

The ABCs of Medical Malpractice Insurance



Most states require that physicians obtain medical malpractice insurance to offset the risk and costs of potential lawsuits. The risk is great enough that even in states that lack this requirement, physicians rarely practice without it. Whether it is obtained individually through a commercial insurer or through a physician's health care facility, medical malpractice premiums are among the highest in the insurance industry. Physicians in large-group settings that affiliate with hospitals are sometimes able to find more stable, low-cost insurance than those in small-group or solo practice settings, but in both cases, volatile conditions and increasingly costly medical malpractice litigation contribute to exceptionally high premiums.

In addition to physicians, there are other professions that should carry medical malpractice coverage, including nurses, dentists, optometrists, therapists and other medical professionals.

Calculating Premiums

Premiums are based on the risk of the health care provider and the degree of certainty of this risk. Unlike auto insurance, medical malpractice insurance is not experience-rated, therefore when a physician has a claim, premiums do not increase. Instead, premiums are determined by a physician's specialty and geographic location; premiums are typically higher in urban settings than in rural areas, and high-risk practices like obstetrics,

gynecology, neurosurgery and orthopedics generally have the higher premiums than other, lower-risk practices.

While individual physicians' claims experience is too variable over short periods of time for policies to be experience-rated, for whole hospitals, this type of premium is more realistic. Even so, less than half of a hospital's total premium is based on experience, most of it depends on the hospital's location and level of care.

State Regulation

Medical malpractice insurance is predominantly regulated by states, and malpractice insurers serve only one state or a small number of states. To combat rising medical malpractice litigation insurance premiums, some states have capped damages that can be collected in medical malpractice suits, and others have mandated the purchase of at least \$1 million of medical malpractice insurance. Other states have minimal requirements.

Check with Hanson & Ryan Inc. for more information about the regulations that apply to you regarding medical malpractice insurance and to ensure that you do not face gaps in coverage, for example, when changing from one insurer to another due to differences in provisions.

Provided by Hanson & Ryan Inc.