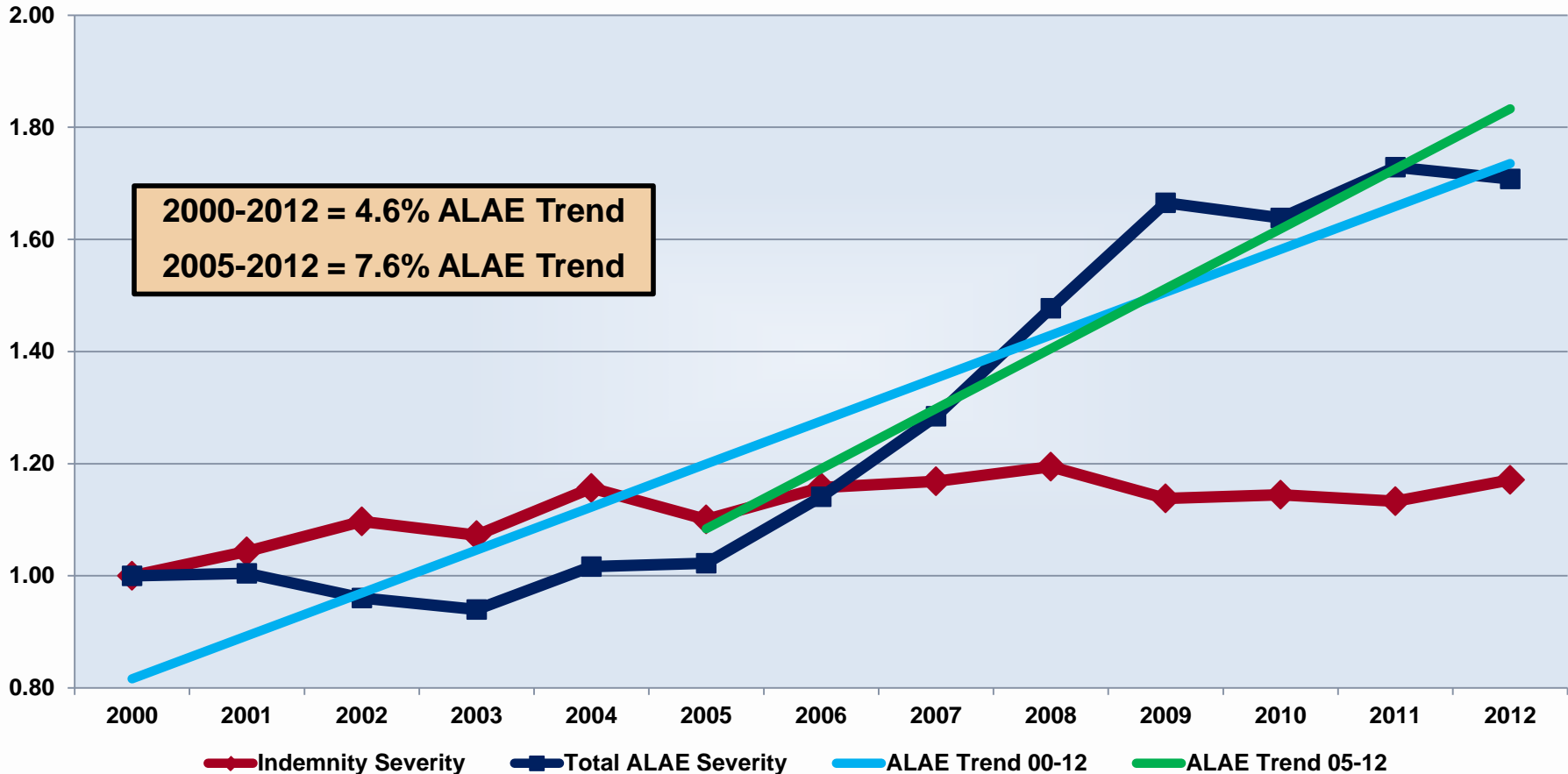


Sources: Milliman analysis of National Practitioner Data Bank Public Use Data File, December 31, 2013

ALAE Severity

ALAE Severity

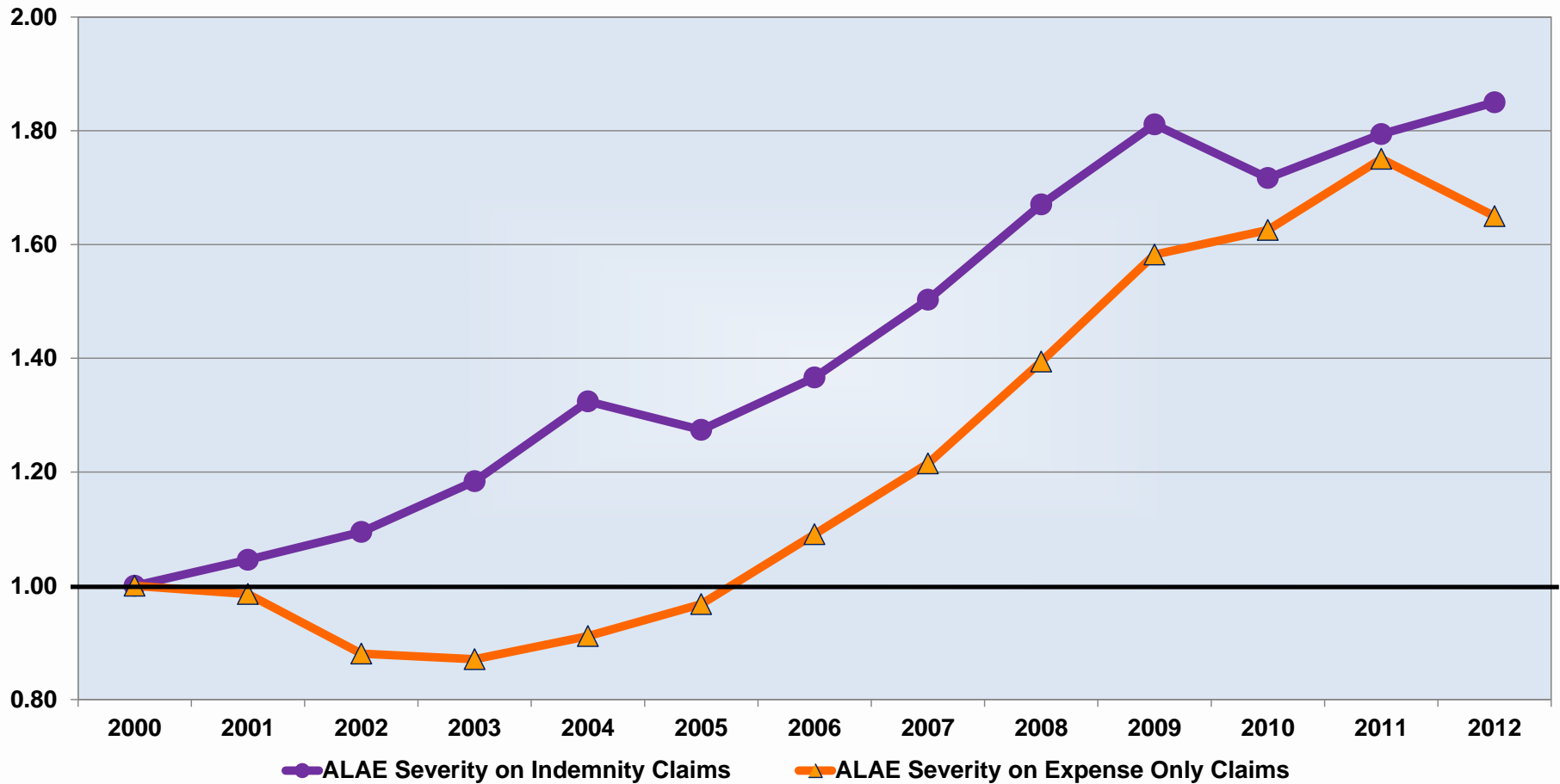
Paid Indemnity and ALAE Severities by Closed Year, Relative to 2000



Source: Milliman analysis of PIAA Claim Trend Analysis; 2012 Edition
Milliman analysis of PIAA Closed Claim Comparative; 2013 Edition

ALAE Severity

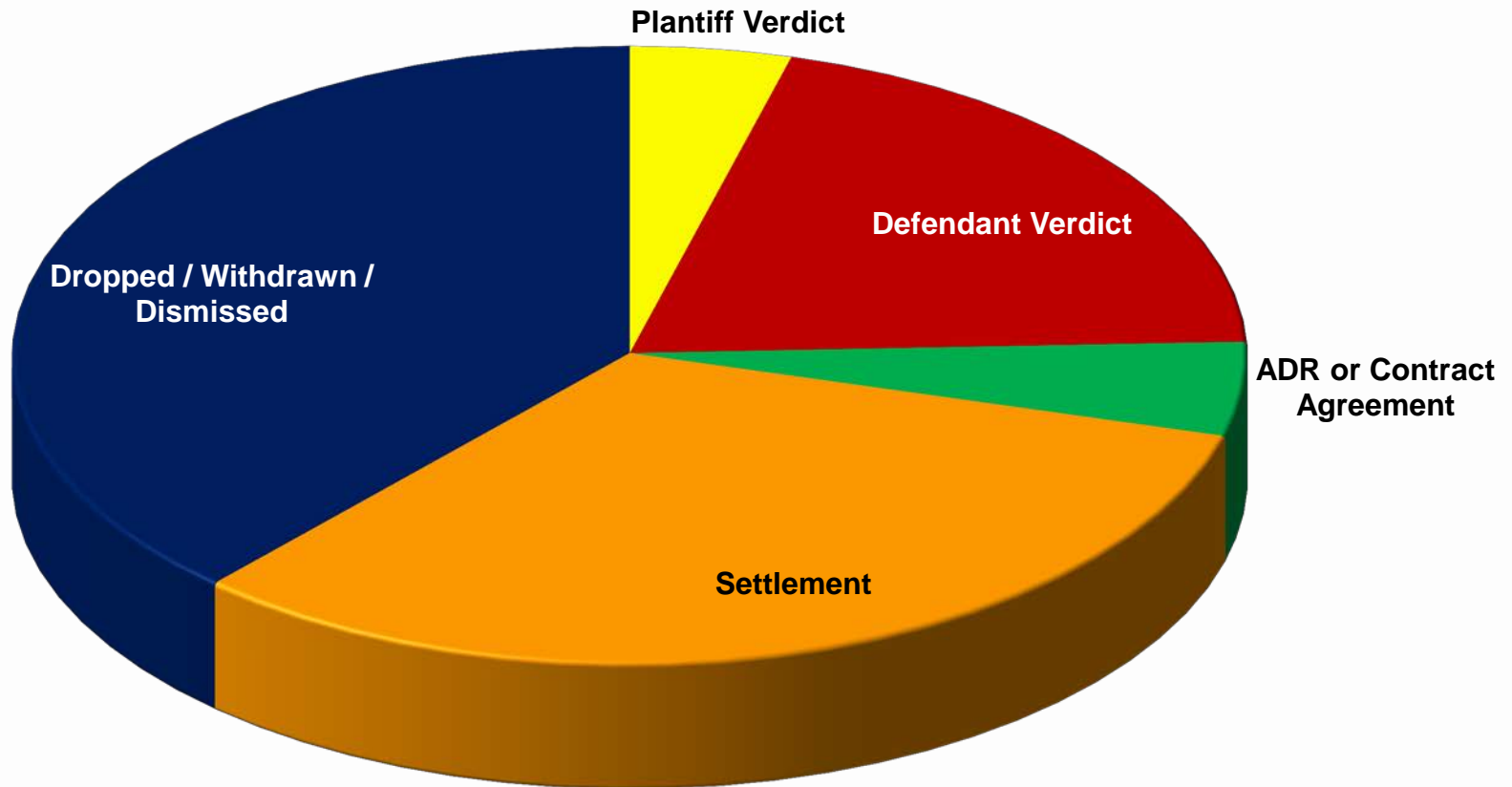
Paid ALAE Severity by Claim Type *by Closed Year, Relative to 2000*



Source: Milliman analysis of PIAA Claim Trend Analysis; 2012 Edition
Milliman analysis of PIAA Closed Claim Comparative; 2013 Edition

ALAE Severity

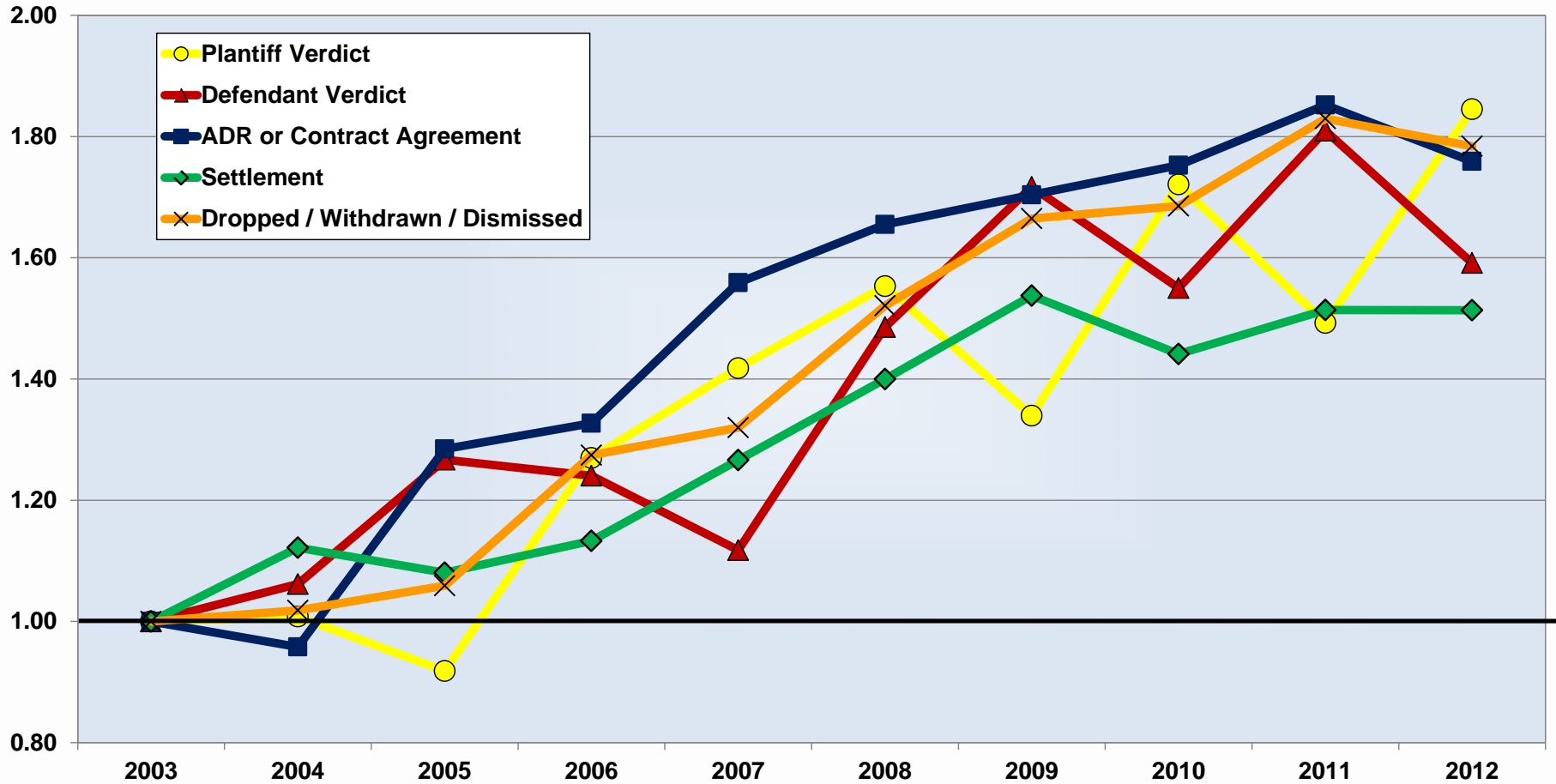
ALAE Cost Distribution 2012 by Category



Source: Milliman analysis of PIAA Closed Claim Comparative; 2013 Edition

ALAE Severity

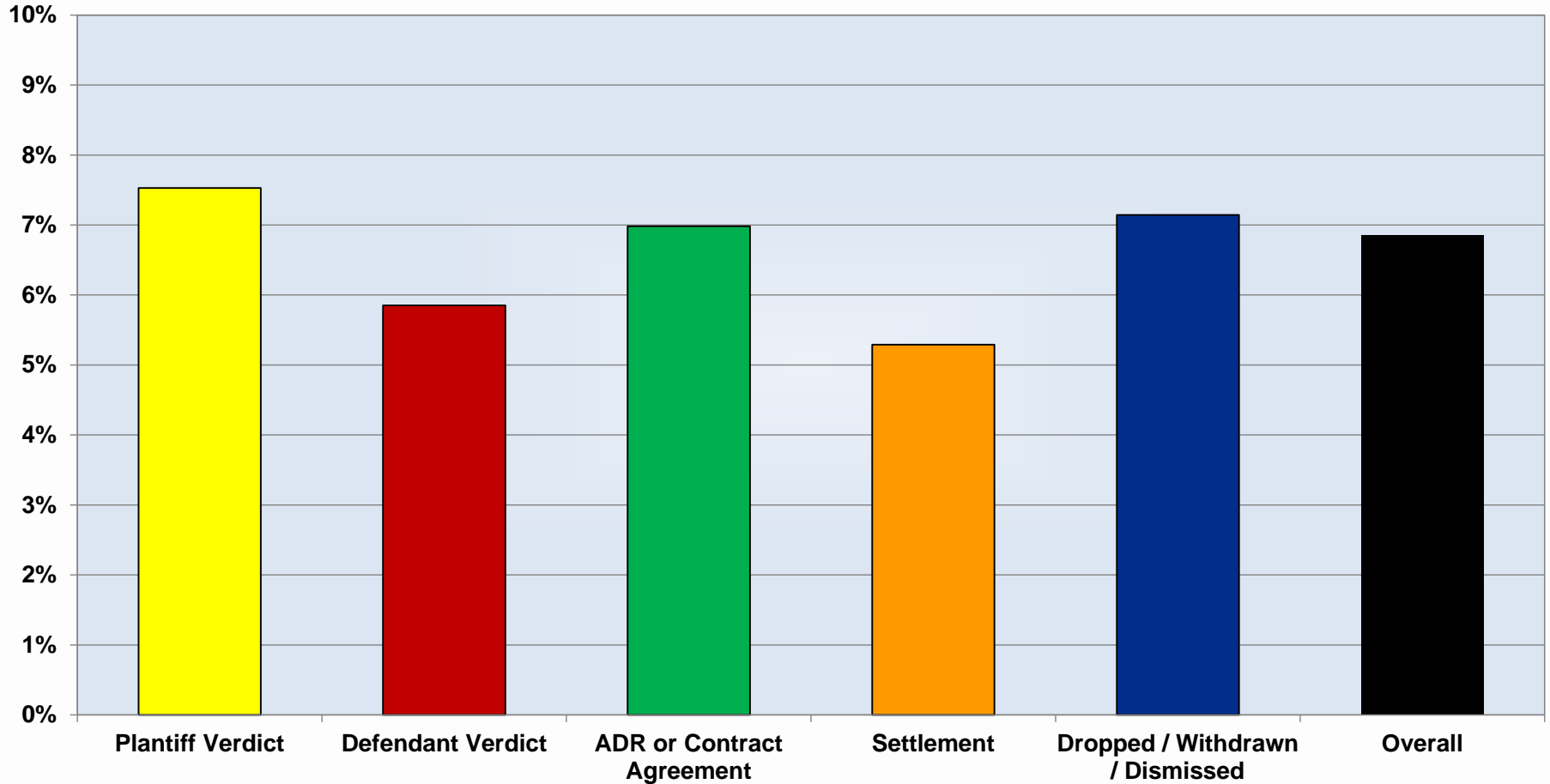
Paid ALAE Severity by Category *by Closed Year, Relative to 2003*



Source: Milliman analysis of PIAA Closed Claim Comparative; 2013 Edition

ALAE Severity

Annual Trend Rate for Paid ALAE Severity by Category, Relative to 2003

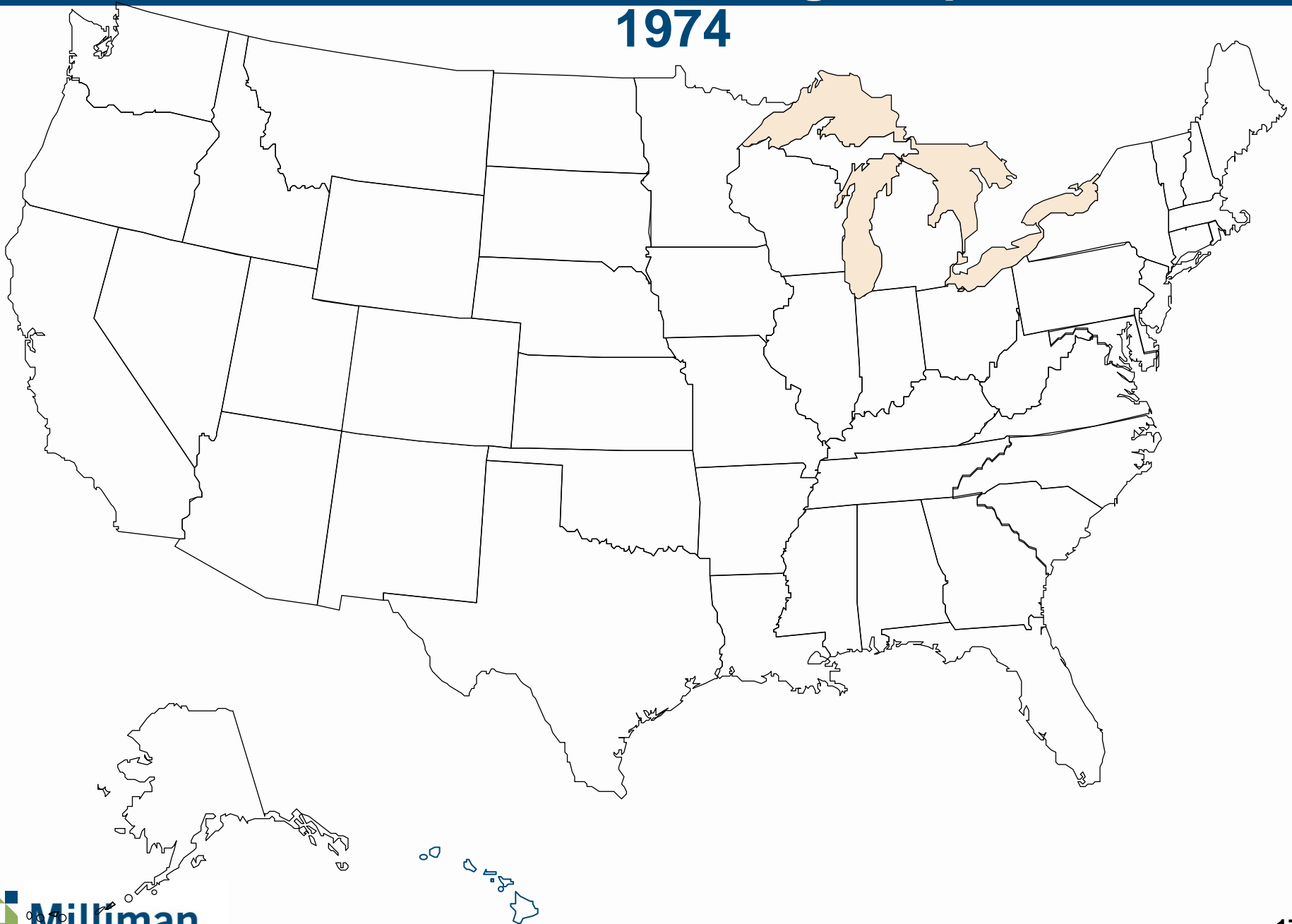


Source: Milliman analysis of PIAA Closed Claim Comparative; 2013 Edition

Tort Reform – Where Are We Headed?

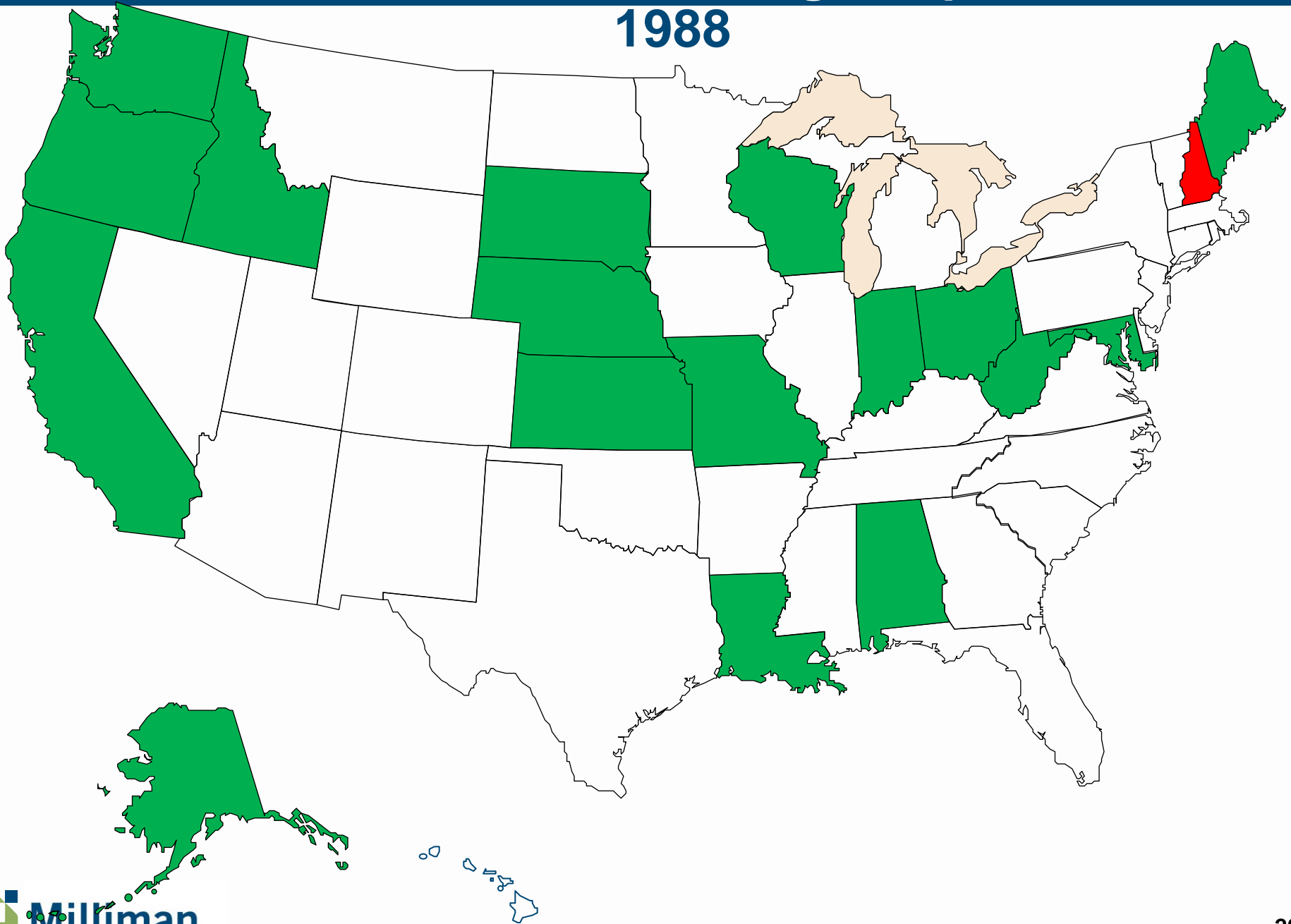
Tort Reform Damage Caps

1974



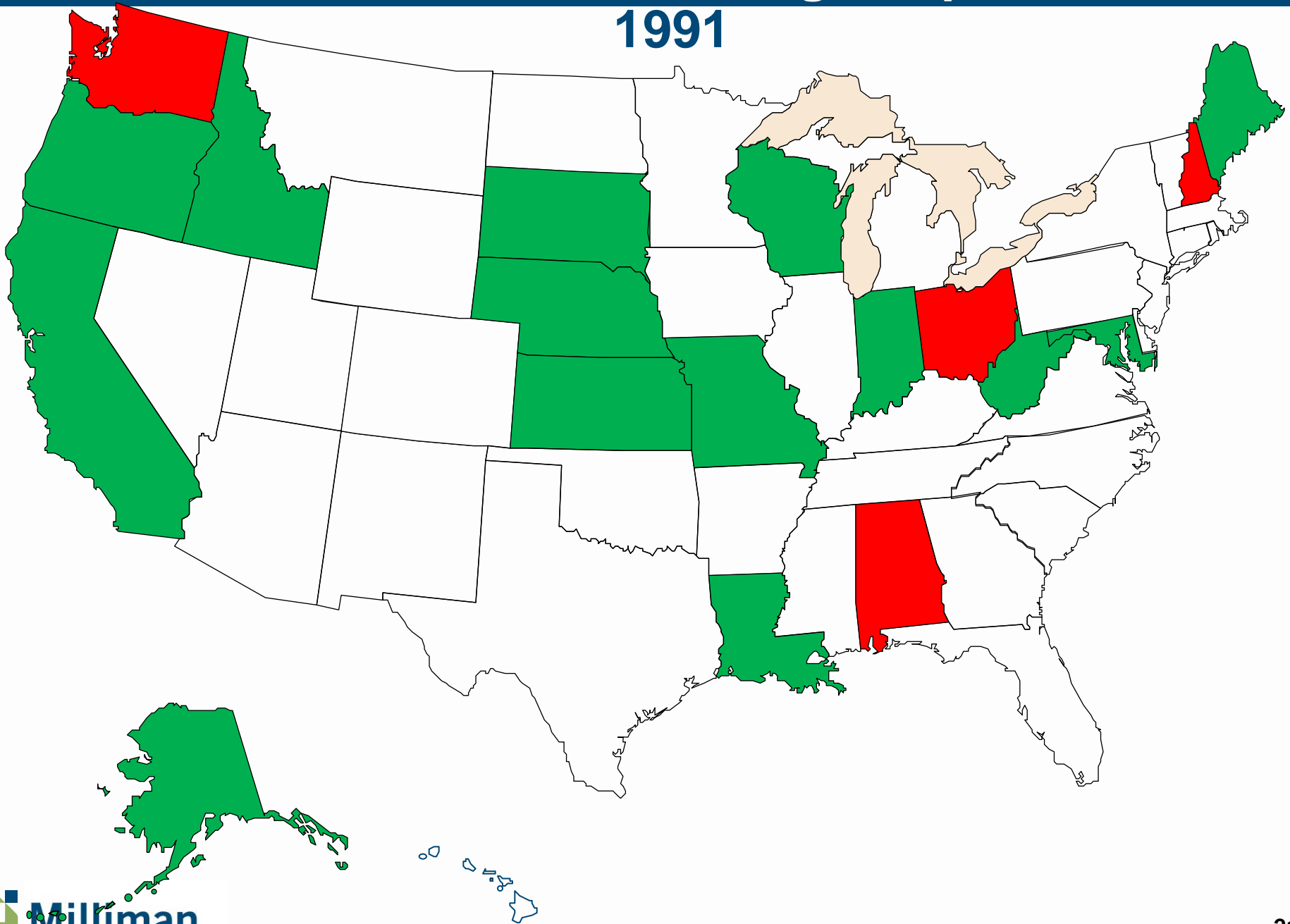
Tort Reform Damage Caps

1988



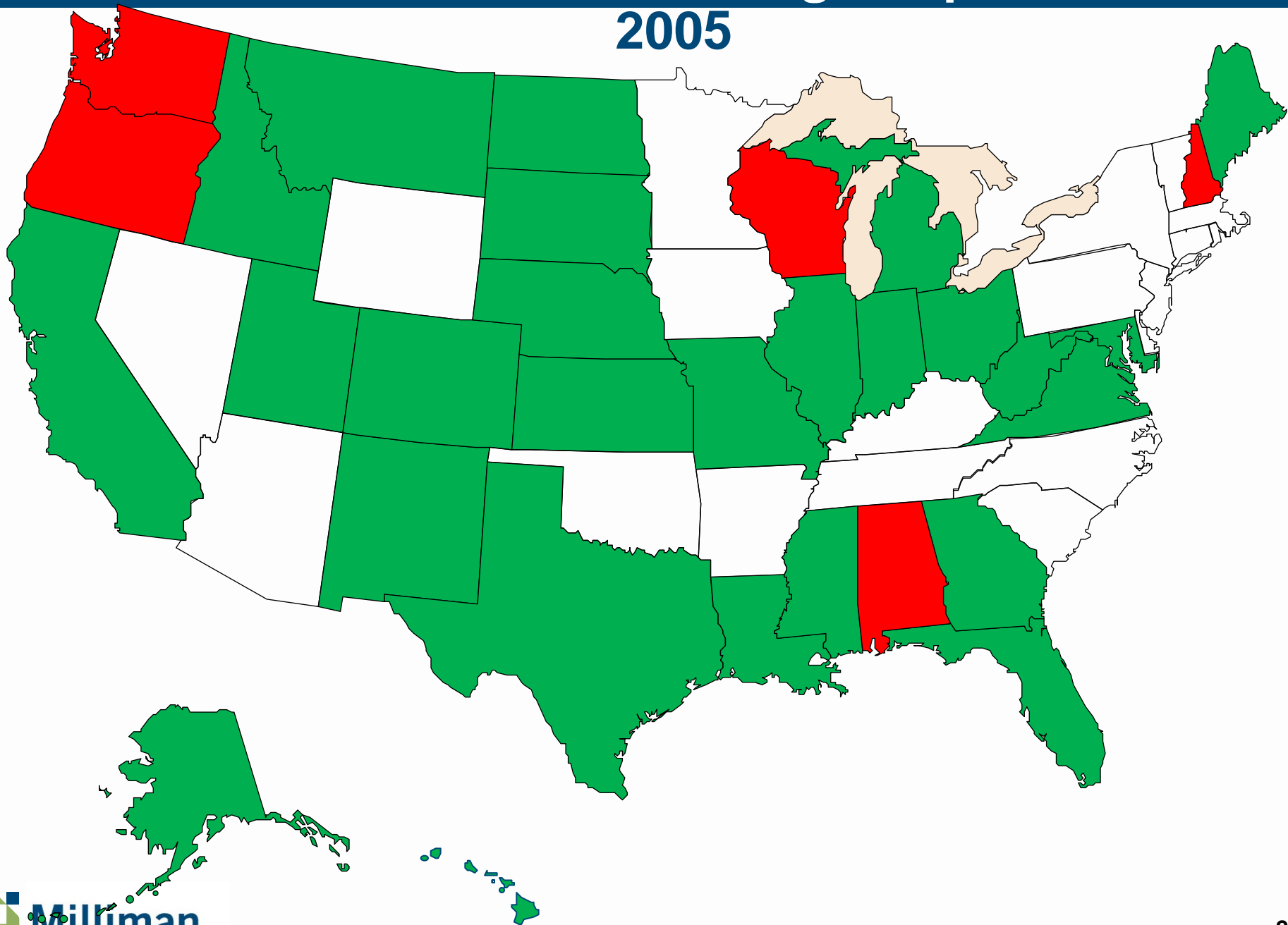
Tort Reform Damage Caps

1991



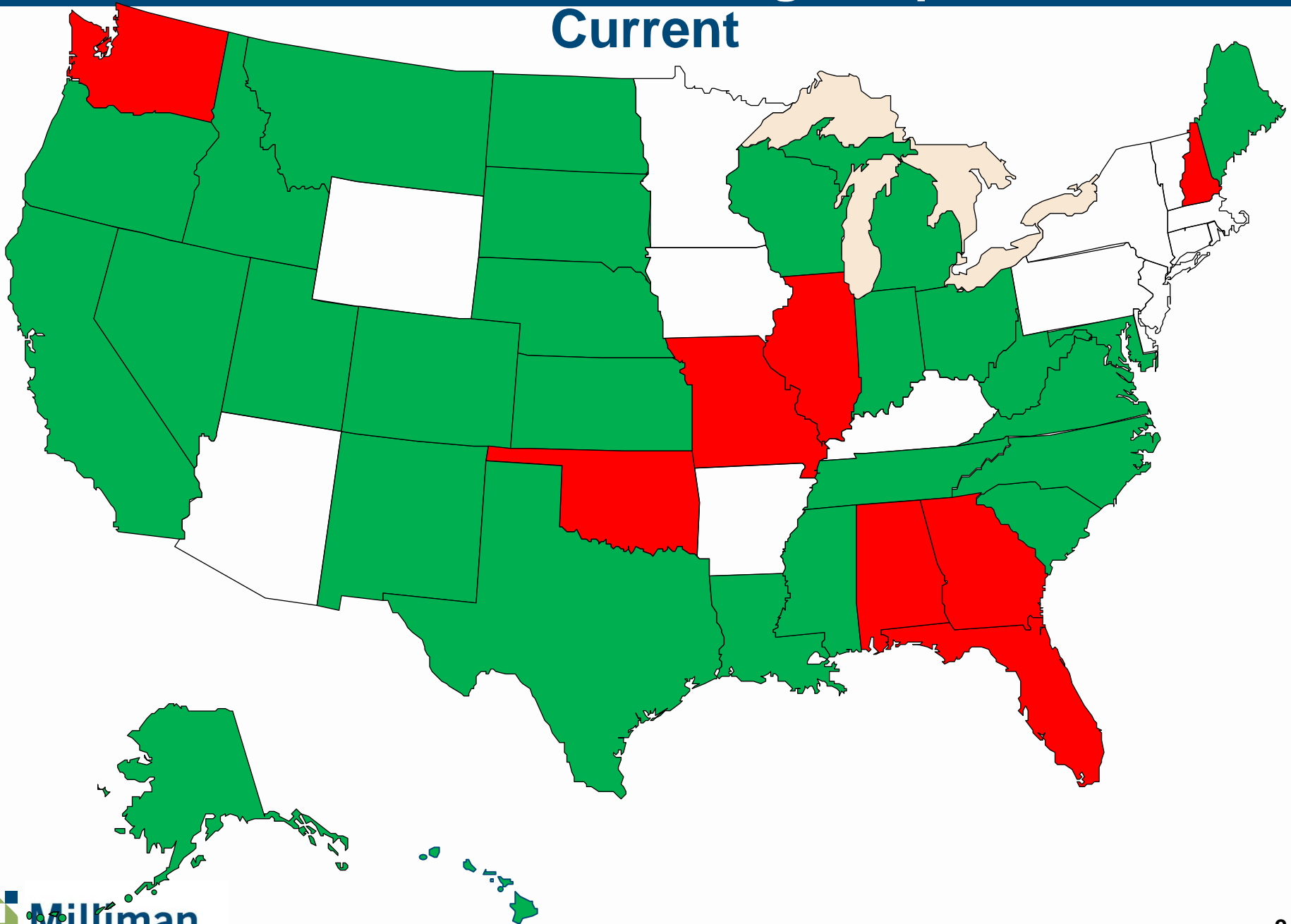
Tort Reform Damage Caps

2005

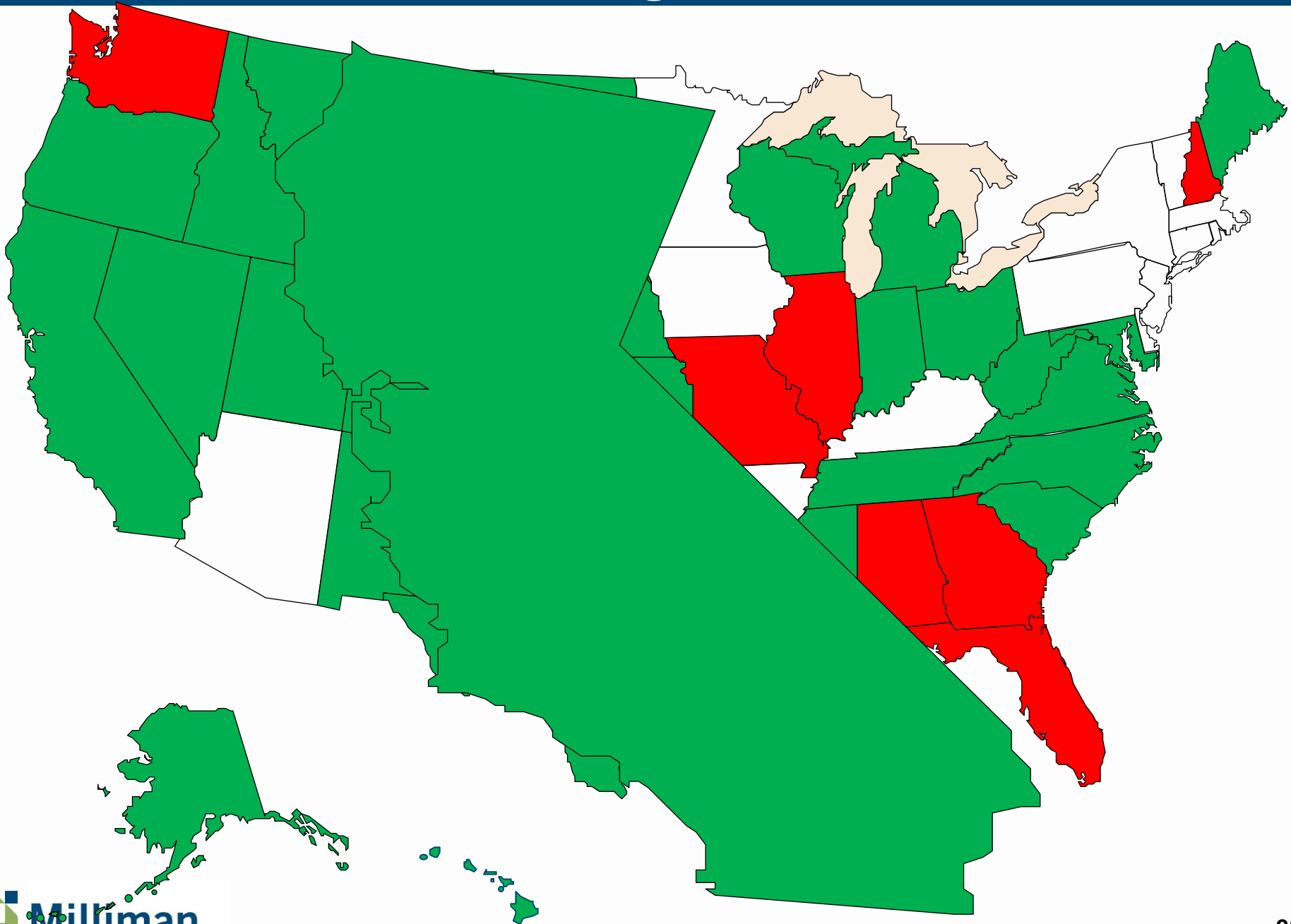


Tort Reform Damage Caps

Current



The Challenge to MICRA



Proposition 46

- **Cap on Non-Economic Damages ↑ \$1.1M**
- **Random drug testing of physicians**
- **CURES database**
 - **Requires physicians to query**
 - **Gives DOJ access to the database**
 - ***“patients do not have a reasonable expectation of privacy in their prescription records”***
 - *DOJ argument in Alwin Lewis, M.D. v. Superior Court of the State of California*

“No On 46” Campaign

➤ **Costs**

- **One public estimate: 33% to 77% increase**

➤ **Access**

- **Physicians may choose to practice elsewhere**

➤ **Privacy**

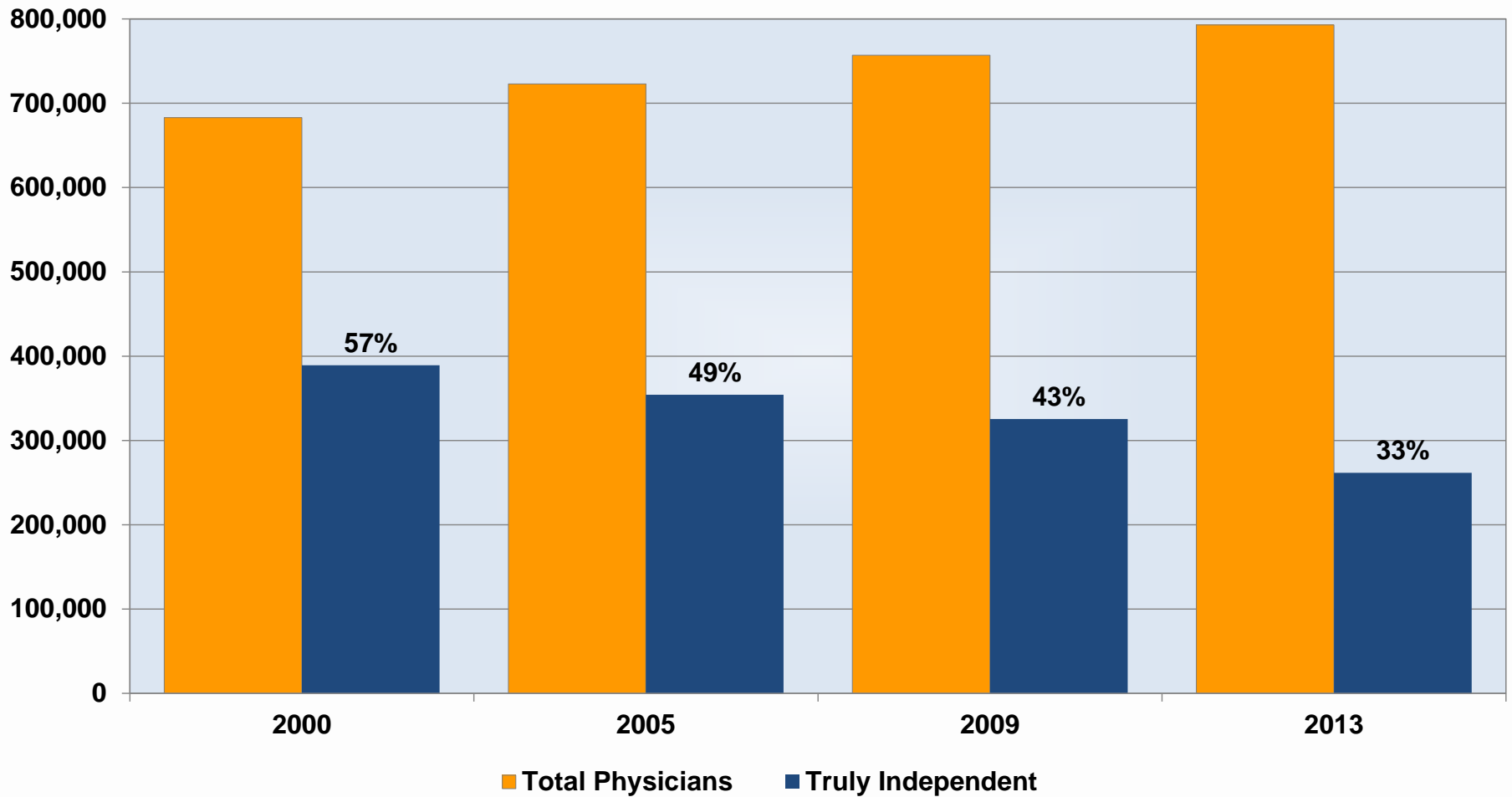
“patients do not have a reasonable expectation of privacy in their prescription records”

- ***DOJ argument in Alwin Lewis, M.D. v. Superior Court of the State of California***

Additional Concerns

Physician Employment

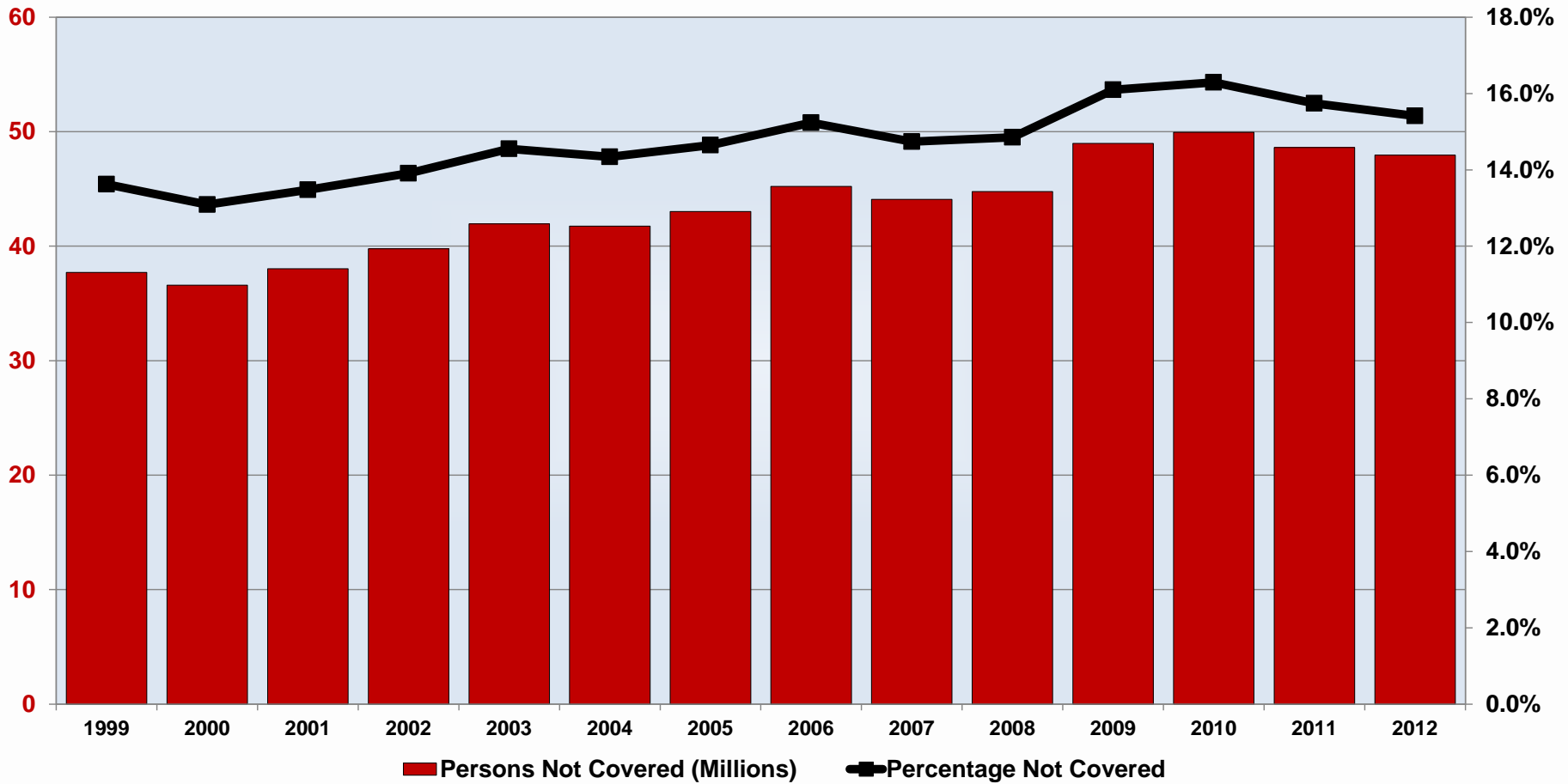
Movement Toward Hospital-based Employment



Source: Accenture Outlook – “Adapting to a new model of physician employment”; August 2011

Increased Utilization

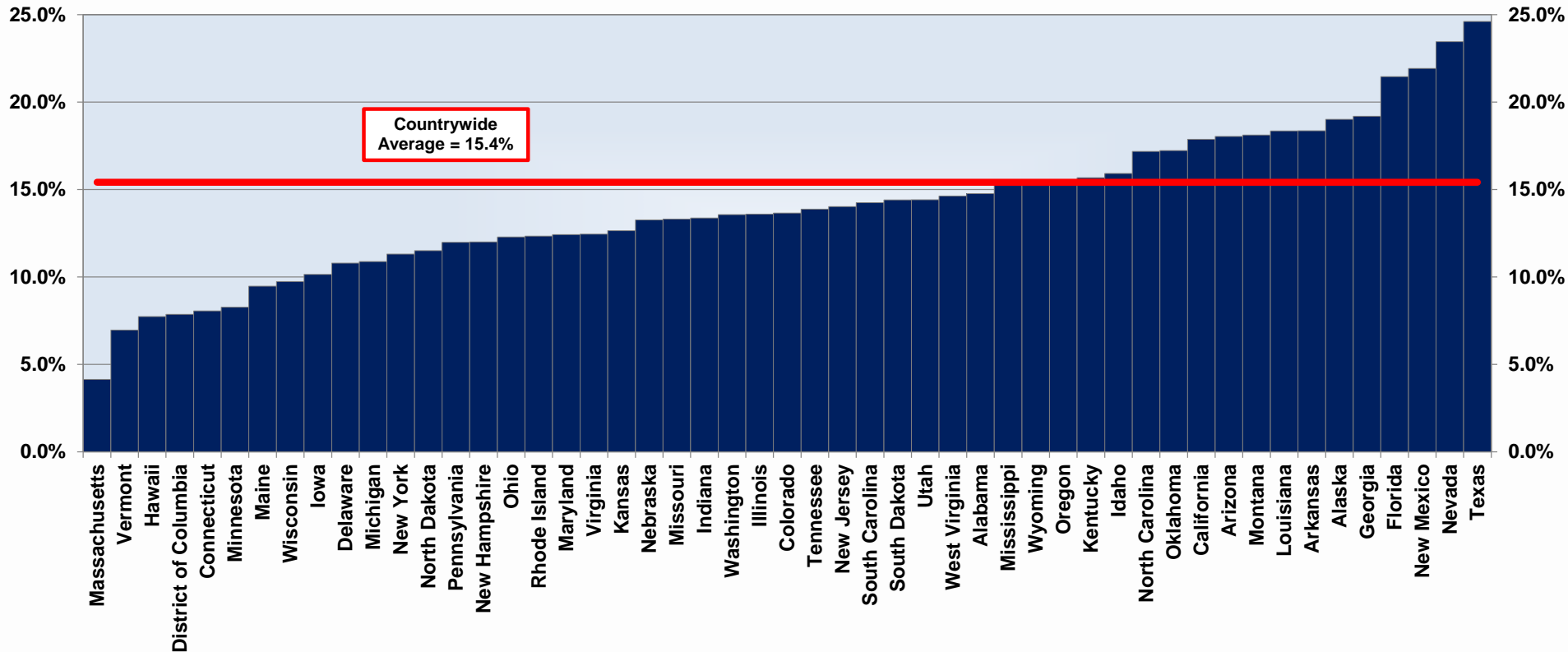
Uninsured Persons by Year (Countrywide)



Source: Milliman analysis of health insurance data from www.census.gov

Increased Utilization

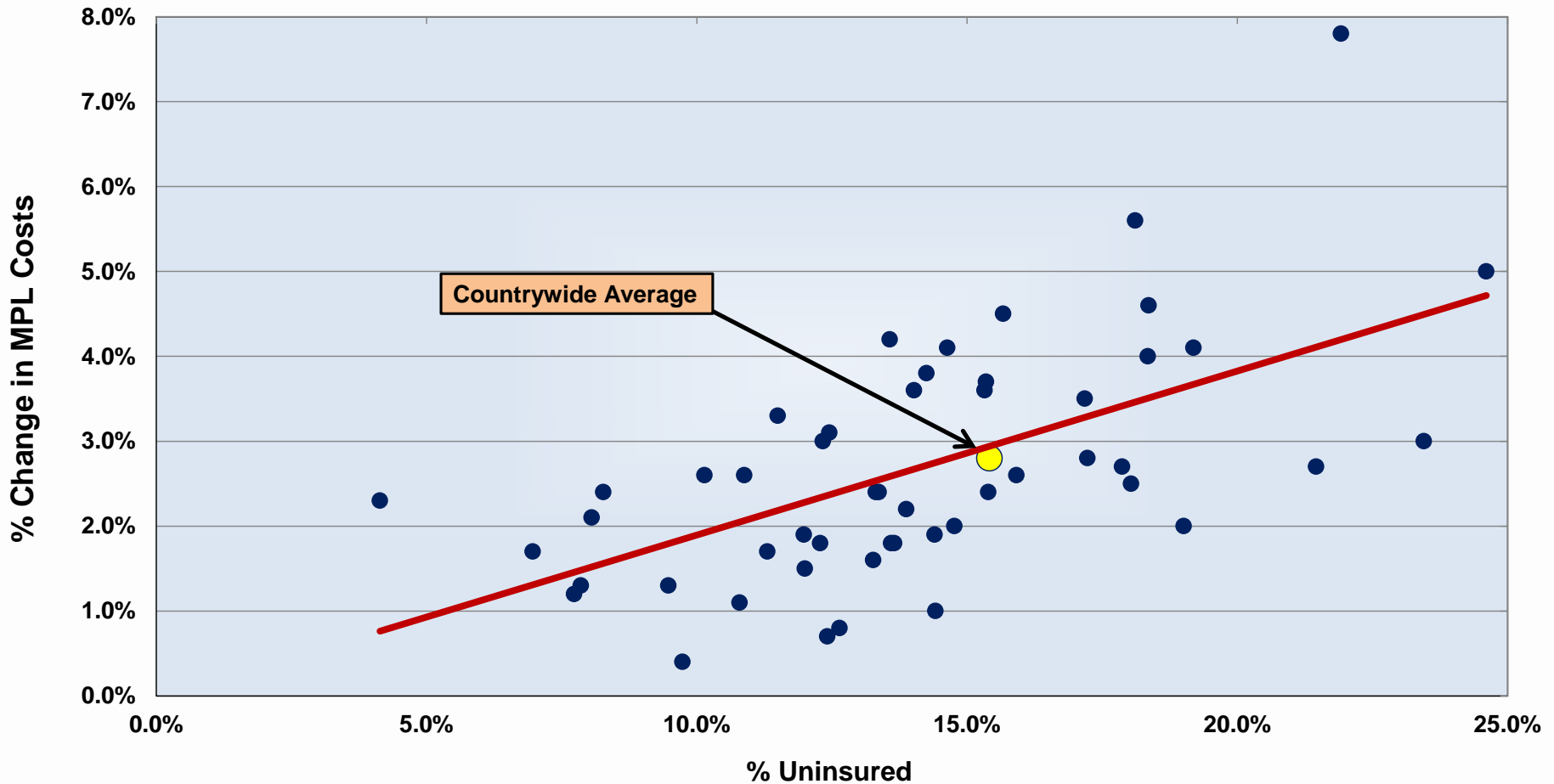
Percentage of Persons not Covered by State (through 2012)



Source: Milliman analysis of health insurance data from www.census.gov

Increased Utilization

Estimated Changes in MPL Claim Costs by State due to the Patient Protection and Affordable Care Act

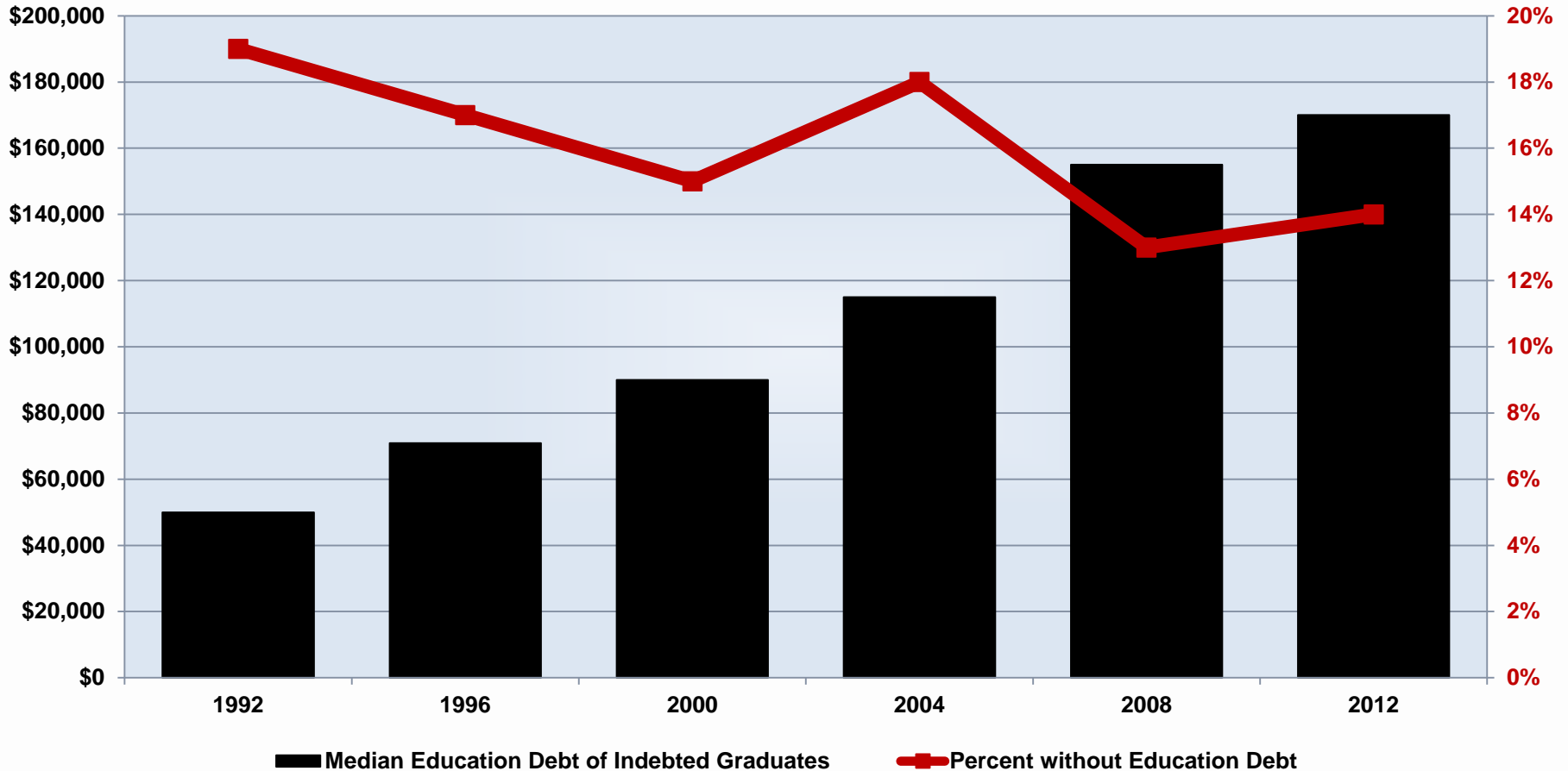


Sources: Milliman analysis of health insurance data from www.census.gov

RAND Corporation – “How Will the Patient Protection and Affordable Care Act Affect Liability Insurance Costs?”; 2014

Physician Education Debt

Median Medical School Education Debt



Source: Association of American Medical Colleges, Physician Education Debt and the Cost to Attend Medical School; 2012 Update

Closing Thoughts

- **Frequency: no where to go but up?**
- **ALAE**
 - **How to manage a cost that now exceeds indemnity**
- **Indemnity – when will severity rise again?**
- **Physician employment – continuing trend**
- **ACA – will impact health care availability**

Other Considerations

Other Considerations

Accompanying Oral Discussion

- This document is not complete without the accompanying oral discussion and explanation of the underlying information and concepts as well as any interpretational limitations.

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Data Reliance

- We have relied upon data and other background information prepared by others, as documented throughout this presentation. We have performed a limited review of the data for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.