

PLUS International Conference

November 11, 2003

- Richard E. Anderson, M.D.
- Chairman and CEO
- The Doctors Company

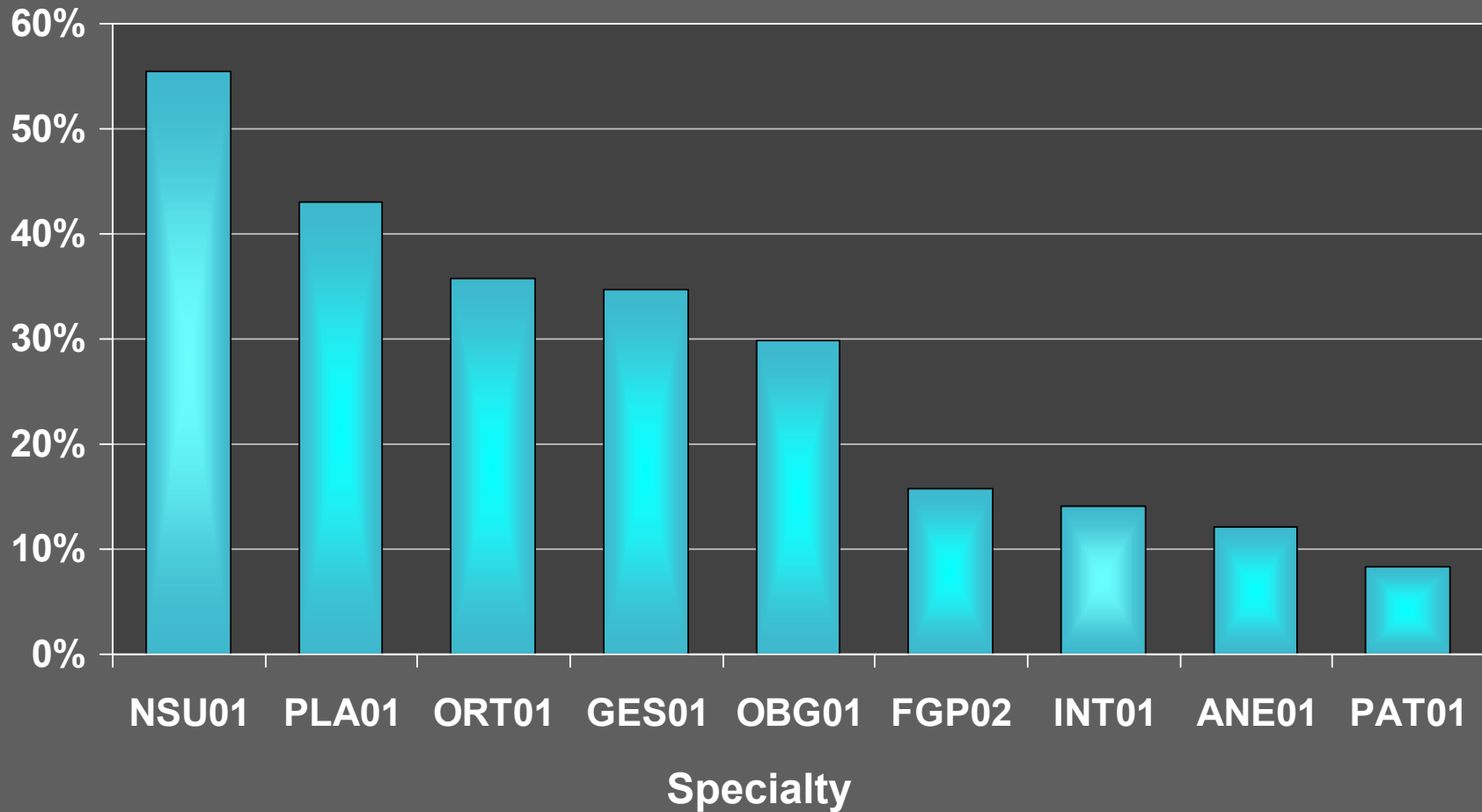
Medicine under siege

The case for MICRA

Frequency by Specialty 1995-2001



Frequency



Meaning

- On any given day there are more than 125,000 malpractice suits in progress against America's doctors.

Siege Mentality



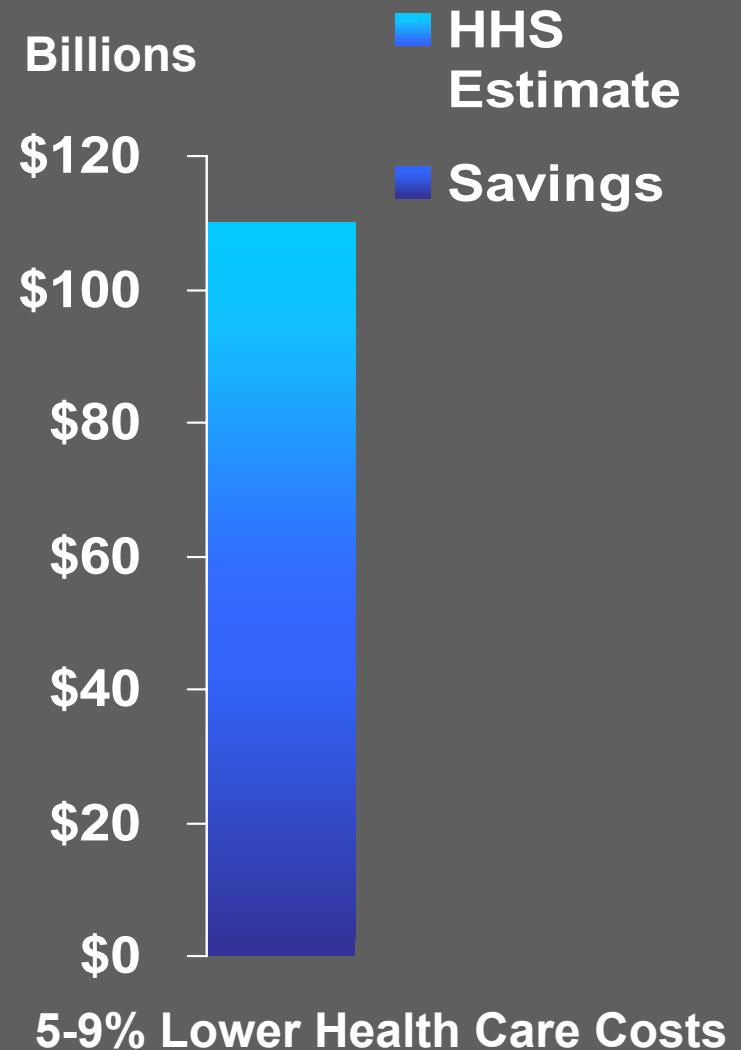
- Nearly 80% of doctors say they order unnecessary tests and 74% say they make unnecessary referrals to specialists (HHS, 2002).

Siege Mentality Leads to Defensive Medicine



Stanford Study

- States with effective tort reform lower health care costs 5-9%.
- Savings nationally would be \$50 billion.
- HHS estimates savings as high as **\$110** billion.



Harvard, IOM, and Patient Safety

Institute of Medicine Study



- 44,000 to 98,000 deaths annually due to malpractice
- Goal: 50% reduction over 5 years

Harvard Study

- NYS 1984
- More than half of cases met screening criteria
- Concordance rate of medical reviewers on existence of an adverse event: 10%
- Failed to replicate their own data
 - 318 records, different events, similar rates
 - It doesn't matter whether we convict the guilty or the innocent, as long as the rate of incarceration matches the crime rate.

Harvard Study

- Extrapolation: **180** inadequately classified deaths became 98,000 Americans dying every year due to malpractice.

Harvard, IOM, and Malpractice Litigation: Final Conclusion



- Harvard Medical Practice Study (1996):
No correlation whatever between the presence or absence of medical negligence and outcome of malpractice litigation

Randomness and the Fallacy of the Bad Doctor



- 2% of the doctors cause 50% of the losses.
 - Mirror image of causation
 - Harvard: Degree of injury, not medical negligence, predicts outcome.
- Fewer than 1% of physicians have 2 paid claims over a 10-year period of time.
 - Only one in five doctors with a single paid claim gets a second within 10 years.

Tort Reform

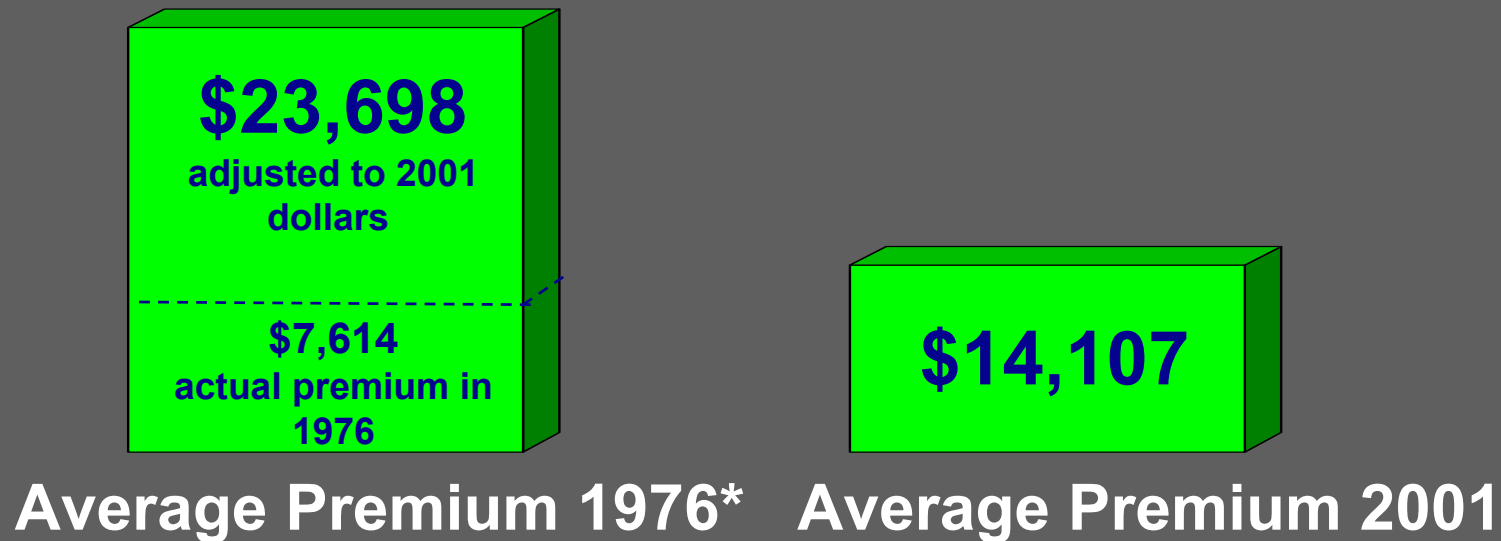
- California's Litigation Fairness (U.S. Chamber 2003): 44th among the 50 states.
 - Bottom 5 in:
 - Jury predictability
 - Punitive damages
 - Class action lawsuits

- 1. Mandates a \$250,000 cap on noneconomic damages ONLY.
- 2. Allows introduction into evidence of collateral sources of payment.
- 3. Allows periodic payments of future damages.
- 4. Provides for a sliding scale limit on attorneys' contingency fees.

MICRA Helps Reduce California Medical Liability Premium Rates by 40%



The Doctors' Company 1976-2001

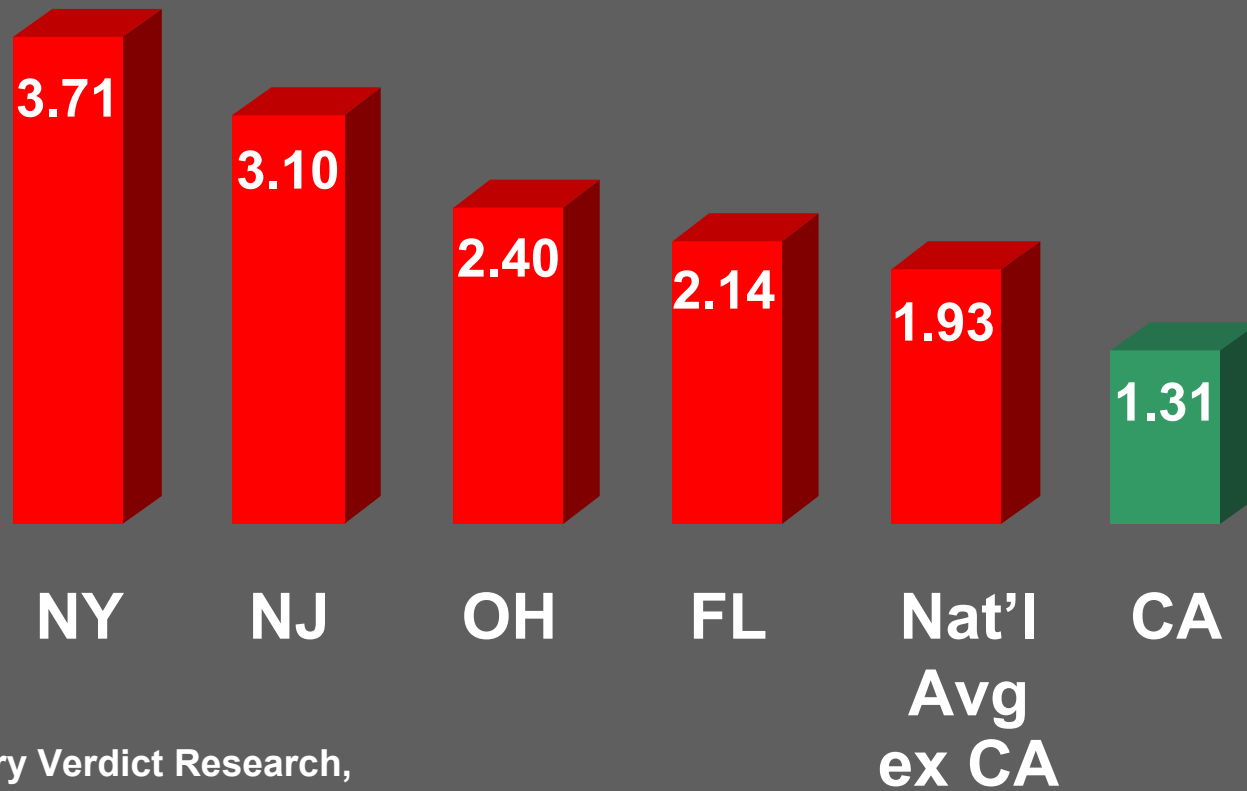


* \$7,614 average premium adjusted to 2001 dollars on the Annual Urban CPI Index for a \$1 Million/ \$3 Million Claims-Made Policy Premium

MICRA Reduces Verdict Cost and Frequency

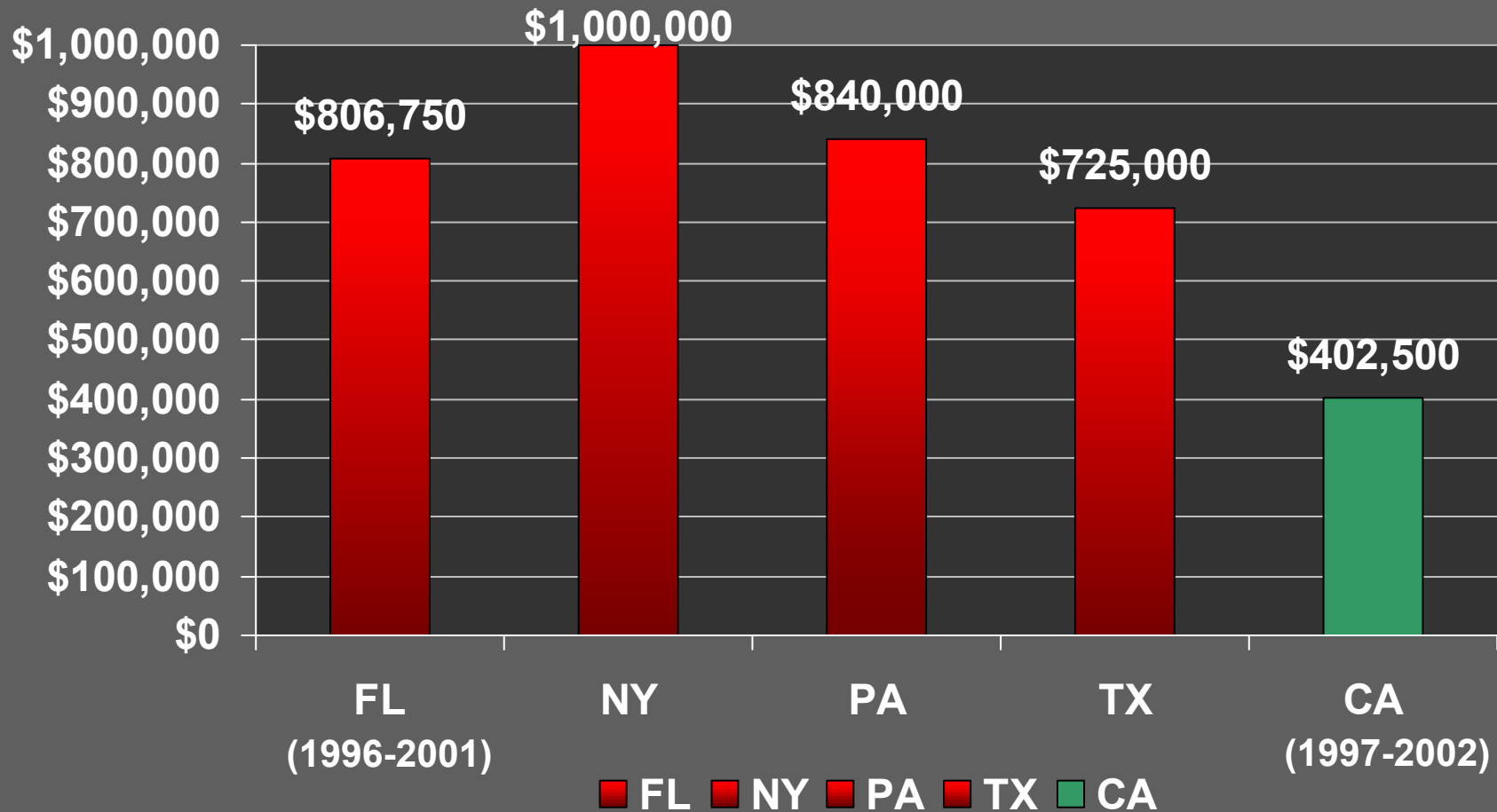


\$1 Million+ Verdicts Per 1,000 Doctors



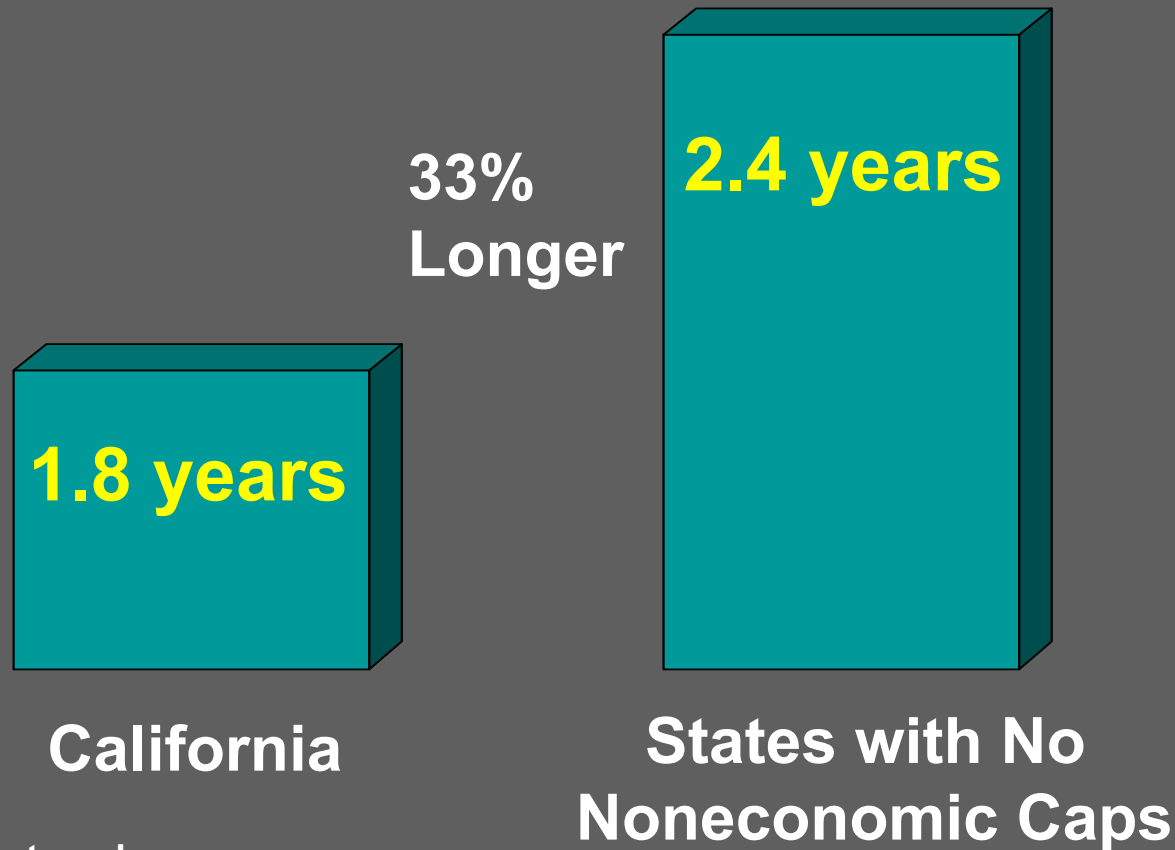
Sources: Jury Verdict Research,
AMA

MICRA: Median Med Mal Jury Awards 1996-2002



Source: Jury Verdict Research

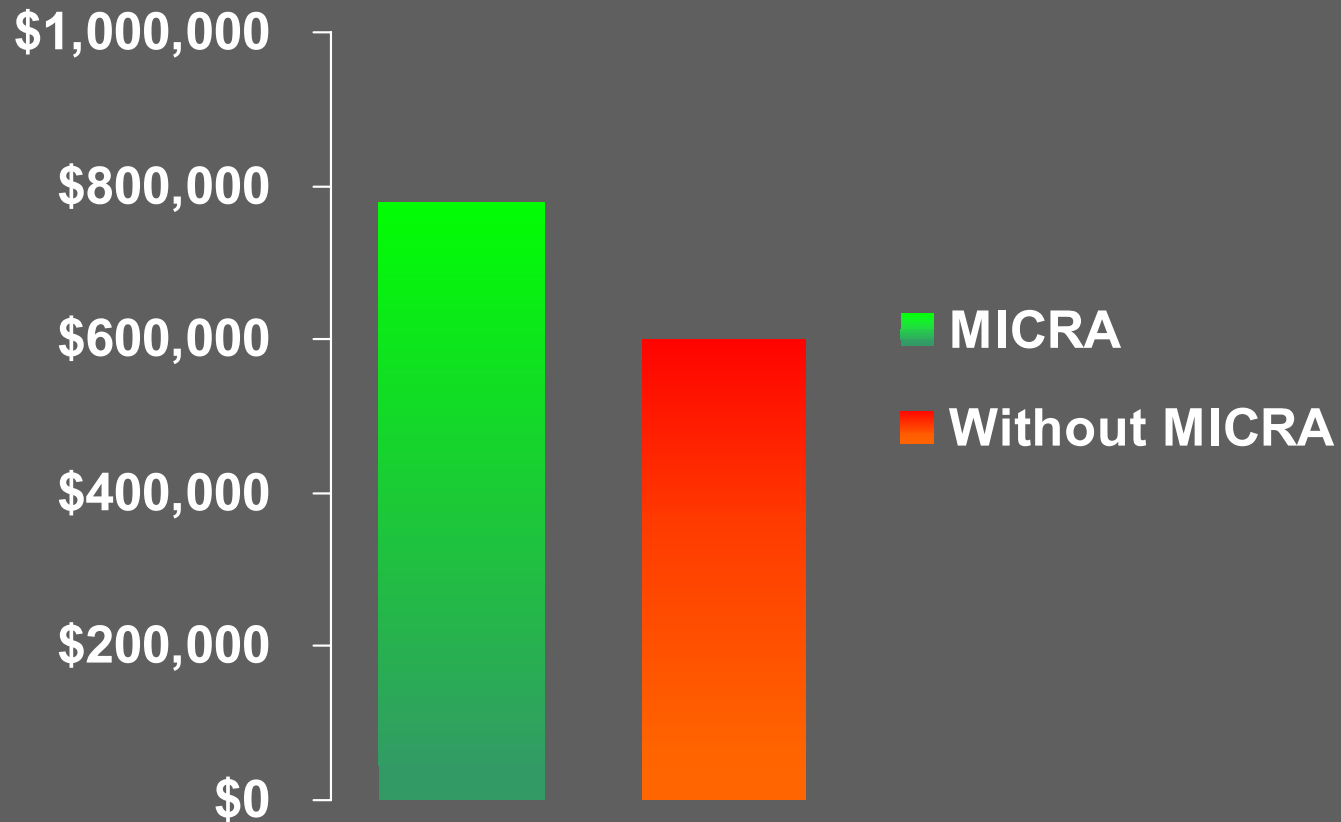
MICRA Reduces Average Time to Settlement



*Indemnity payments only

The Doctors' Company, 1997-2001

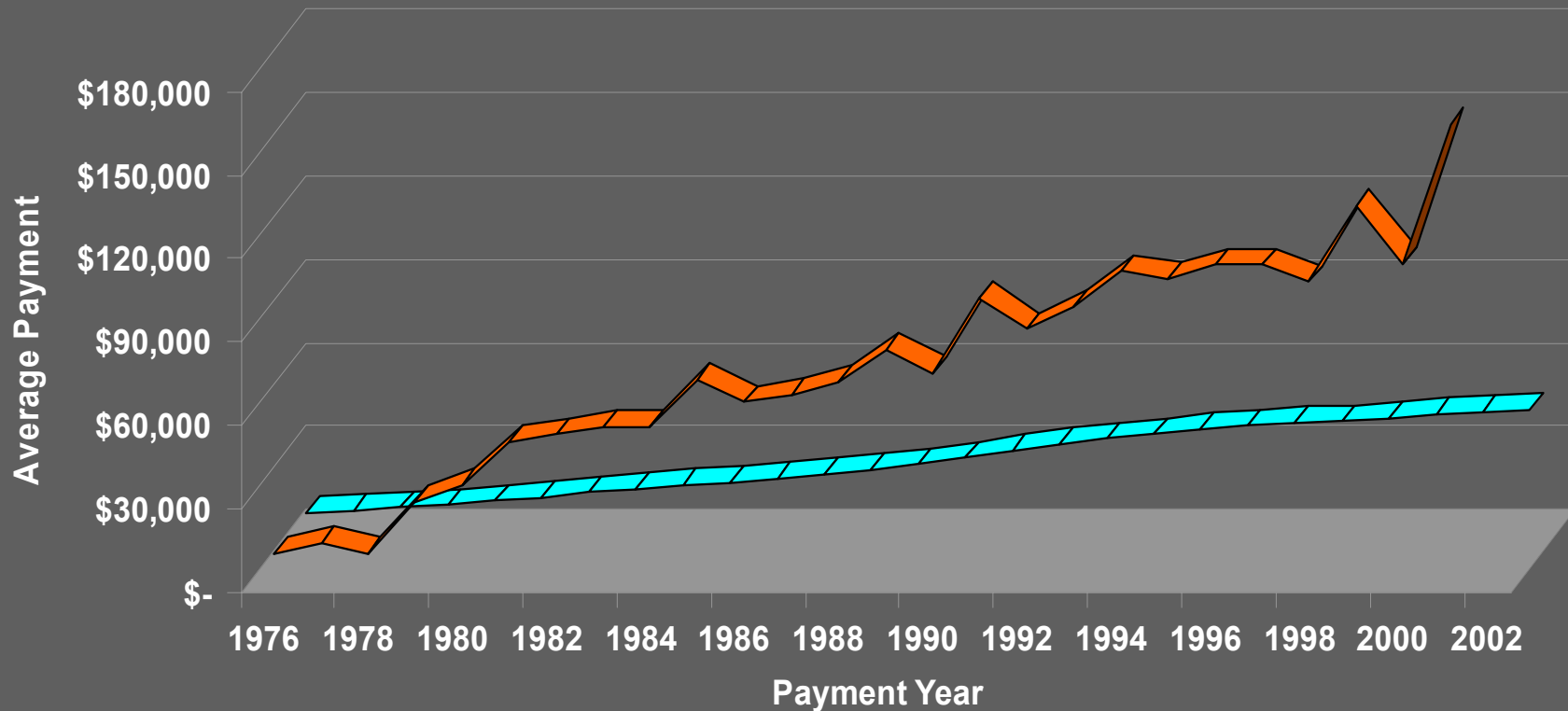
Injured Patients Benefit Directly





Proceeds of a \$1 Million Judgment

Average Medical Liability Claim in CA vs. Average Claim Adjusted for Inflation 1976-2001

THE DOCTORS COMPANY

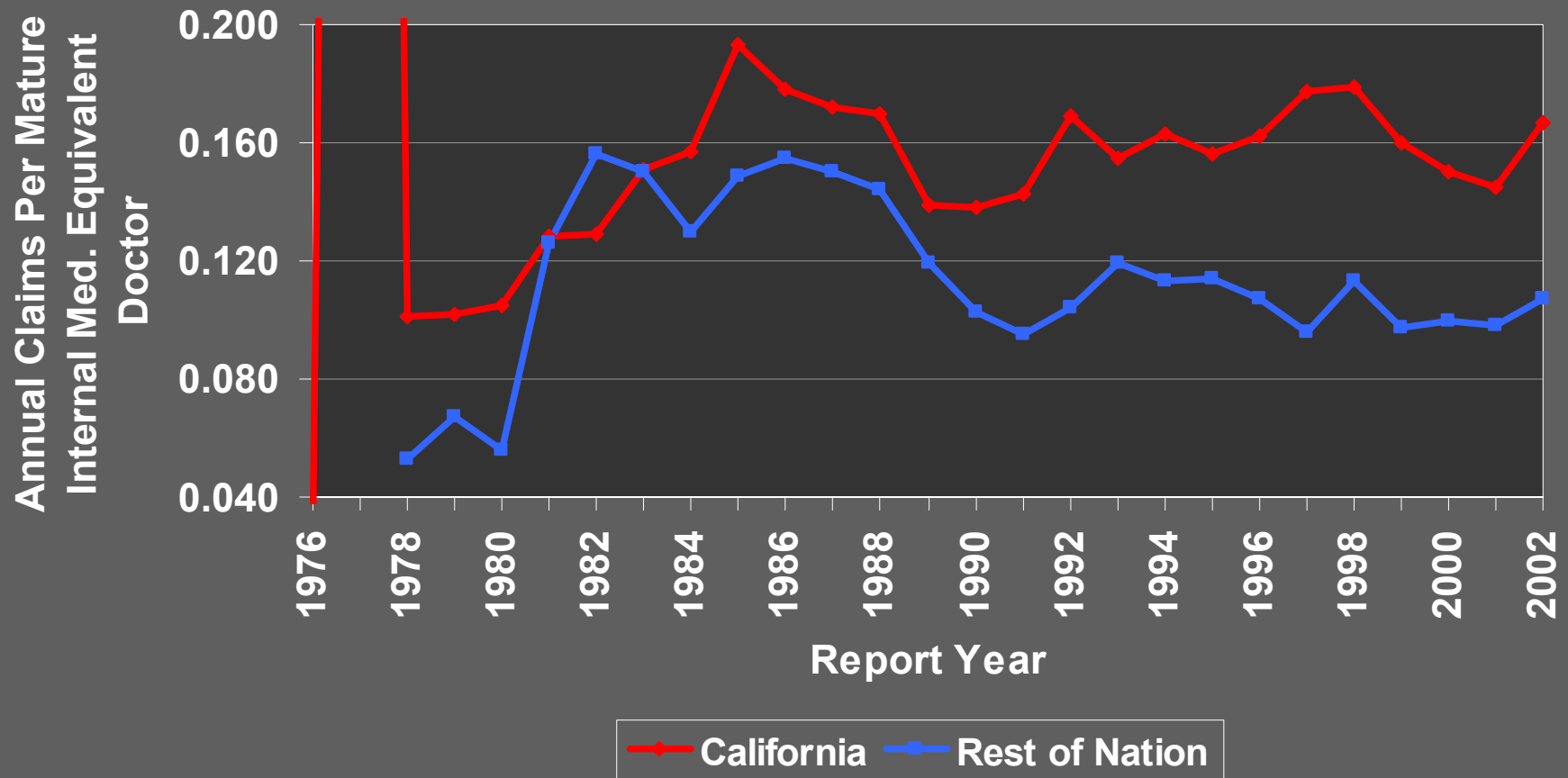


-  Actual average physician medical liability claim paid in CA 1976-2001.
-  Average medical liability claim in CA beginning 1976, adjusted for rate of inflation (CPI) 1976-2001.

MICRA Does Not Limit Access to Courts



TDC PHYSICIAN CLAIM FREQUENCY



Summary

- Malpractice litigation does not reliably identify bad doctors.
- Malpractice litigation is expensive and wasteful.
- Virtually all doctors see themselves (correctly) as potential targets.
- Reasonable remedies are available today.