

The Case for MICRA

*Legal Aspects of Healthcare Conference
Southern Medical Association/Auburn University
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- Richard E. Anderson, M.D
- Chairman and CEO
- The Doctors Company

MICRA

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.

Goals and Benefits



Sustainable insurance system providing full indemnification of actual loss.

More money for injured patients.

Faster settlements.

Preserves **access** to medical care without impeding access to courts for truly injured patients.

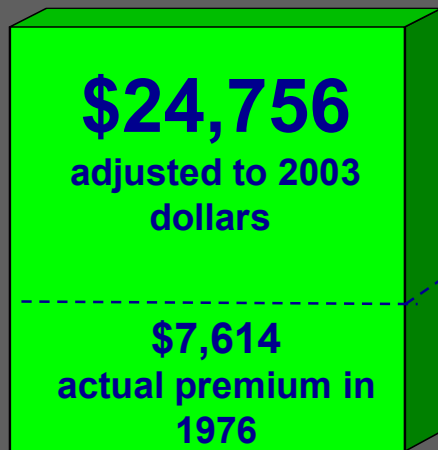
Society does not incur **double** costs.

Assures money is available at the time it is needed.

MICRA Helps Reduce California Medical Liability Premium Rates by 33%



The Doctors' Company 1976-2004



Average Premium 1976*



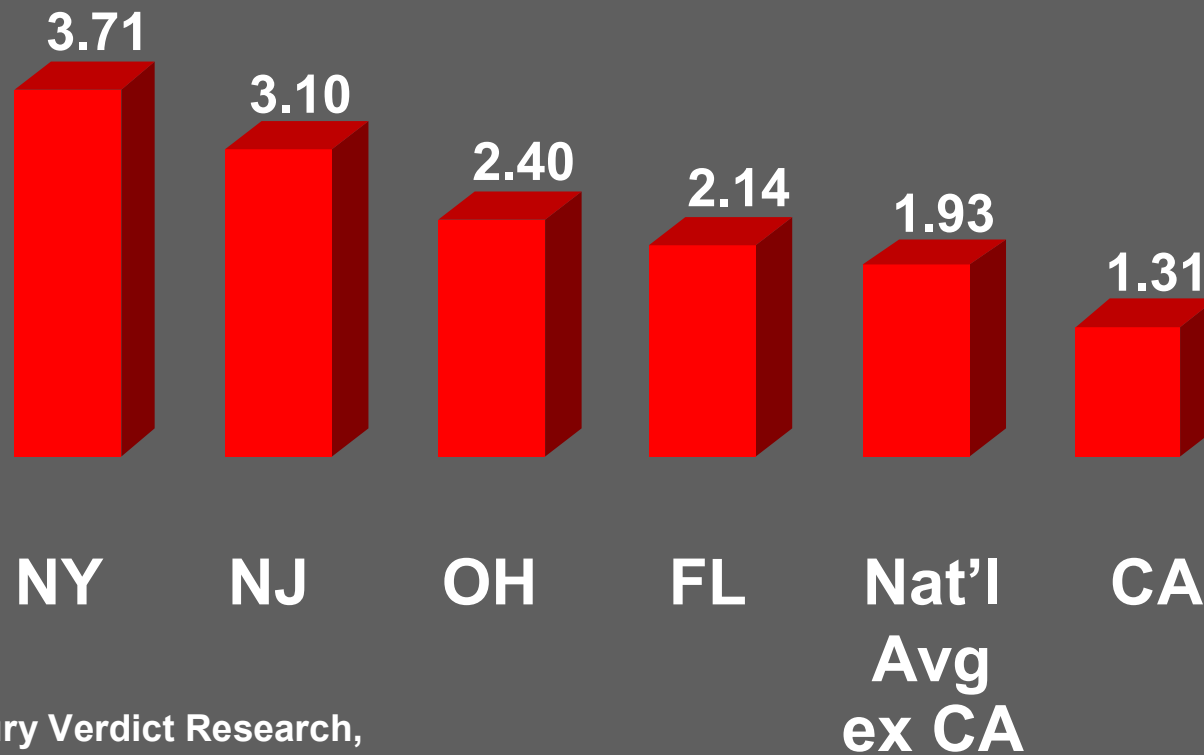
Average Premium 2004

* \$7,614 average premium adjusted to 2003 dollars based on the Average Consumer Price Index for a \$1 Million/ \$3 Million Claims-Made Policy Premium

MICRA Reduces Verdict Cost and Frequency

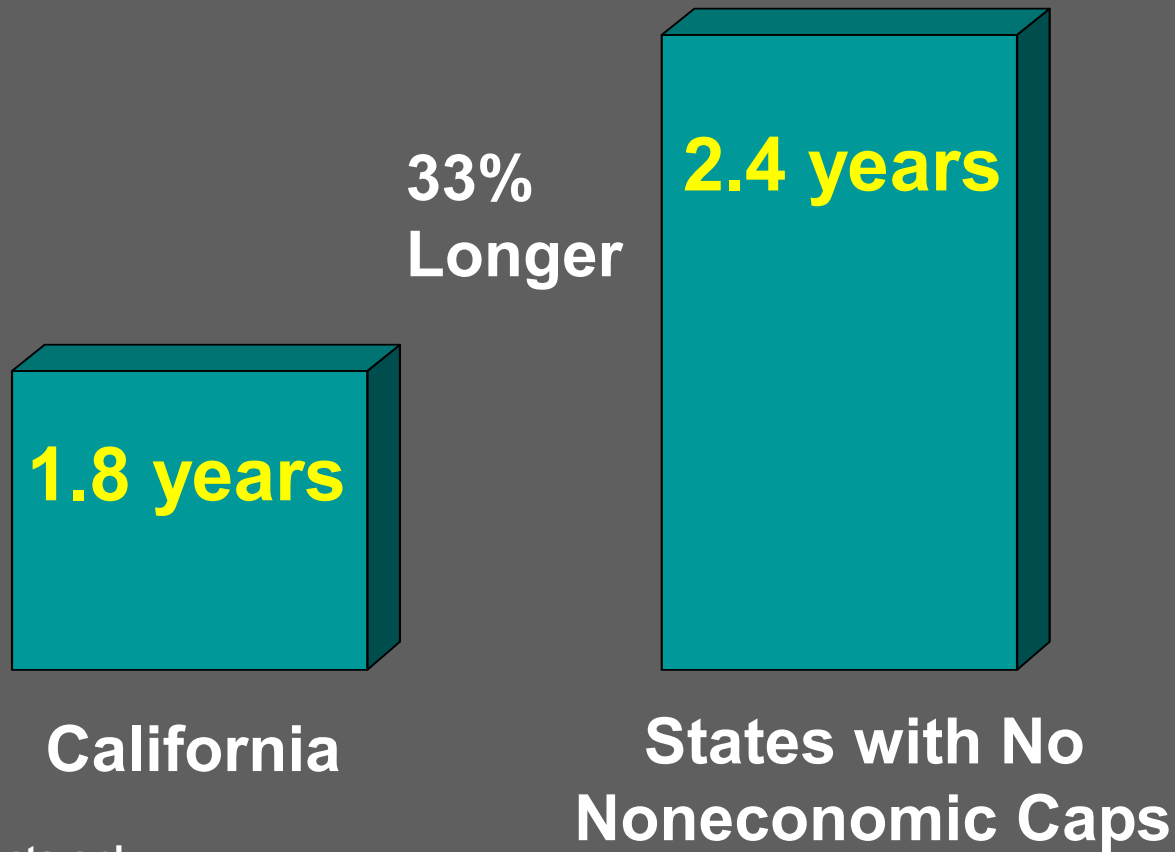


\$1 Million+ Verdicts Per 1,000 Doctors



Sources: Jury Verdict Research,
AMA

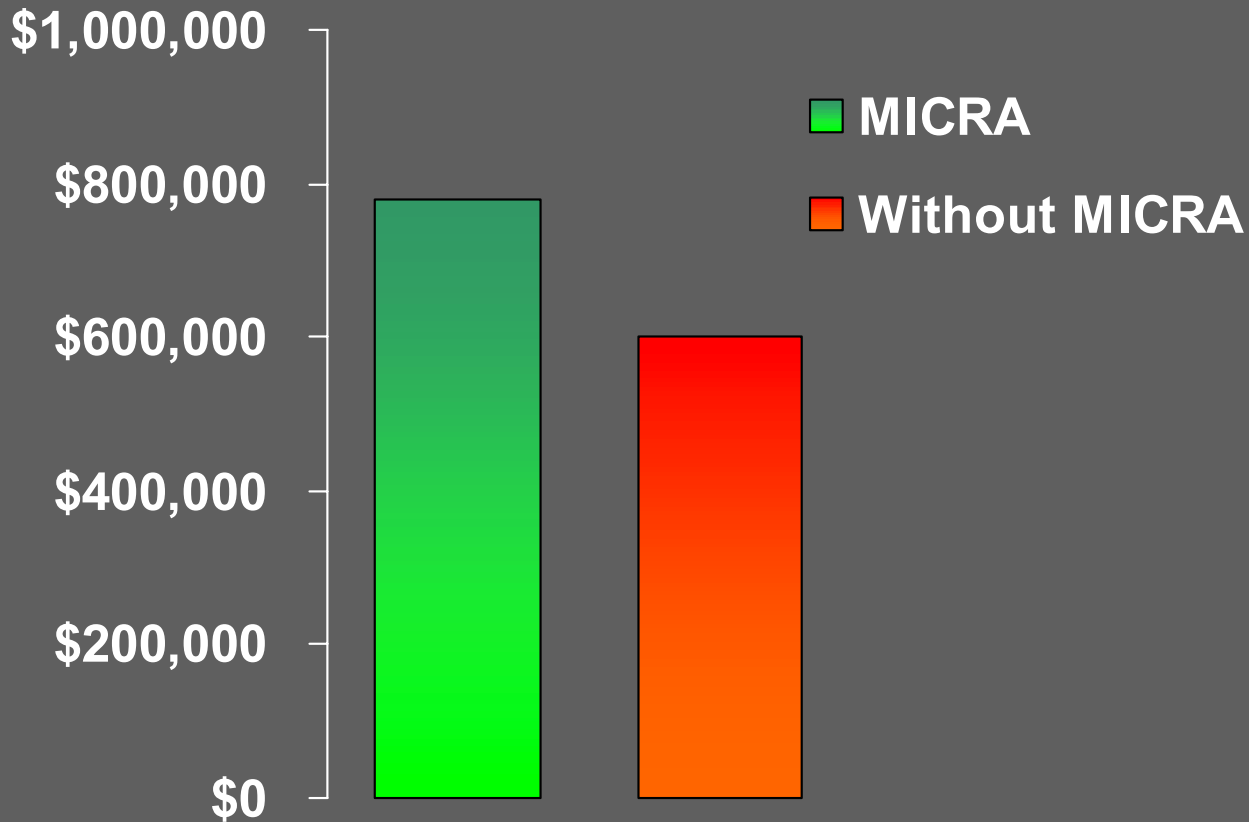
MICRA Reduces Average Time to Settlement



*Indemnity payments only

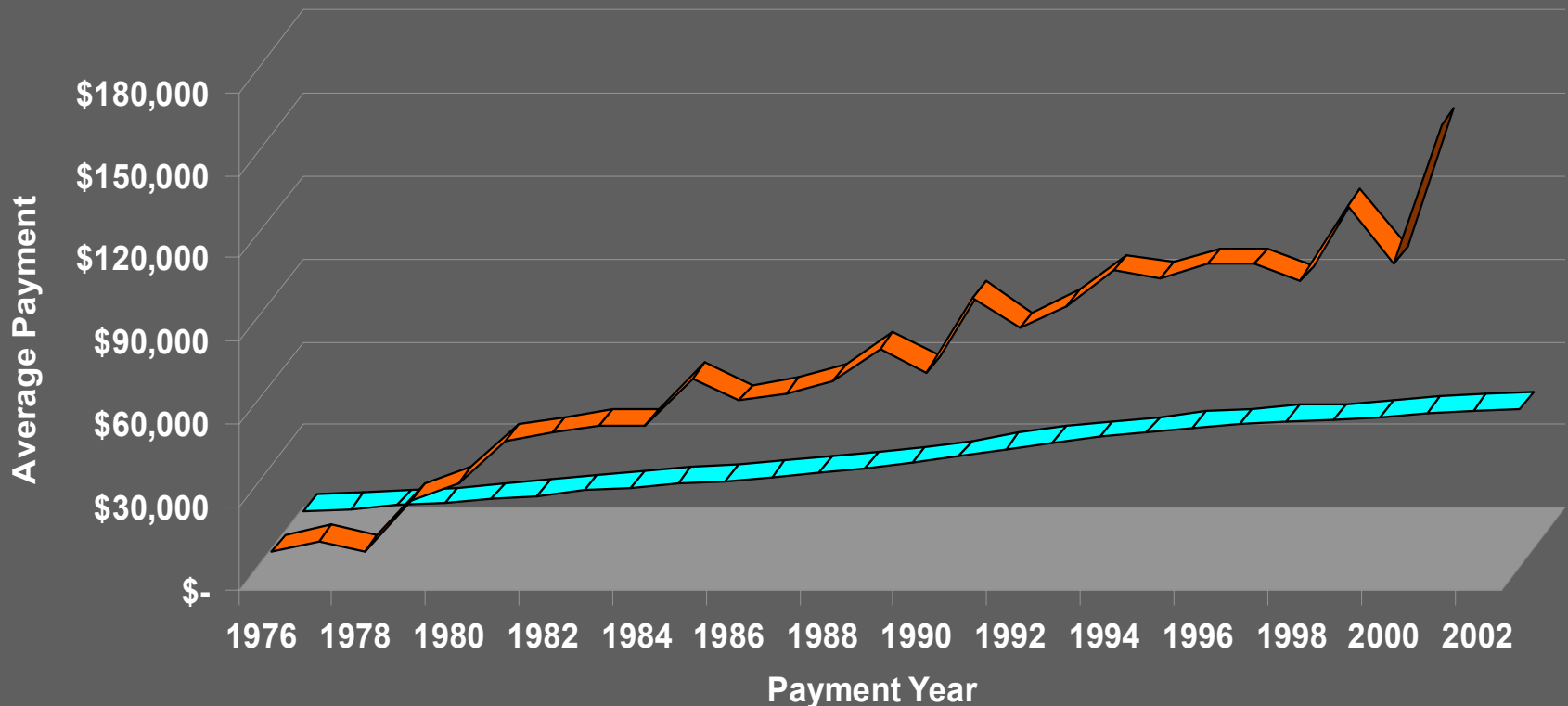
The Doctors' Company, 1997-2001

Injured Patients Benefit Directly



Proceeds of a \$1 million judgment

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



- 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.

Increasing Cost of Malpractice Claims Despite MICRA



Total % Increase 1988-2003

Average Annual Increase

Average Indemnity Cost

278.3%

8.6%

Health Care Inflation

114.4%

4.9%

All Consumer Items Inflation

55.6%

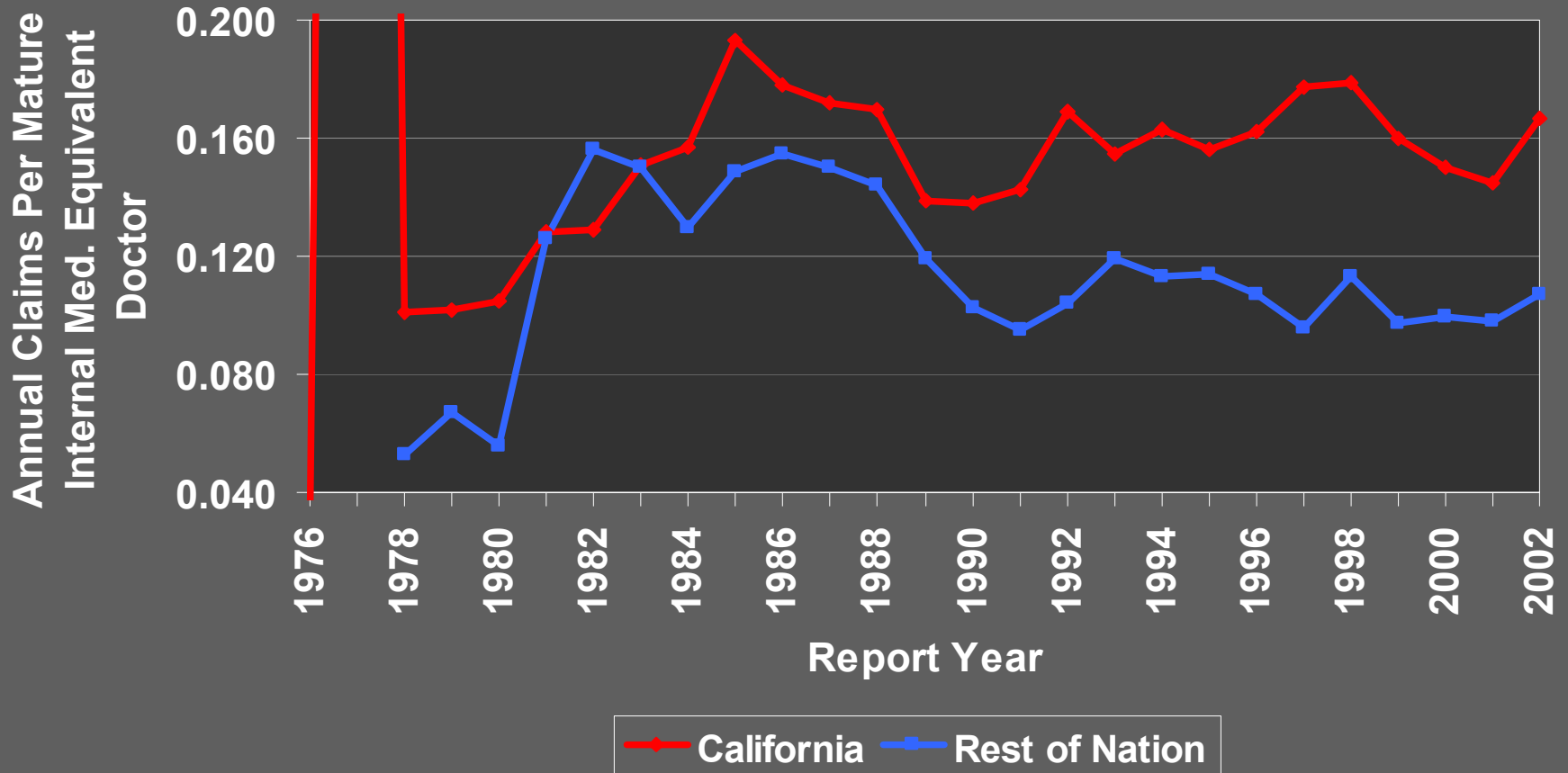
2.8%

US Cities CPI vs. TDC California Allocated Claims Closed with Indemnity

MICRA Does Not Limit Access to Courts



TDC PHYSICIAN CLAIM FREQUENCY



CA: 27-year experience (1975-2003)

Florida Select Task Force on Professional
Liability Insurance (2003)

Congressional Budget Office (2002)

HHS (2002, 2003)

American Academy of Actuaries

Standard and Poor's (2003)

Milliman Report (2003)

Medical Liability Monitor (2002, 2003)