Senate Bill 487:
Impact on Medical Liability and Access to Healthcare

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On Behalf of: Oregon Liability Reform Coalition

February 27, 2017
Overview of Presentation

1) Scope and Overall Results
2) Empirical Data
3) Access to Healthcare
4) Other Considerations
5) Appendix – Monte Carlo Simulation Model
Topic 1: Scope and Overall Results
Scope of Analysis

- Effect on Prospective Medical Liability Indemnity and Claim Expense Payments
  - Average Indemnity and Expense per Claim
  - Number of claims
- Provide Empirical Data Based on Oregon and Other States
- Summarize Reports on Access to Healthcare
Overall Results

- 20% Increase in Average Indemnity per Wrongful Death Claim
- 15% Increase in Wrongful Death Costs Due to Additional Claims
- Overall Impact Expected to be a 38% Increase in Wrongful Death Costs*
Data Underlying Statistical Model of Oregon Medical Liability Claims

- Based on Oregon Closed Claim Data
- Data Provided by Three Largest Providers of Medical Liability Coverage in Oregon
- 18,000+ claims over 15+ years
- 25+ fields maintained in database
- Resulting model yielded a process with 100,000 simulated occurrences of medical misadventure
Topic 2: Empirical Data
Oregon Average Medical Liability Indemnity Payment – Impact of BI Cap Overturn in 1999

Source: Milliman analysis of data from the National Practitioner Data Bank Public Use Data File.
Oregon Claim Frequency Relative to Countrywide

Source: Milliman analysis of data from the National Practitioner Data Bank Public Use Data File and the American Medical Association.

30% Relative Increase
BI Cap Overturn
Claim Frequency of the Seven States Implementing Tort Reform 2003 – 2005 Relative to All Others

Topic 3: Access to Healthcare
Caps Improve Physician Supply

“The adoption of ‘direct’ malpractice reforms led to greater growth in the overall supply of physicians.”

Caps Improve Access to High-Risk Specialists

“[…] Evidence clearly indicates an increase in physicians in high risk specialties after the adoption of noneconomic damage caps […].”

Caps Improve Access to Surgical Providers

“Malpractice insurance premiums are a significant deterrent for surgeons….  In addition, caps on malpractice damage awards attract surgeons to areas.”

Caps Improve Access to Obstetricians

“The supply of obstetrician-gynecologists decreased by 8 percent in the three years following premium increases in 1999.”

Caps Improve Access to Specialists in Rural Areas

“Caps appear to increase the supply of frontier rural, specialist physicians by 10-12 percent.”

Topic 5: Other Considerations
Other Considerations

- **Oral Discussion** - This document is not complete without the accompanying oral discussion and explanation of the underlying projections, results and variability.

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- **Reliance on Data** - In performing this analysis, we relied upon data provided by others, as documented throughout this presentation. We performed a limited review of the data used directly in our analysis for reasonableness and consistency. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a detailed review was beyond the scope of our assignment.
Appendix: Monte Carlo Simulation Model
Overview of Simulation Model
Oregon Medical Liability Claims

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Overview of Simulation Model
Steps of Simulation Process
Overview of Simulation Model
Occurrence of Medical Misadventure

<table>
<thead>
<tr>
<th>Underlying Allegation</th>
<th>Number of Claims</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrongful Death</td>
<td>Wrongful Death</td>
<td>Indemnity Payment</td>
</tr>
<tr>
<td></td>
<td>Bodily Injury</td>
<td>No Indemnity</td>
</tr>
<tr>
<td>Bodily Injury</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Overview of Simulation Model Claims with Indemnity Payment

Type of Loss

- Economic
- Non-Economic

Cap on Type

- Wrongful Death
- Bodily Injury

Different Limits Applied

Multiple Options for Caps on Damages and Policy Limits

Outcome per Scenario

- Total Indemnity
- Total Expense

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Overview of Simulation Model
Claims Closed with Expense Only

- Expected Indemnity vs Expected Expense Relationship
- Type of Loss
  - Economic
  - Non-Economic
  - Cap on Type
    - Wrongful Death
    - Bodily Injury
  - Different Limits Applied
  - Multiple Options for Caps on Damages and Policy Limits
    - Outcome per Scenario
    - Total Expense
Reasonability Tests of Simulation Model

- Tests against the Oregon Closed Claim Data
  - Test 1: Portion of claims by type
  - Test 2: Modeled severity versus calculated severity
  - Test 3: Average indemnity severity limited to $1,000,000*
  - Test 4: Average expense per claim closed with indemnity
  - Test 5: Average expense per claim closed with expense only
  - Tests 2 through 5 performed separately for Bodily Injury and Wrongful Death claims

- Objective was to Balance the Results from All the Tests Simultaneously

*Chosen based on typical minimum policy limit of $1,000,000 per claim.
Thank you

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