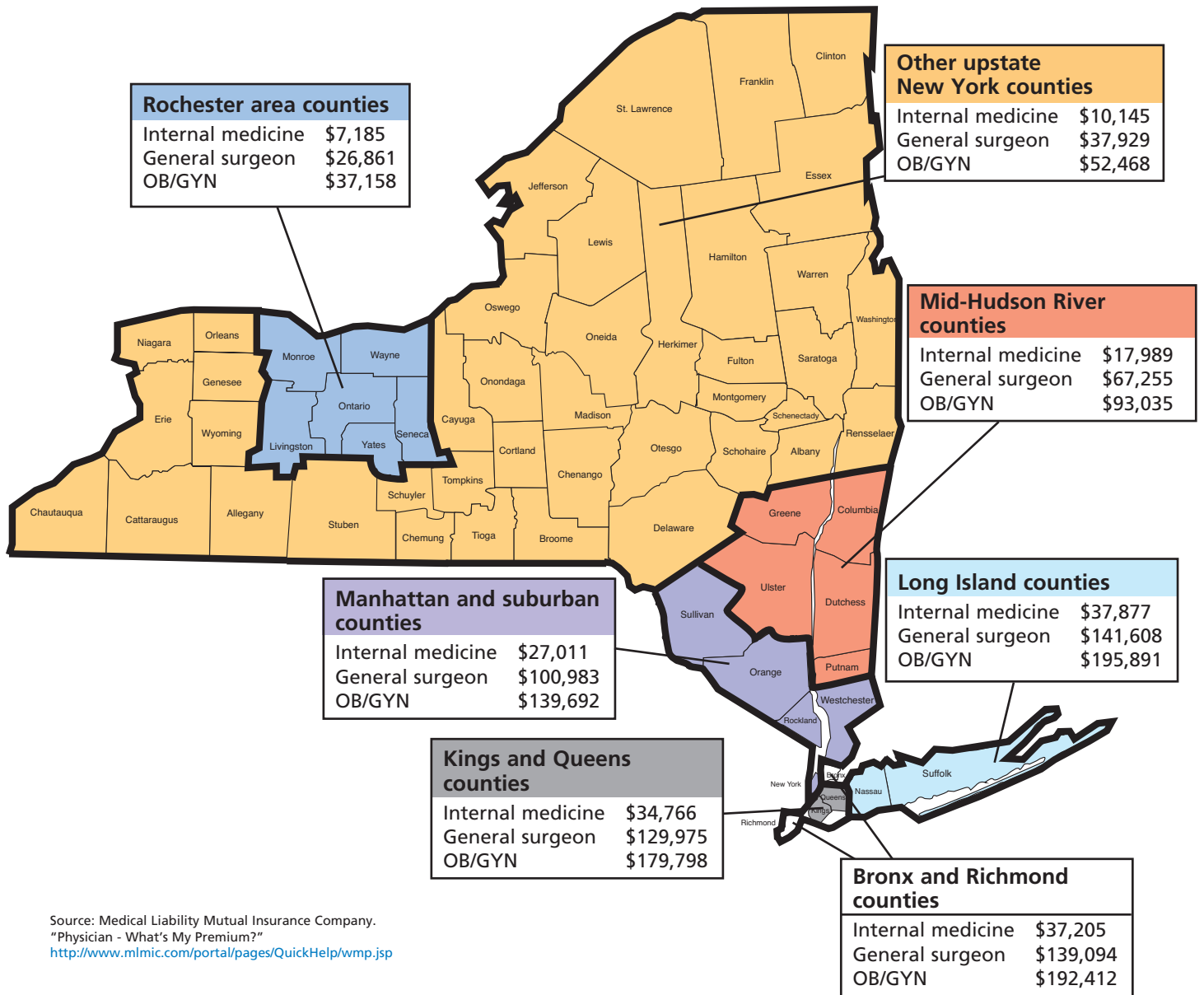


# New York state medical malpractice coverage premiums

2013-2014 standard medical malpractice premium rates



Source: Medical Liability Mutual Insurance Company.  
 "Physician - What's My Premium?"  
<http://www.mlmic.com/portal/pages/QuickHelp/wmp.jsp>

Standard medical malpractice premium rates paid by physicians in New York state vary significantly by medical practice and geographical location. For example, the premium rate for a neurosurgeon practicing in Long Island is \$331,295, while the rate for an allergist in Rochester is \$1,905 (data not shown).<sup>1</sup> The state is divided into seven malpractice rating territories. A sample of premium rates for three types of physician practices is displayed above to illustrate the significant variations by practice and geographical location, reflecting the underlying aggregate claims experience. Physicians and hospitals that employ physicians are often able to qualify for discounts on the standard rates. Standard rates typically reflect what are called occurrence policies that provide liability coverage for services rendered during a policy period, regardless of when the claim is reported. The typical limits of liability are \$1.3 million for damages sustained by a single patient and \$3.9 million for an entire policy year.



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## The costs of malpractice coverage and defensive medicine

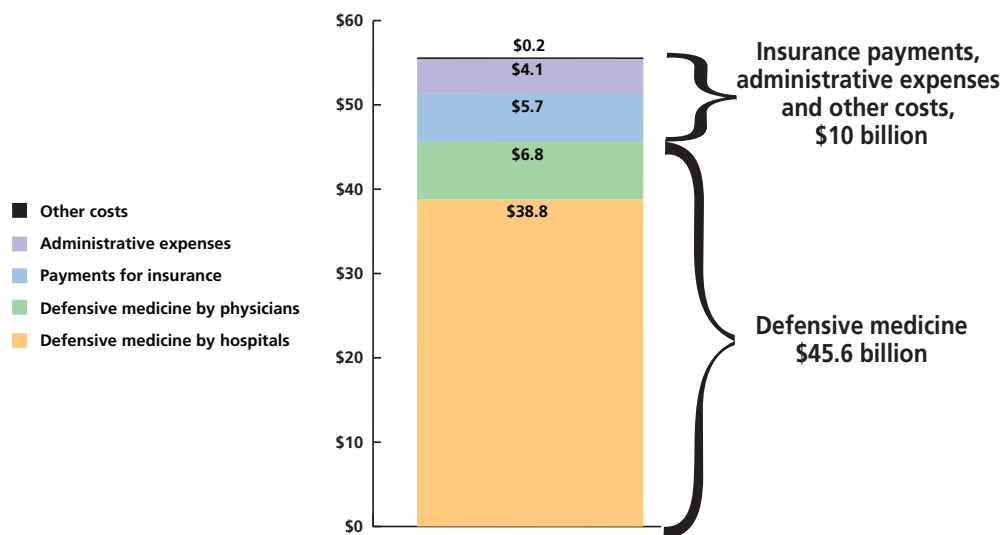
### Studies range from less than 2 percent to 11 percent of total health care spending

The costs of the medical liability system have been the subject of professional and academic inquiry for more than 40 years.<sup>2</sup> In the national debate over health care reform, concerns about reducing the rate of growth of health expenditures reignited interest in medical liability reforms and their potential to save money by reducing the practice of defensive medicine – clinicians’ intentional overuse of health services to reduce their liability risk.

Notwithstanding all of the papers written on the subject, rigorously researched estimates of the system’s costs related to medical malpractice are scarce. Research shows that the impact of medical malpractice coverage and defensive medicine is in a broad range from 2 percent<sup>3</sup> to 11 percent<sup>4</sup> of total health care spending.

Acknowledging that “rigorous estimates of the cost of the medical liability system are scarce,” the authors of one major study published in September 2010 put the price tag at \$55.6 billion in 2008 dollars, or 2.4 percent of total health care spending at the time. The components of the liability costs were split up as follows in the illustration below.<sup>5</sup>

**Estimated 2010 components of medical malpractice liability costs (billions of dollars)**

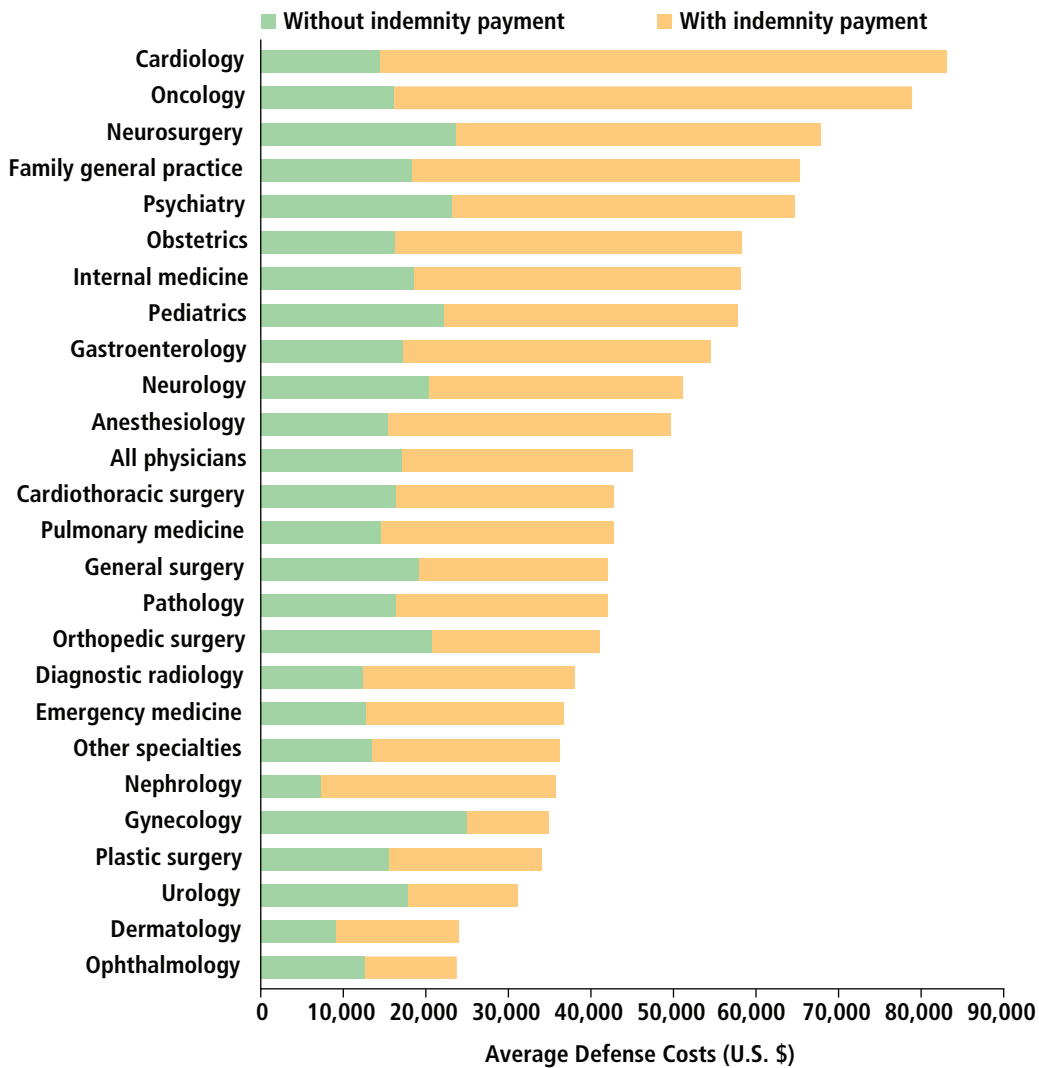


Source: Mello, MM, et. al. “National Costs of the Medical Liability System.” Health Affairs, Vol. 29 , No. 9, September 2010, pages 1-2. [http://health.burgess.house.gov/UploadedFiles/Malpractice-Health\\_Affairs.pdf](http://health.burgess.house.gov/UploadedFiles/Malpractice-Health_Affairs.pdf)

More than \$8 of every \$10 — \$45.6 billion — spent on medical malpractice liability costs was attributed to defensive medicine by providers who order unnecessary tests and procedures to protect themselves from malpractice claims.

While the 2010 study mentioned above focused on national costs overall, a study released in April 2012 explored the legal defense costs associated with resolving medical malpractice claims. The researchers examined the defense costs of more than 25,000 malpractice claims filed against more than 40,000 physicians. The authors noted that “defense costs constitute an important expense for insurers, and they affect physicians and patients by raising the costs of malpractice premiums and medical care, respectively.”<sup>6</sup>

## National Average Defense Costs of Paid and Unpaid Malpractice Claims by Physician Specialty (in 2008 dollars)



Source: Seabury, S et. al. "Defense Costs of Medical Malpractice Claims." New England Journal of Medicine. Vol. 366, No. 14, April 5, 2012, page 1355. Limited access to full article. <http://www.nejm.org/doi/pdf/10.1056/NEJMc1114805>

The 2012 study found that claims which resulted in an indemnity payment had higher mean defense costs than claims that didn't include an indemnity payment (\$45,070 vs. \$17,130).<sup>7</sup> The authors pointed out that "although the costs of dispute resolution are higher for claims that result in indemnity payments, there is still a meaningful cost of resolving claims that never result in payment. Moreover, there is substantial variation in these costs across specialties, though this variation is not necessarily the same as the variation in the frequency or size of claims. Lowering the costs of dispute resolution could lead to considerable savings for physicians and insurers, particularly in specialties with high mean defense costs."<sup>8</sup>

Along the same lines, the American Medical Association released a trend report in late 2011 showing that on a national basis:

- "The average expense of defending a physician against a medical liability claim in 2010 was \$47,158 — an increase of 62.7 percent since 2001.
- In 2010, 63.7 percent of all closed claims against physicians were dropped, withdrawn or dismissed without any payment. Each of these claims costs an average of \$26,851 to defend, accounting for more than one-third of the total annual defense expenses.
- The average medical liability indemnity payment to a claimant in 2010 was \$331,947 — an increase of 11.5 percent since 2001.
- The share of medical liability insurance policies carried by physicians with limits exceeding \$1 million has increased from 28 percent to 41 percent since 2001.
- About 5 percent of premiums increased by 10 percent or more. This is the largest proportion of upward premium changes since 2007, when 8 percent of premiums increased by 10 percent or more."<sup>9</sup>

## Tracking medical liability premiums

The *Medical Liability Monitor* conducts an annual survey of the nation's major medical liability insurers. Three specialties – internal medicine, general surgery and obstetrics and gynecology – are included to portray the wide range of rates illustrated in this report.<sup>10</sup> While every attempt is made to reach the major medical liability insurance writers in each state, a fraction do not participate. The survey still includes an estimated 65 percent to 75 percent of the entire market.<sup>11</sup>

Also displayed for comparison are the 2013-2014 rates in New York, obtained from the state's dominant insurer, Medical Liability Mutual Insurance Company. In general, the 2013-2014 Medical Liability Mutual Insurance Company data illustrate that some regions of New York have among the highest malpractice premium rates, and other regions have among the lowest in the country. Generally, physicians in downstate regions pay close to the highest rates reported by the states, while those in upstate New York pay premiums similar to what physicians pay in states with the lowest rates.

Comparisons across states must be interpreted cautiously because of the way policies are sold and how credits, discounts and experience factors are calculated. For example, many of the policies used in the survey relate to different liability limits per injury and total coverage amount for the policy year. Standard Medical Liability Mutual Insurance Company rates typically reflect what are called "occurrence policies" that provide liability coverage for services rendered during a policy period, regardless of when a claim is reported. The typical limits of liability on Medical Liability Mutual Insurance Company policies sold in New York are \$1.3 million for damages sustained by a single patient and \$3.9 million for an entire policy year.

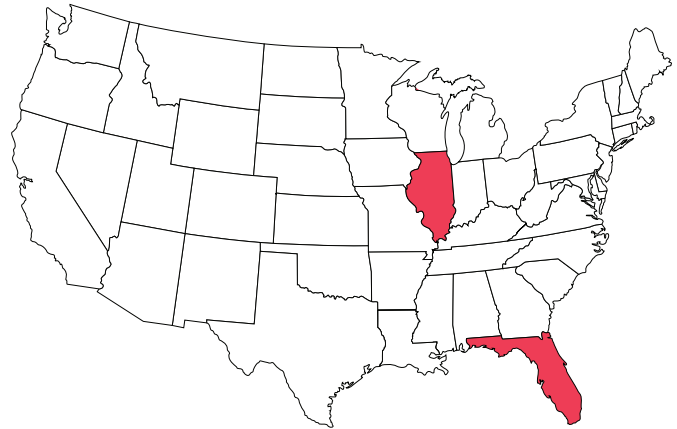
The remainder of this fact sheet summarizes the *Monitor's* results for 2013, highlighting states that have higher and lower premium rates than New York's highest and lowest rates, respectively. This represents a conservative approach to evaluating and comparing New York's Medical Liability Mutual Insurance Company rates with those reported nationally for the same specialties surveyed by the *Monitor*: internal medicine, general surgery and obstetrics and gynecology.

It should be noted that seven states have established "patient compensation funds" through which physicians can purchase additional coverage above the base level. The patient compensation fund states are Indiana, Kansas, Louisiana, Nebraska, New Mexico, Pennsylvania and South Carolina. With respect to patient compensation fund states, the *Monitor* has published total rates that a physician would pay to reach the typical level of \$1 million (single patient)/\$3 million (entire policy year). This fact sheet uses those total rates.

## National medical malpractice rates, 2013-2014: Internal Medicine

### States with higher rates than New York's highest rate - 2013

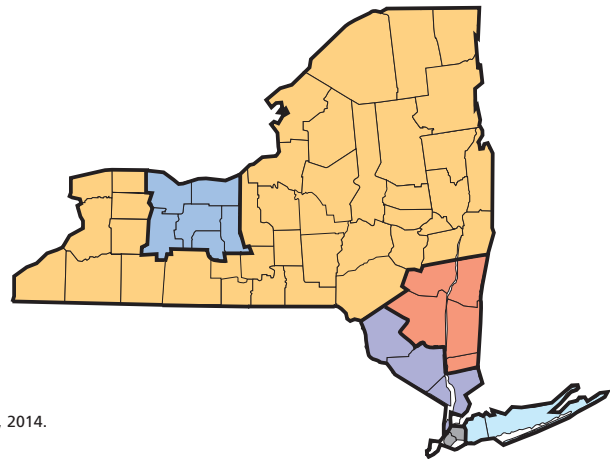
Florida (Miami and Dade counties)	\$ 47,707
Illinois (Cook, Madison and St. Clair counties)	\$ 40,865



Source: Medical Liability Monitor. "Annual Rate Survey Issue." Vol. 37, No. 10, October 2013.

### New York State medical malpractice rates: 2013-2014

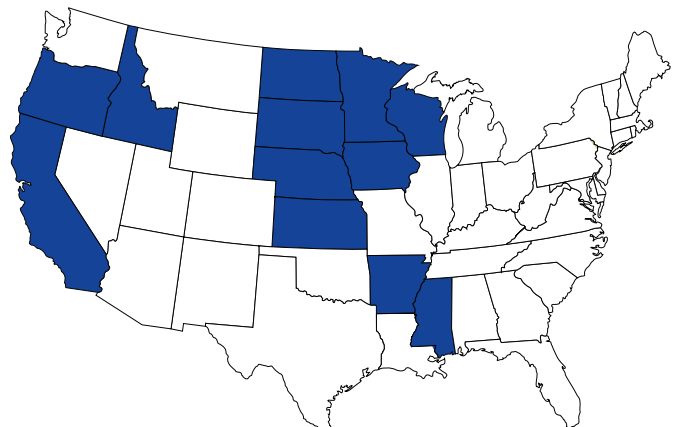
Long Island	\$ 37,877
Bronx and Richmond	\$ 37,205
Kings and Queens	\$ 34,766
Manhattan and suburban counties	\$ 27,011
Mid-Hudson	\$ 17,989
Other upstate New York counties	\$ 10,145
Rochester area	\$ 7,185



Source: Medical Liability Mutual Insurance Company. "Physician - What's My Premium?"  
<http://www.mlmic.com/portal/pages/QuickHelp/wmp.jsp>  
 Internist premiums cited exclude cardiac catheterization. Rates effective from July 1, 2013 through June 30, 2014.

### States with lower rates than New York's lowest rate - 2013

Oregon	\$ 6,763
Kansas	\$ 6,499
Iowa	\$ 5,953
Arkansas	\$ 5,820
North Dakota	\$ 4,748
Idaho	\$ 4,536
California (Alameda, Contra Costa, Fresno, Inyo, Kings, Madera, Mariposa, Merced, Monterey, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz, Stanislaus and Tulare counties)	\$ 4,168
Mississippi	\$ 3,881
South Dakota	\$ 3,697
Wisconsin	\$ 3,623
Minnesota	\$ 3,375
Nebraska	\$ 2,810



Source: Medical Liability Monitor. "Annual Rate Survey Issue." Vol. 37, No. 10, October 2013.



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## National medical malpractice rates, 2013-2014: General Surgery

### States with higher rates than New York's highest rate - 2013

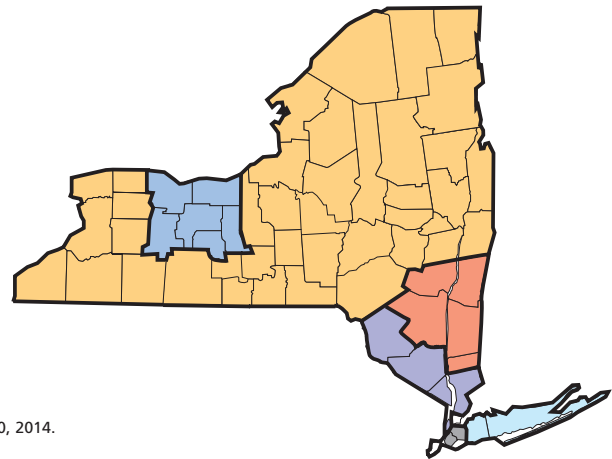
Florida (Miami and Dade counties) \$190,926



Source: Medical Liability Monitor. "Annual Rate Survey Issue." Vol. 37, No. 10, October 2013.

### New York State medical malpractice rates: 2013-2014

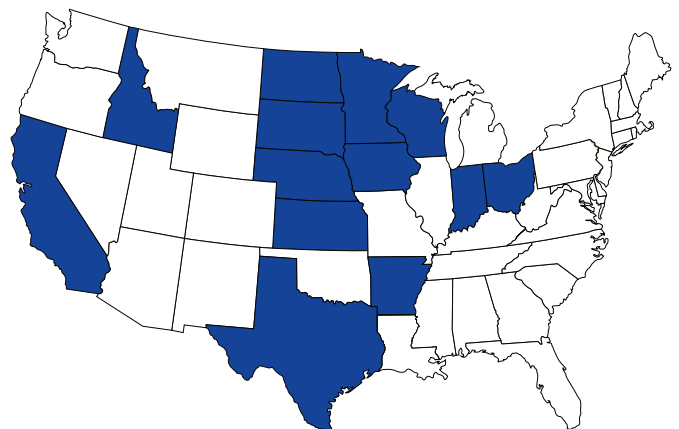
■ Long Island	\$ 141,608
□ Bronx and Richmond	\$ 139,094
■ Kings and Queens	\$ 129,975
■ Manhattan and suburban counties	\$ 100,983
■ Mid-Hudson	\$ 67,255
■ Other upstate New York counties	\$ 37,929
■ Rochester area	\$ 26,861



Source: Medical Liability Mutual Insurance Company. "Physician - What's My Premium?"  
<http://www.mlmic.com/portal/pages/QuickHelp/wmp.jsp>  
 General surgery premiums cited exclude bariatric surgery. Rates effective from July 1, 2013 through June 30, 2014.

### States with lower rates than New York's lowest rate - 2103

Indiana	\$ 23,892
Ohio	\$ 23,845
Texas (Amarillo and Lubbock counties)	\$ 23,252
Arkansas	\$ 21,441
Kansas	\$ 20,777
Iowa	\$ 17,860
California (Alameda, Contra Costa, Fresno, Inyo, Kings, Madera, Mariposa, Merced, Monterey, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz, Stanislaus and Tulare counties)	\$ 16,982
Idaho	\$ 16,324
North Dakota	\$ 15,390
South Dakota	\$ 12,569
Minnesota	\$ 11,306
Wisconsin	\$ 10,868
Nebraska	\$ 9,552



Source: Medical Liability Monitor. "Annual Rate Survey Issue." Vol. 37, No. 10, October 2012.



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# National medical malpractice rates, 2013-2014: Obstetrics and Gynecology

## States with higher rates than New York's highest rate - 2013

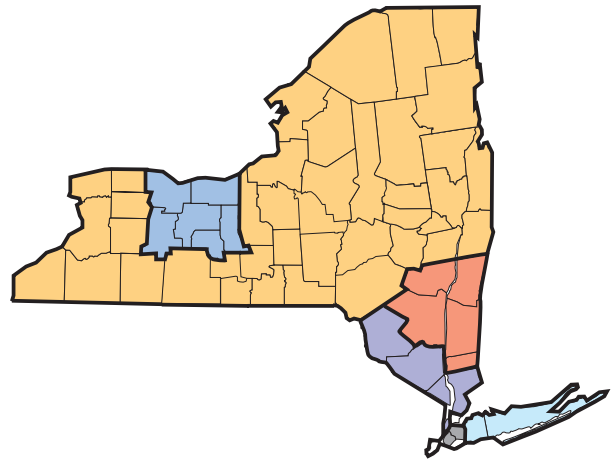
None



Source: Medical Liability Monitor. "Annual Rate Survey Issue." Vol. 37, No. 10, October 2013.

## New York State medical malpractice rates: 2013-2014

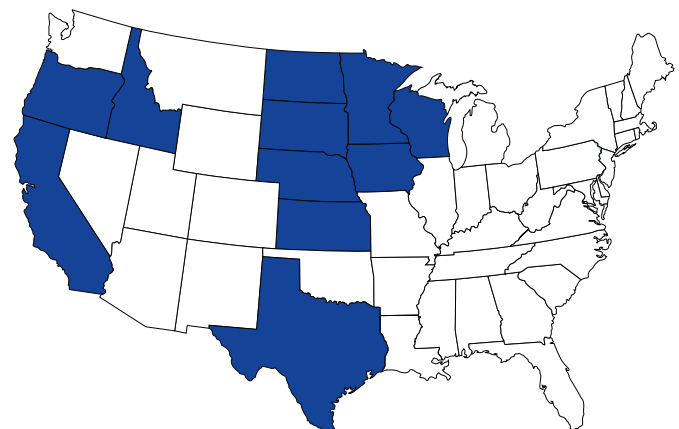
■ Long Island	\$ 195,891
□ Bronx and Richmond	\$ 192,412
■ Kings and Queens	\$ 179,798
■ Manhattan and suburban counties	\$ 139,692
■ Mid-Hudson	\$ 93,035
■ Other upstate New York counties	\$ 52,468
■ Rochester area	\$ 37,158



Medical Liability Mutual Insurance Company. "Physician - What's My Premium?"  
<http://www.mlmic.com/portal/pages/QuickHelp/wmp.jsp>  
 Rates effective from July 1, 2013 through June 30, 2014.

## States with lower rates than New York's lowest rate - 2013

Kansas	\$ 31,379
Oregon	\$ 28,342
Texas	\$ 27,434
Iowa	\$ 27,285
Idaho	\$ 22,668
North Dakota	\$ 20,222
South Dakota	\$ 20,222
Nebraska	\$ 16,857
Wisconsin	\$ 16,605
Minnesota	\$ 16,449
California (Alameda, Contra Costa, Fresno, Inyo, Kings, Madera, Mariposa, Merced, Monterey, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz, Stanislaus and Tulare counties)	\$ 16,240



Source: Medical Liability Monitor. "Annual Rate Survey Issue." Vol. 37, No. 10, October 2013.



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## Endnotes

- <sup>1</sup> Medical Liability Mutual Insurance Company. "Physician - What's My Premium?." Web. 8. Feb. 2014.  
<http://www.mlmic.com/portal/pages/QuickHelp/wmp.jsp>
- <sup>2</sup> Hershey, N. "The Defensive Practice of Medicine: Myth or Reality." The Milbank Memorial Fund Quarterly, Vol. 50, No. 1, Part 1, Jan. 1972, pages 69-97. Restricted access to full article. Web. 9. Feb. 2014  
<http://www.jstor.org/pss/3349487>
- <sup>3</sup> Congressional Budget Office. "Limiting Tort Liability for Medical Malpractice." Economic and Budget Issue Brief. Jan. 8, 2004, page 1.  
<http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/49xx/doc4968/01-08-medicalmalpractice.pdf>
- <sup>4</sup> PriceWaterhouseCoopers. "The Factors Fueling Rising Healthcare Costs 2006." America's Health Insurance Plans. January 2006, page 3. Web. 8. Feb. 2014.  
[http://www.liberatehealthcare.com/trends\\_costs/The%20Factors%20Fueling%20Rising%20Healthcare%20Costs.pdf](http://www.liberatehealthcare.com/trends_costs/The%20Factors%20Fueling%20Rising%20Healthcare%20Costs.pdf)
- <sup>5</sup> Mello, MM, et. al. "National Costs of the Medical Liability System." Health Affairs, Vol. 29 , No. 9, Sept. 2010, page 1.  
[http://health.burgess.house.gov/UploadedFiles/Malpractice-Health\\_Affairs.pdf](http://health.burgess.house.gov/UploadedFiles/Malpractice-Health_Affairs.pdf)
- <sup>6</sup> Seabury, S et. al. "Defense Costs of Medical Malpractice Claims." New England Journal of Medicine. Vol. 366, No. 14, April 5, 2012, page 1354. Web. 9. Feb. 2014.  
<http://www.nejm.org/doi/pdf/10.1056/NEJMc1114805>
- <sup>7</sup> Ibid., page 1355.
- <sup>8</sup> Ibid., page 1356.
- <sup>9</sup> American Medical Association. "New AMA Studies Show Cost Burden of the Medical Liability System." Press release, Dec. 21, 2011. Web. 9. Feb. 2014.  
<http://www.ama-assn.org/ama/pub/news/news/2011-12-21-policy-research-perspective-studies.page>
- <sup>10</sup> Medical Liability Monitor. "Annual Rate Survey Issue." Vol. 37, No. 10, October 2012, page 1.  
<http://www.medicalliabilitymonitor.com/rate-survey.php> available by subscription only
- <sup>11</sup> Medical Liability Monitor, page 2.