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INSURERS CONTINUE TO PRICE-GOUGE DOCTORS IN OREGON DESPITE DROPPING MEDICAL MALPRACTICE PAYOUTS

NEW YORK — With the issue of medical malpractice and "tort reform" becoming an increasingly discussed topic this election year, Americans for Insurance Reform (AIR) announced today the release of a comprehensive new study of medical malpractice insurance in Oregon, based on the insurance industry's own data. Its findings may be startling to some:

- First, contrary to what the insurance and medical lobbies have alleged, the last few years saw no "explosion" in medical malpractice insurer payouts or costs to justify skyrocketing rate hikes. **In fact, rather than exploding, inflation-adjusted payouts per doctor are at some of the lowest levels seen in the last three decades, having *dropped* between 2001 and 2003.** Although the state's small size leads to somewhat variable results from year to year, payouts (in constant dollars) have been essentially flat since the mid-1970s.

- Second, **medical malpractice insurance premiums rose much faster in 2002 and 2003 than was justified by insurance payouts.** These price hikes were not connected to actual payouts, jury verdicts or the legal system. Rather, they reflect dropping interest rates and losses experienced by the insurance industry's market investments.

According to Joanne Doroshow, Executive Director of the Center for Justice & Democracy and AIR co-founder, "These findings undermine one of the central claims of interest groups who seek to blame the legal system for doctors' insurance woes. In fact, the study shows that the causes of and solutions to this crisis lie not with the legal system (*i.e.,* "tort reform") but with reforming regulation of the insurance industry, which has been unfairly charging doctors excessive rates to make up for their own investment losses."

The study by AIR, a coalition of over 100 consumer and public interest groups representing more than 50 million people, makes nearly identical findings to those reached in a recently released AIR study of national trends. Specifically, the national and Oregon studies show that the real reasons medical malpractice insurance rates have risen so dramatically in the last two years are market forces and dropping interest rates – not, as the insurance industry claims, because of a sudden massive increase in medical malpractice jury awards or payouts, which, in constant dollars, have been decreasing for the last decade.

Author of the study, J. Robert Hunter, Director of Insurance for the Consumer Federation of America, former Federal Insurance Administrator and Texas Insurance Commissioner, said, "The current jump in prices doctors pay is a result of a combination of two insurance company practices: (1) the insurer's aggressive under-pricing to gain market share when interest rates were high, coupled with (2) the insurer's classification plan that charges some high-risk doctors (such as OB/GYNs and neurosurgeons) for all of the cost of the high-risk cases referred to them by all other doctors. What is crystal clear is that what did not cause this crisis was an increase in losses. There simply is no evidence of that!"

Hunter said, "There is only one way to solve this problem: reforming the insurance industry. State lawmakers must strengthen state insurance laws in order to end the boom and bust swing from illegal overpricing, such as the rates doctors are being asked to pay today, to illegal and inadequate underpricing, which will be seen when the market softens later in the cycle. Fortunately, the hard market price jump is behind us and we are now entering the softer market so legislators have a decade or so to grapple with how best to do this before the next hard market hits the nation."

The full study can be found at: http://insurance-reform.org.

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Americans for Insurance Reform is a coalition of over 100 consumer groups from around the country that is attempting to strengthen state oversight of insurance industry practices. AIR is not connected to any trial lawyer or business group.