

The Case for MICRA

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

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.

5. Provides for a shorter statute of limitations .
6. Requires a 90-day “Notice of Intent to Sue.”
7. Encourage and facilitate arbitration.

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.

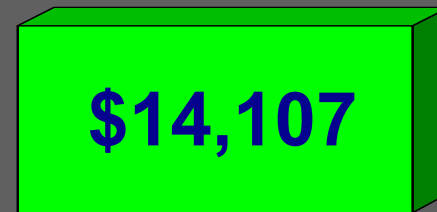
MICRA Helps Reduce California Medical Liability Premium Rates by 40%



The Doctors' Company 1976-2001



Average Premium 1976*



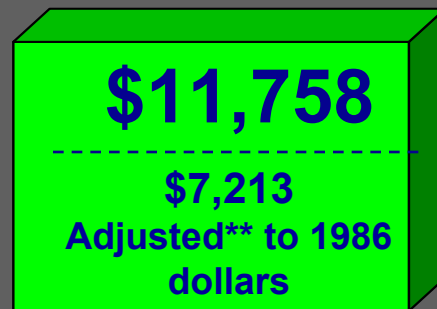
Average Premium 2001

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

Tort Reform Helps Reduce Colorado Medical Liability Premium Rates by 61%



The Doctors' Company 1986-2002



Average Premium 1986**

Average Premium 2002

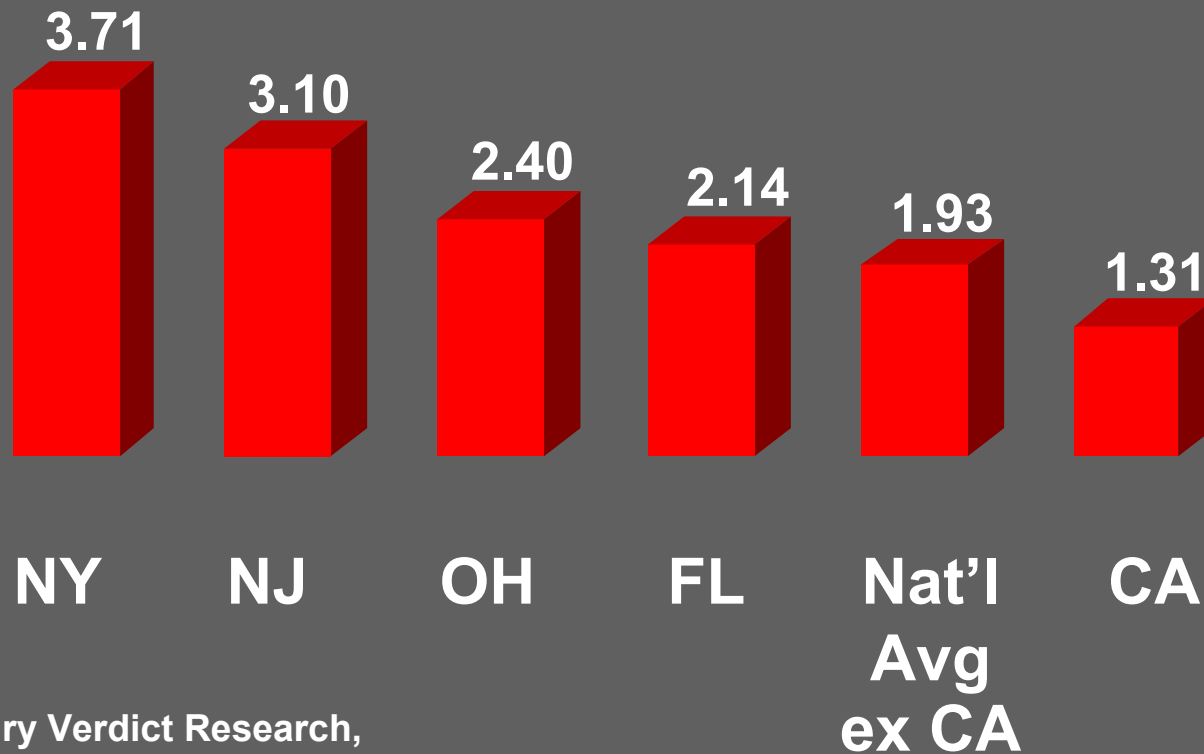
*The Doctors Company's average of all specialties including dividends for a \$1 Million/\$3 Million Mature Claims-Made Policy.

**Premium adjustments are made using the Annual Urban Price Index published by the Bureau of Labor Statistics.

MICRA Reduces Verdict Cost and Frequency

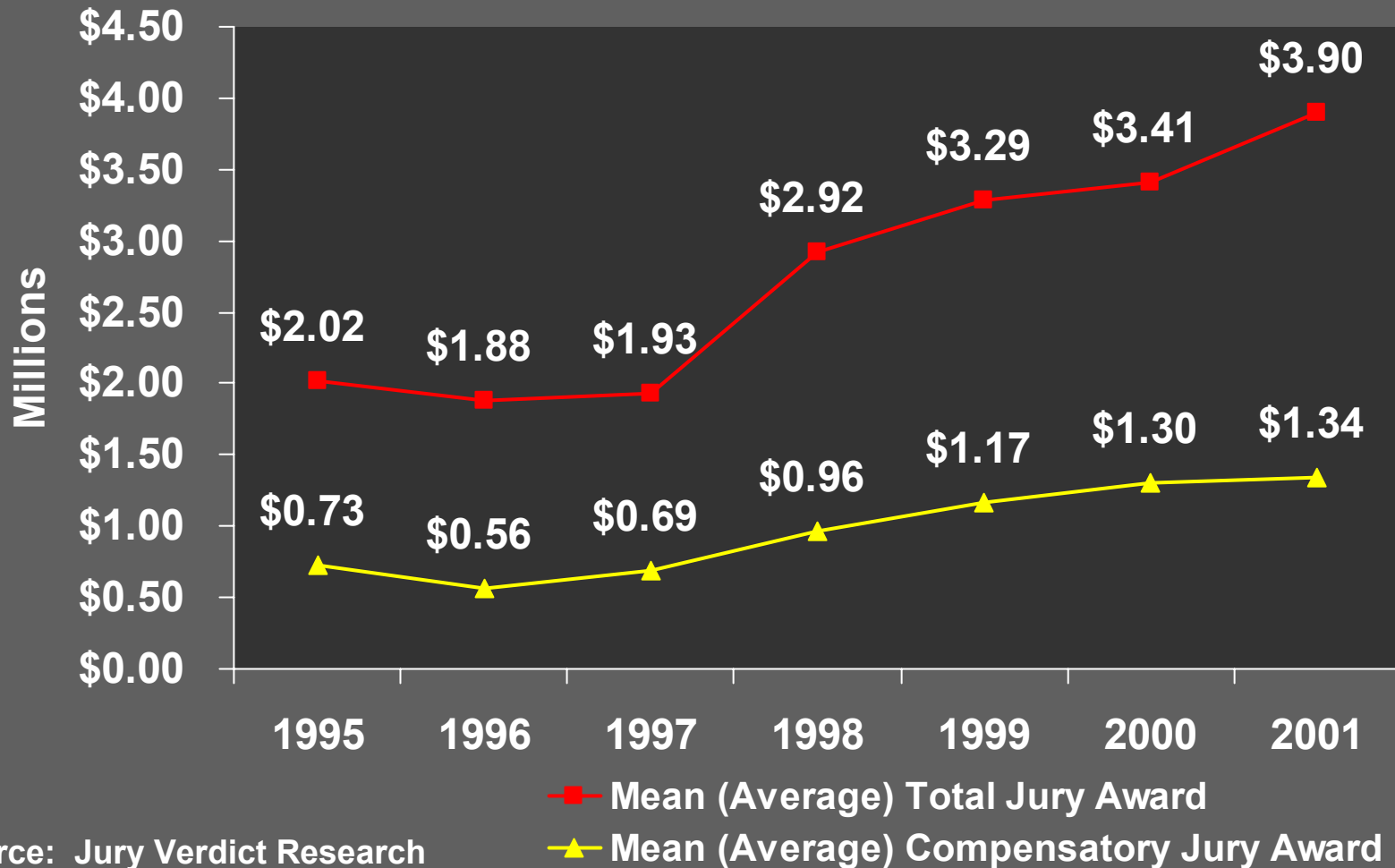


\$1 Million+ Verdicts Per 1,000 Doctors

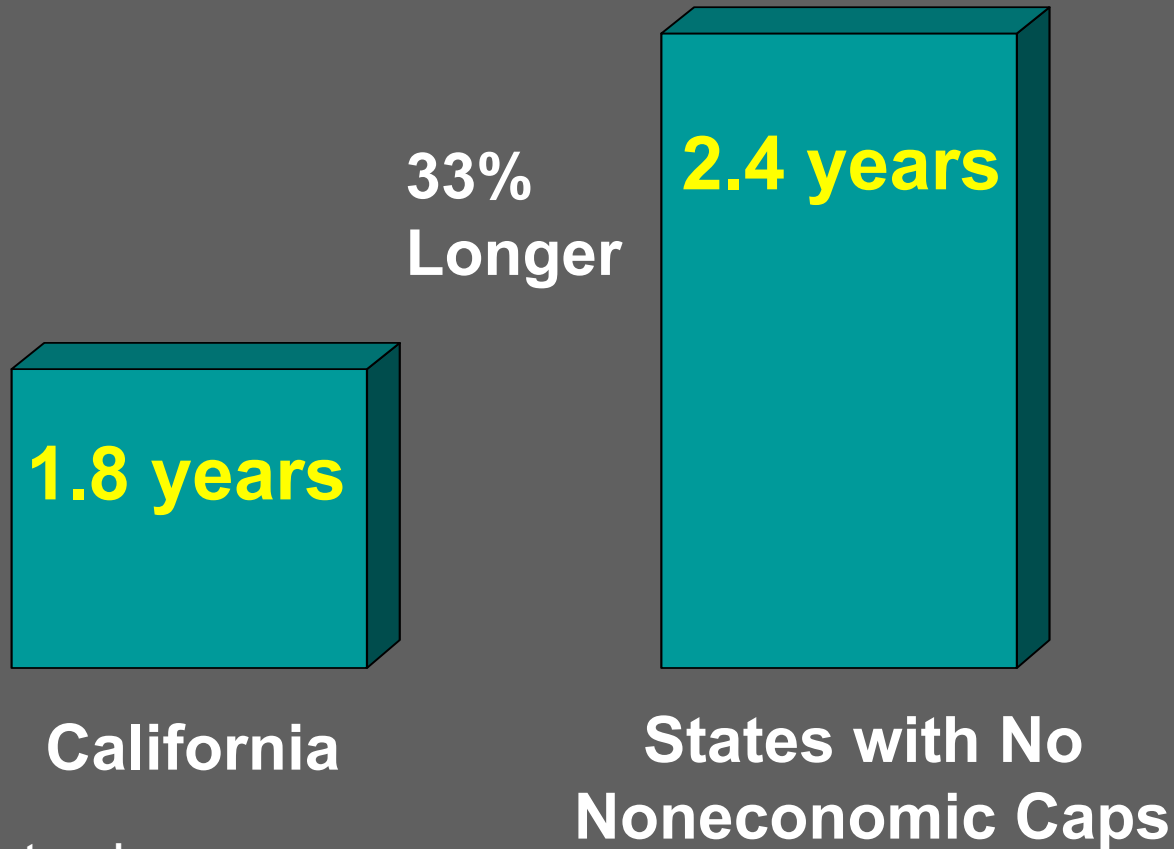


Sources: Jury Verdict Research,
AMA

The Impact of Noneconomic Damages



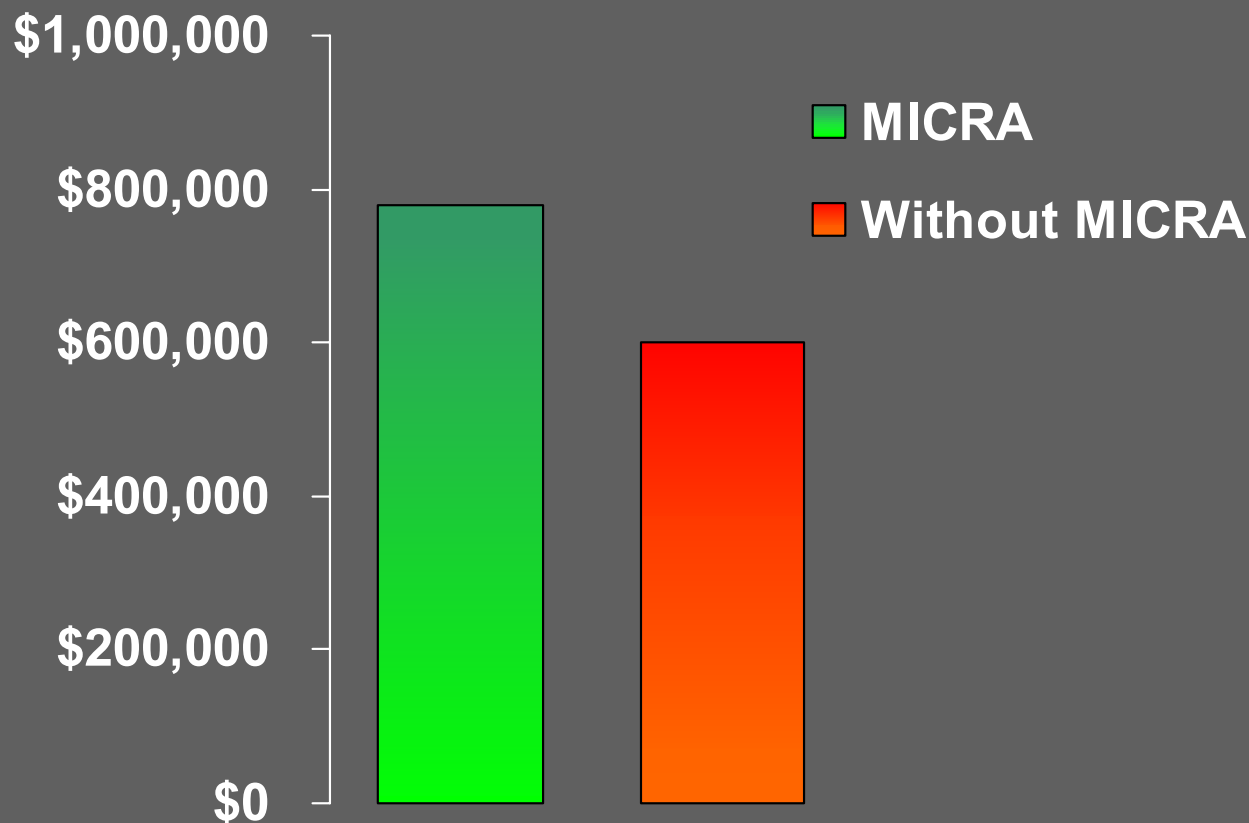
MICRA Reduces Average Time to Settlement



*Indemnity payments only

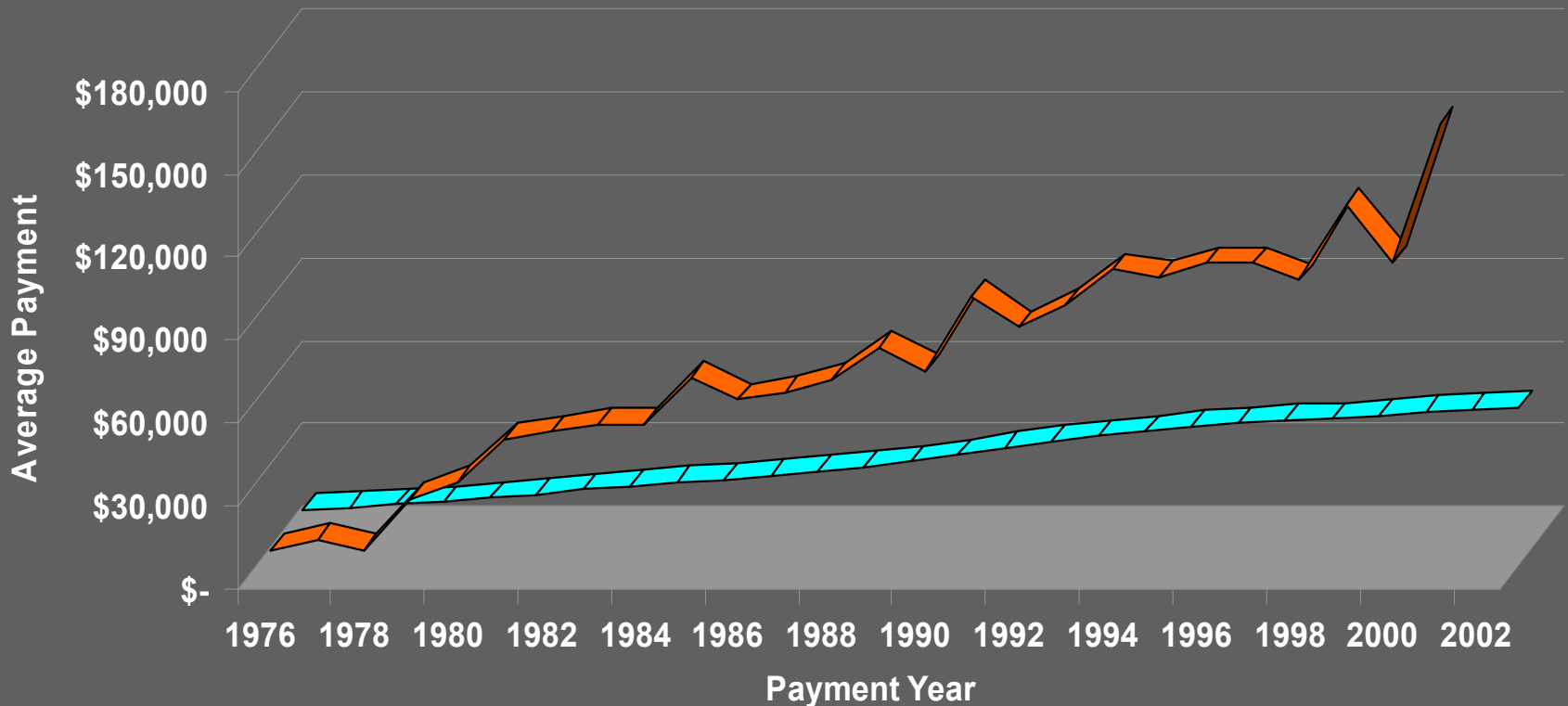
The Doctors' Company, 1997-2001



Injured Patients Benefit Directly



Proceeds of a \$1 million judgment

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



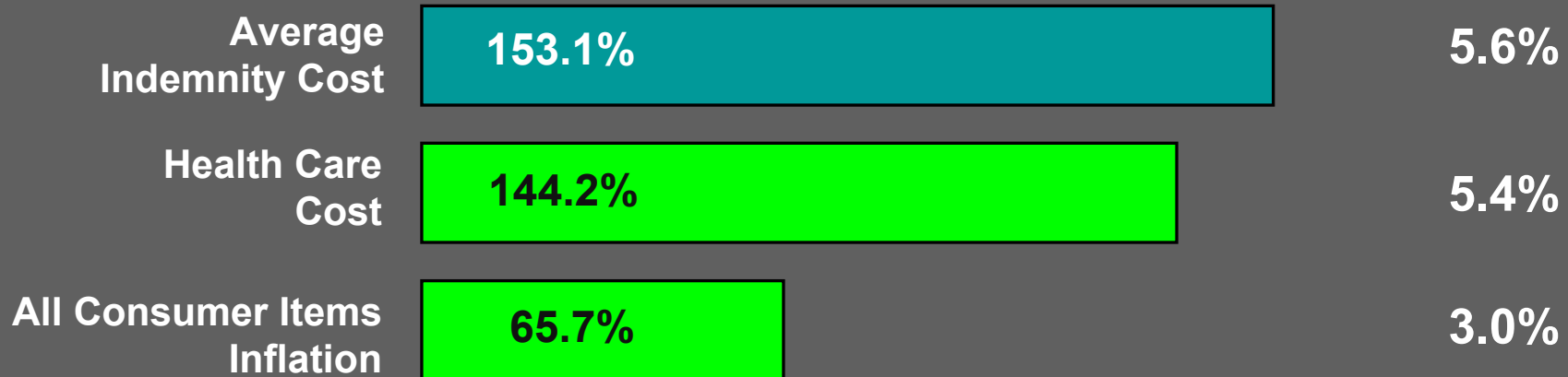
-  Actual average physician medical liability claim paid in CA 1976-2001.
-  Average medical liability claim in CA beginning 1976, adjusted for rate of inflation (CPI) 1976-2001.

Increasing Cost of Malpractice Claims Despite MICRA



Total % Increase 1984-2000

Average Annual Increase

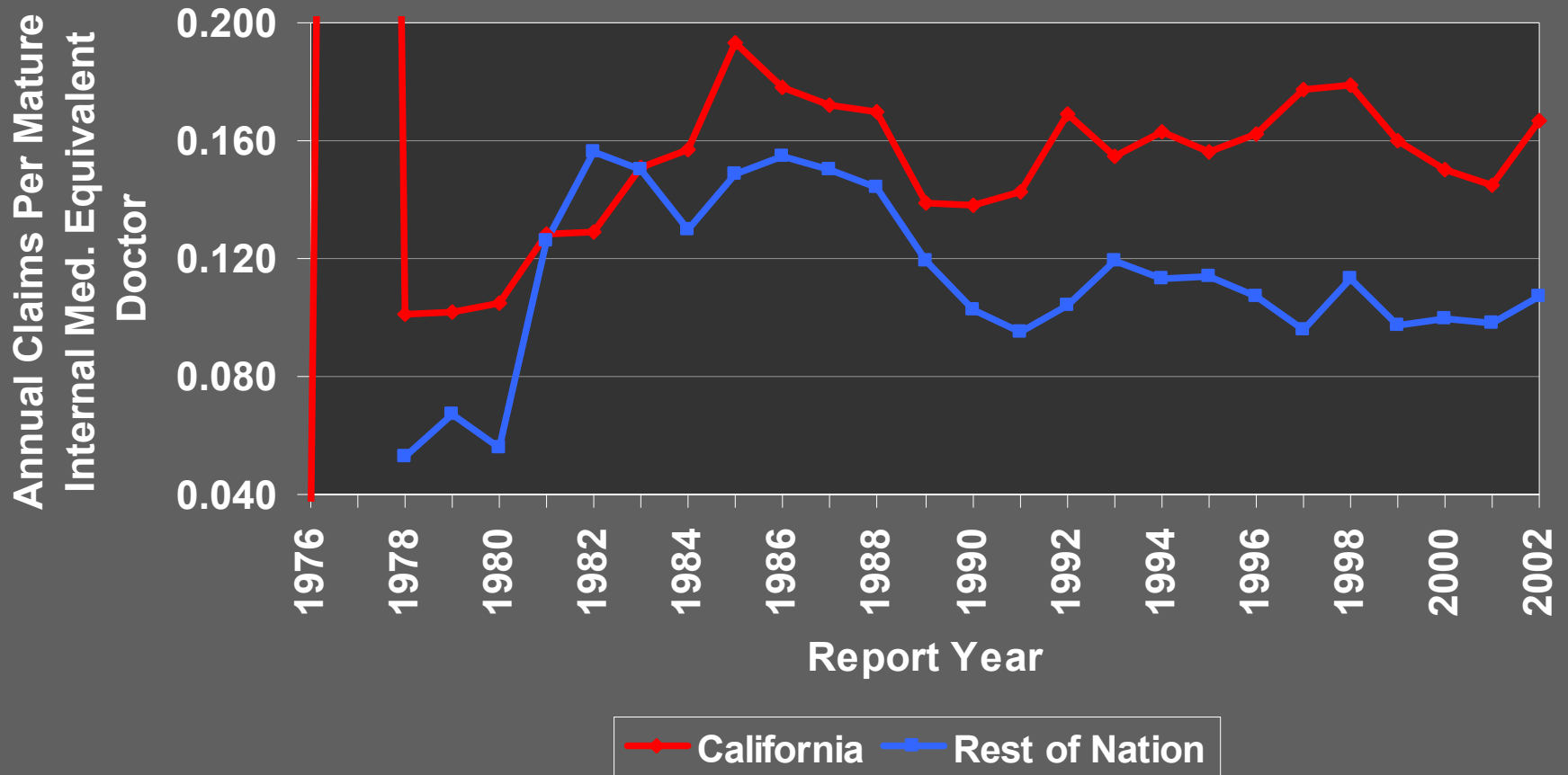


US Cities CPI vs. TDC California Allocated Claims Closed with Indemnity

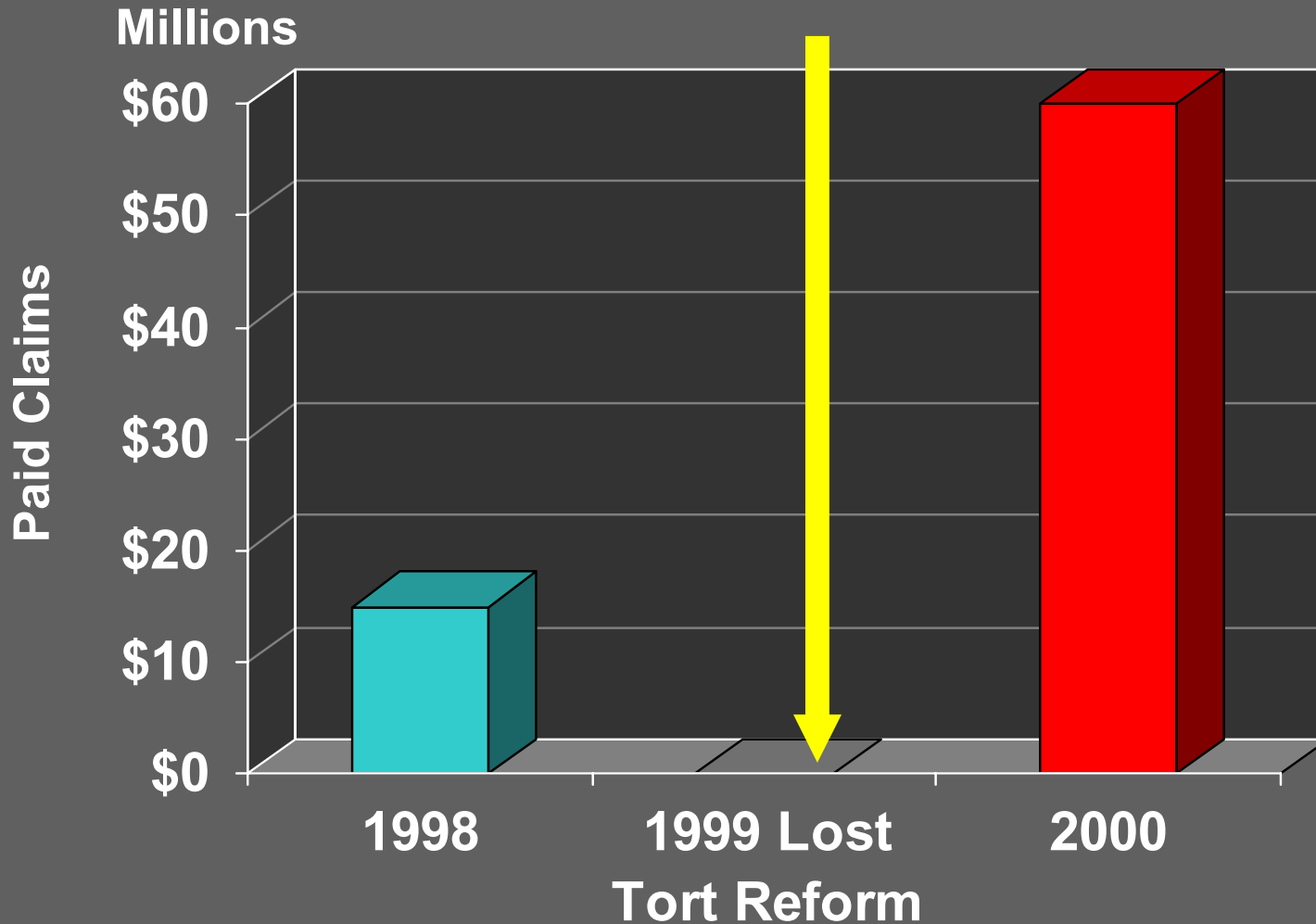
MICRA Does Not Limit Access to Courts



TDC PHYSICIAN CLAIM FREQUENCY



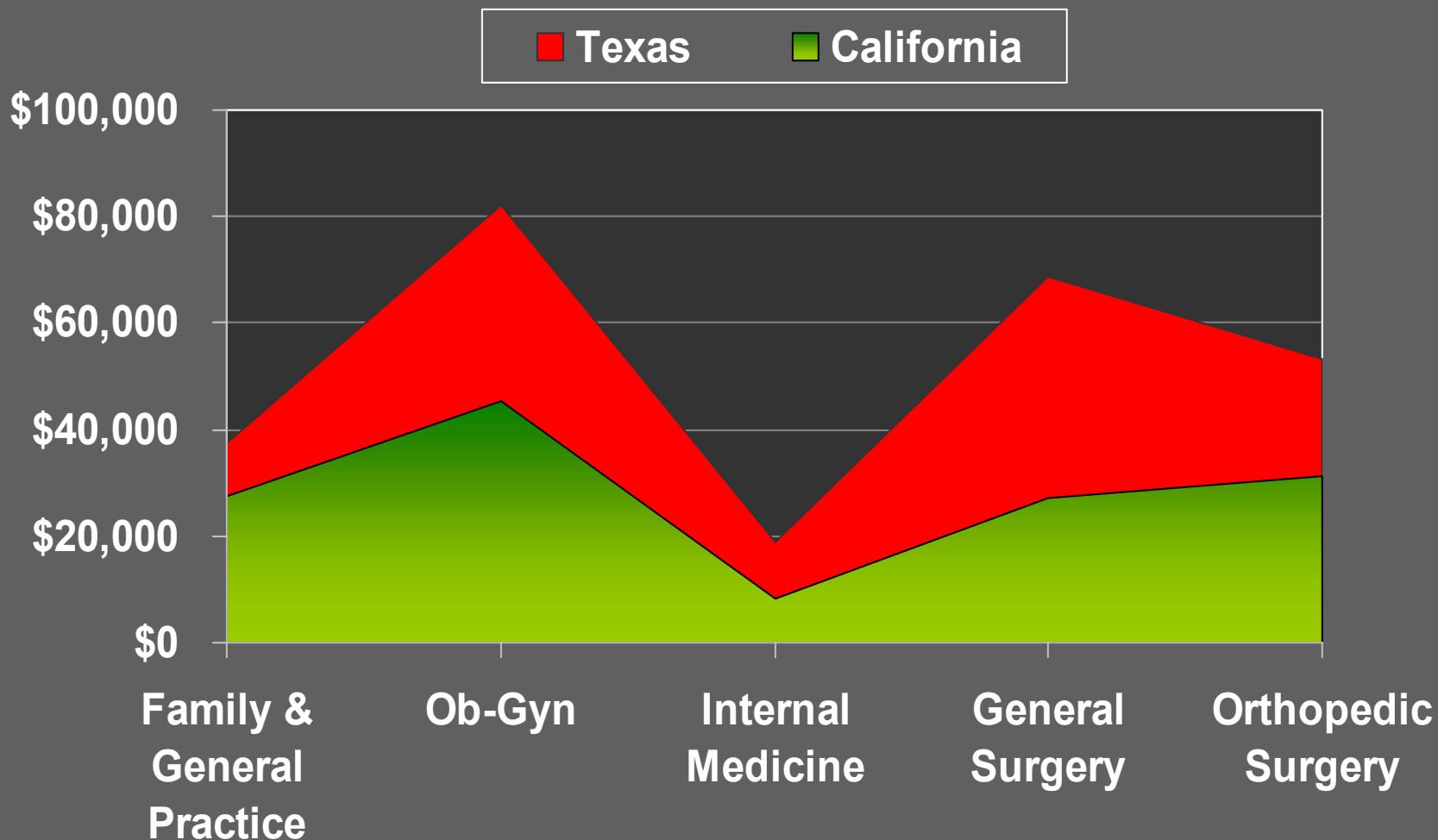
Oregon and the Loss of Tort Reform



California vs. Texas: The Tort Tax



2002 Average Rate by Specialty



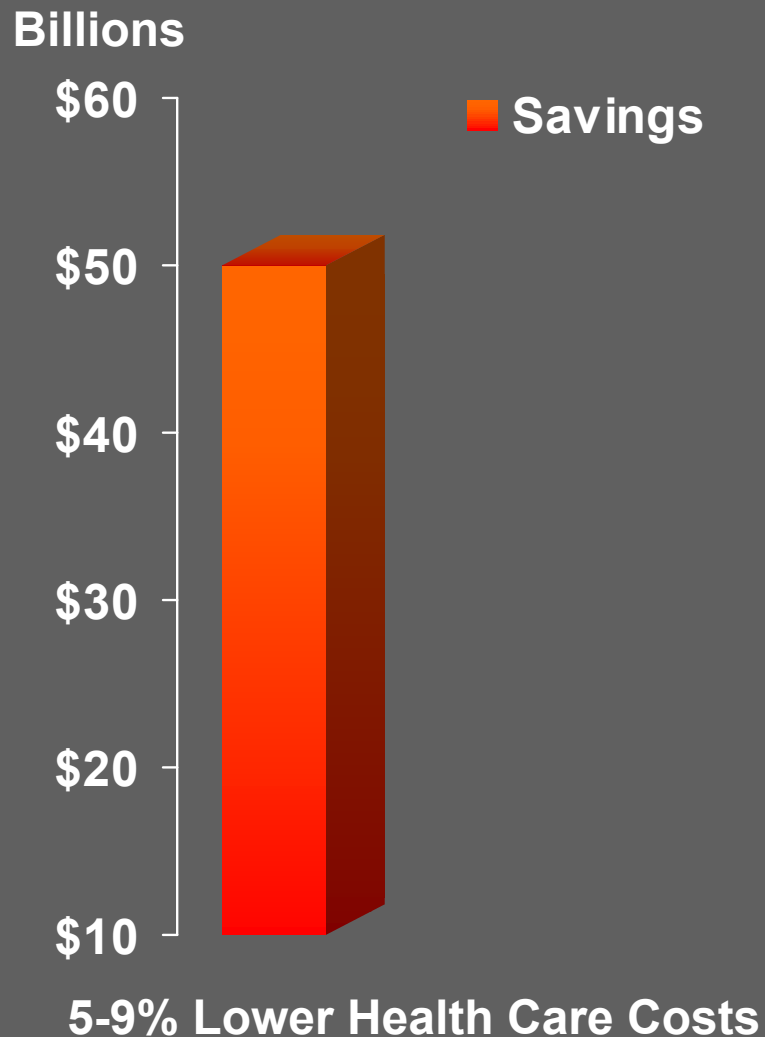
Stanford Study: The Cost of Defensive Medicine



States with effective tort reform lower health care costs 5-9%.

Savings nationally would be \$50 billion.

HHS: up to \$110 billion



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)

Summary

Effective tort reforms are effective and a non-economic damages cap of \$250,000 is the cornerstone of effective tort reform.

This is a state crisis primarily because some states have effective legal reforms and some do not.

Ineffective reforms are worse than none.