



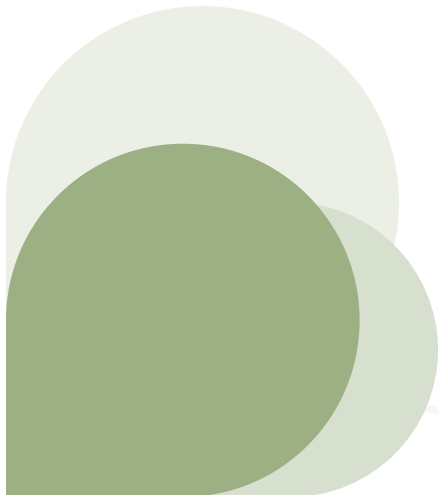
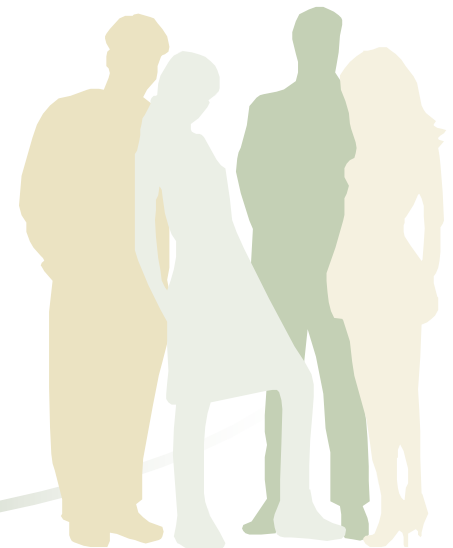
Hospital Professional Liability

How Do We Price a Moving Target

**2017 CAS RPM
San Diego, California**

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Finding Industry Information (Publicly Available)

- Zurich 2016 Benchmark of HPL Claims Report
- CNA HPL Claim Report 2015
- State MPL Reports
 - CT, FL, MO, OH, WA, WV
- State Insurance Department Rate Filing Searches
 - NAIC SERFF (NY)
 - CA, OH, WA, FL, NC, WI
- Medicare Malpractice Premium (MP) Relative Value Units (RVU)
- Other Potential Sources



Zurich HPL Benchmark Study

- Available on Zurich's website
- Database of 354,000 Claims from 8.4 million occupied bed equivalents
 - Relies on developed and trended report year claims instead of closed claims
 - Report years 2005 to 2013 for 2016 study
- Key Findings
 - Claim frequency remains flat
 - Severity trending at 4.6%
 - Severity higher for children's hospitals and teaching hospitals than other acute care facilities
 - Ratio of expense to indemnity is constant



Zurich HPL Benchmark Study

- Useful Information

- Charts comparing frequency and severity for CA, FL, IL, NY, PA, TX and national average for report year 2005 to 2013
- Chart of % of claims that close with no indemnity or nominal payment
- Charts claim severity for profit vs. non-profit, facility type, and urban vs. rural
- Chart of expense vs. indemnity
- Charts of percent of claims > \$1M or \$5M
- Chart of loss cost for CA, FL, IL, NY, PA, TX and national average
- Last 2 exhibit group loss costs and claim frequency (per OBE) by state into 5 ranges

- Pros

- Concise report
- Comparisons by state, profit vs. non-profit, facility type, and urban vs. rural

- Cons

- Conversion factors for standardizing exposures not provided
- Development factors not provided



CNA HPL Claim Report 2015

- Available on CNA's website
- Focused on quality and patient safety information
- Examines HPL claims closed between 2005 and 2014
- Includes 591 claims with indemnity
- Actuarial Trends
 - Frequency trend remains flat based on reported and incurred frequency per bed
 - Average indemnity up from \$87,000 to \$136,000 from 2005 to 2014 (4.6% annual trend, based on incurred severity)
 - Average expense trend is fairly flat
- Limitations – SIRs, small claims, excess of policy limit amounts, etc.
- Summarizes by claimant age, clinical service, location in facility, allegation, injury, outcome, etc.



CNA HPL Claim Report 2015

- Interesting Notes

- Comments that there are integrating physician and provider practices ...”may have significant liability and insurance implications.”
- Cyber liabilities and protecting patient safety
- Patient care checklist



State Medical Malpractice Reports

- CT 2016
 - Presents closed claim activity (2011-2015)
 - Summarizes rate activity
 - “...during the last eight years 2008 to 2015, the Department has received and approved one request for a medical malpractice rate change...”
 - 2013 ProSelect P&S +4.5%



State Medical Malpractice Reports

- CT 2016 (All MPL)

Report Published	2016
CY Data Years	2011-2015
Total # of Closed Claims	3,227
% Closed with Indemnity	46%
# Closed with Indemnity	1,484
Total Average Indemnity	585,778
% Closed with ALAE	68%
# Closed with ALAE	2,203
Total Average ALAE	74,388
Total Average ALAE on Indemnity Claims	51,466
Total Average ALAE on No Indemnity Claims	95,186
<u>Commercial Insurers</u>	
# Closed	1,719
% Closed	53%
Average Indemnity	466,577
Average ALAE	
<u>Self-Insureds & RRGs</u>	
# Closed	1,508
% Closed	47%
Average Indemnity	678,570



State Medical Malpractice Reports

- CT 2016 (HPL)

<u>Hospital General</u>	<u>All Hospitals</u>	<u>Commercial</u>	<u>Self-Insureds</u>
# Closed with Indemnity	673	29	644
Total Average Indemnity	744,696	1,244,590	722,186
Total Indemnity Paid	501,180,741	36,093,122	465,087,619
HPL Indemnity as a % of Total MPL	59.97%	13.66%	84.74%



State Medical Malpractice Reports

- FL 2016
 - Presents closed claim activity (2005-2014)
 - Review of rates, market profitability and solvency (NAIC data)
 - Useful Information (not much)
 - Separate market review section for HPL subline
 - Data is sparse as most exposure is self-insured
 - Annual rate filings required but, only 2 filed for HPL (CNA 0.0%, FL MM JUA +2.3%)
 - Other licensed insurers use individual risk rating so don't file base rates
 - Closed claim counts by location, injury code, geographic location, economic vs. non-economic damages



State Medical Malpractice Reports

FL 2016

- Primarily market analysis based on rate filings and NAIC filings
 - Market share, loss ratios, comparisons to other states, by subline
- Presents closed claim activity for CY 2015
 - Reports go back to 2003, so year to year comparisons available
- Useful Information
 - Claim counts by (location – hospital, physician office, ER, etc., severity code, county, entity, timing)
 - Economic vs. Non-economic Loss



State Medical Malpractice Reports

FL 2016

- Useful Information
 - Summary of 2015 Hospital Rate Filings
 - CNA (0.0%)
 - FL JUA (+2.3%)
 - Rate filings not required for individual risk rating



State Medical Malpractice Reports

MO 2015

- Market analysis based on rate filings and NAIC filings
 - Market share, loss ratios, comparisons to other states, by subline

- Presents closed claim activity for CY 2002-2015
 - More detailed than other state reports with some unique information

- Useful Information
 - Claim counts include Newly Reported and CY Closed
 - Allegation Category (surgery, diagnosis, non-surgical treatment, medication, etc.)
 - Allegation Type (diagnosis error, patient safety, cut or puncture during procedure, infection, informed consent, medication error, etc.)
 - Condition (cancer, heart, digestive, trauma, etc.)
 - Counts, Average severity, Severity type



State Medical Malpractice Reports

- OH 2016
 - Presents closed claim activity (2005-2014)
 - Useful Information
 - Claim statistics by resolution type (abandoned, settled, verdict, alternative)
 - Indemnity and ALAE severities for 2005-2014
 - 2014 Indemnity and ALAE severities by Age of Claim
 - Avg. indemnity closed within 2 years = 258,629
 - Avg. indemnity closed more than 7 years = 913,829
 - Size of Claim Distribution Chart
 - Claim statistics by geographic location
 - Avg. Indemnity Summit County 415,560
 - Avg. Indemnity Southeast Region 270,738
 - Claim statistics by physician specialty, injury type, severity description, age of patient
 - Claim statistics by provider type (hospitals)



State Medical Malpractice Reports

- WA 2016
 - Presents closed claim activity (2005-2014)
 - Useful Information
 - Claim statistics by resolution type (abandoned, settled, verdict, alternative)
 - Indemnity and ALAE severities for 2005-2014
 - 2014 Indemnity and ALAE severities by Age of Claim
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State Medical Malpractice Reports

- WV 2015
 - Presents typical market analysis based on statutory filings
 - Presents closed claim activity (1993-2014)
 - Board of Medicine reports, not insurance data
 - Useful Information
 - Judgment vs. Settlement comparisons (dismissals 30%, judgements 10%, settlements 60%)
 - Claim counts dropped from average of 200 prior to 2001 to average of 100 since 2001
 - Economic, non-economic, punitive damages comparison
 - Cons
 - No separate HPL data
 - Only indemnity amounts, no ALAE
 - Claim payments capped at \$1M
 - Dismissals no longer required to be reported



Publicly Available Rate Filings

- NAIC SERFF
 - http://www.serff.com/index_sfa.htm
 - 39 states using
 - Can get access to many states filings but not all
 - IL's freedom of information act requires written request to get documents
- CA
 - <https://interactive.web.insurance.ca.gov/warff/index.jsp>
- FL
 - <http://www.floir.com/> Look for I-file Search
- OH
 - email public records request, small fee
- NC
 - http://www.ncdoi.com/PC/Filing_Search.aspx
- WA
 - <https://fortress.wa.gov/Search.aspx>
- WI
 - <https://ociaccess.oci.wi.gov/filing-search/webSearch>



Medicare Malpractice Premium (MP) Calculation

$$\text{Payment}_{K,L} = \{ [\text{GPCI}_{PW,L} * \text{RVU}_{PW,L}] + [\text{GPCI}_{PE,L} * \text{RVU}_{PE,L}] + [\text{GPCI}_{MP,L} * \text{RVU}_{MP,L}] \} * \text{CF}$$

K = Service

L = Locality

GPCI = Geographic Practice Cost Index

RVU = Relative Value Unit

PW = Practice Work

PE = Practice Expense

MP = Malpractice Premium

CF = Conversion Factor



Medicare Malpractice Premium (MP) Calculation

Example:

Code	77074 X-rays bone survey limited Facility, No modifiers
Locality	San Diego
Conversion Factor	35.8887
PW	0.45
Facility PE	1.33
MP	0.04
PW GCPI	1.024
PE GCPI	1.088
MP GCPI	0.610
Payment	\$ 69.35



Medicare Malpractice Premium (MP) Calculation

Example:

<u>Component</u>		
PW	\$ 16.54	23.8%
PE	\$ 51.93	74.9%
MP	\$ 0.88	1.3%
Total	\$ 69.35	100.0%

Notes: Provides a procedural based MPL cost
MPL cost is small portion of total payment



Medicare MP Factors

- GPCI
 - Territorial definitions similar to what is used in MPL ratemaking
- MP RVU
 - MP RVUs Updated for calendar year 2015 (last update CY 2010)
 - Data comes from state insurance departments
 - Develops rate factors by specialty for MPL load calculations
 - Based on market premium analysis
 - Procedure maps MPL specialties into CMS service codes



Other Publicly Available Sources

- National Practitioner Database
- Medicare
- VA Hospital

