

# Medical Malpractice Meltdown Preventable

by Linda Everett

With each passing month, thousands of U.S. physicians, along with hospitals and nursing homes, are being sucked into a forbidding whirlpool of vanishing malpractice insurance, the new crisis within U.S. health care. On its face, the problem appears to be the inability of physicians to obtain affordable medical malpractice insurance, or even to find an insurance company willing to insure them. Such insurance is necessary to assure that patients, or their families, harmed by a physician's (or hospital's, or nursing home's) medical mishap or negligence, can receive the financial resources necessary to cope with the injury and loss, medically and otherwise. Right now, physicians in Pennsylvania, West Virginia, Mississippi, Florida, Nevada, and Massachusetts are reeling from astronomical increases in malpractice insurance premiums which threaten their very careers as doctors; they have risen as high as 70%, occasionally more than 100% of a doctor's income.

## Disappearing Doctors

Some 60% of Pennsylvania's doctors had their insurance policies expire in December, and face major hikes in premiums; 18% of the state's neurosurgeons are retiring, leaving the state or reducing services; 15% of obstetricians/gynecologists are doing the same. Nearly 400 orthopedic surgeons

report that their current insurer will not renew their policy—even though they have no history of malpractice claims. In just five Philadelphia counties, 250 doctors are retiring, leaving the state or limiting their practice due to premium increases. Doctors at Abington Memorial Hospital in Philadelphia announced they would be forced to stop offering trauma care, because physicians there could not find insurance or afford premiums as high as \$150,000 a year. Wyoming County (Scranton) Community Medical Center Trauma Center, one of 23 in the state, may close for the same reason.

In the West, millions of people lost the only trauma center in four states for weeks last summer.

On Jan. 2, over two dozen general, orthopedic, and heart surgeons at four West Virginia hospitals started a 30-day leave of absence, hoping to find lower-cost insurance premiums elsewhere. Almost all surgeries at the facilities were cancelled, forcing emergency patients to travel 90 miles away to Ohio or Pennsylvania. Some 22 Philadelphia hospitals narrowly averted a job action over premium increases, when Governor-elect Ed Rendell promised to urge the legislature to take steps to reduce the insurance costs for specialists in the riskiest fields, such as obstetrics and neurosurgery. But doctors in Northeastern Pennsylvania are still threatening to reduce their practices or quit medicine entirely.

Obstetricians have stopped delivering babies in several states, endangering care especially in rural areas. In New Jersey, 65% of hospitals report that some physicians have left their practice due to premium increases. Last year, the American Hospital Association reports, malpractice rate hikes forced 20% of U.S. hospitals to scale back some services. Premium hikes are hitting nursing homes as well.

Insurers offering malpractice coverage are leaving some states, pulling out of the market altogether (St. Paul Companies); some are in liquidation (PHICO Insurance Co.). In Florida, four years ago, there were more than 40 carriers; now there are but six private companies. In Pennsylvania, nine companies used to write malpractice insurance; now, there are two.

## Insurers Recouping Losses?

Insurers say that the large number of malpractice claims and extravagant cash rewards some juries award injured patients, are the cause for premium increases. Some studies indicate no such huge increase has occurred (relatively few injured patients actually sue to recover damages; of these, only 23% win before juries). Malpractice claims, payments, and settlements from 1975-2001 have, on average, risen gradually with medical inflation—but malpractice premiums have fluctuated wildly during the same period.

When insurers loot doctors and hospitals through premium hikes, it is often to recoup their own investment losses. With Federal Reserve Chairman Alan Greenspan repeatedly lowering interest rates, insurers have lost dramatically on what they earn on new investments in variable-rate bonds—

while losing in the stock market at the same time. In effect, insurers are setting premium rates in order to cover the deflation of the Wall Street bubble of which their assets are a part. But they are thus looting the medical system of something that can't be replaced: experienced medical practitioners.

The insurers have to change from financial predators into companies based on providing services for the general welfare.

In December 2001, Minnesota-based insurer St. Paul Insurance announced that it was going out of the malpractice business, because it claimed \$700 million in losses between 1997-2001—despite 24% increases in premiums in 25 states. The action, the company said, was designed to improve profitability. The nation's second-largest insurer, covering 42,000 physicians, 73,000 health-care workers, and 750 hospitals nationwide, St. Paul began its withdrawal from malpractice coverage through non-renewal upon policy expiration.

But in June 2002, the *Wall Street Journal* reported that St. Paul's problems arose exclusively from grossly poor mismanagement. It wrongly distributed \$1.1 billion in malpractice reserves to stockholders, to hike their dividend profits, instead of holding those reserves to pay claims. Nevada authorities are investigating the company for unlawful business practices. Over 1,200 West Virginia doctors charged that St. Paul abandoned them after taking their premiums for "tail coverage," which covers claims made after physicians leave their practice. Other insurers reportedly tried other scams, leading to their bankruptcies.

A major increase in medical malpractice lawsuits is to be expected in any case, given the more than two decades looting of the American population's medical care via HMOs (health maintenance organizations). Managed-care scams have wittingly destroyed medical protocols, and have denied or delayed needed medical care to the detriment of millions and the country as a whole. *EIR* has reported that HMOs are the root cause behind preventable medical errors in hospitals that kill between 44,000 and 98,000 people a year, according to Institute of Medicine in 1999.

### Republicans Blame Lawyers, Protect Firms

Simplistic "tort reforms" have been promoted by President Bush and Sen. Bill Frist (R-Tenn.), and in the states, as the answer to help doctors struggling with the crisis. Health and Human Services Secretary Tommy Thompson is holding town meetings around the nation to promote tort reform, limiting the amount which a jury can award an injured patient for non-economic damages (pain and suffering). Nineteen states have already passed such legislation. Under tort reform, malpractice victims are compensated only for recognized medical bills and lost wages. This hurts non-wage earners, such as senior citizens, the disabled, women, and the poor, who have no other way to pay for unforeseen medical expenses and basic needs—expenses which can be exorbitant over the life

of the injured patient. These patients must then turn to dwindling state or Federal programs for help with those expenses—while the insurer, who is paid to cover such expenses, pays only a fraction of the real costs.

Senate leader Trent Lott (R-Miss.), in an interview, called trial lawyers "a pack of wolves," and said that the GOP, which has received major funding from big business groups, intends to rein in the lawyers by pushing Federal legislation to protect managed-care companies, asbestos manufacturers, major corporations, and (allegedly) physicians, by proposing broad caps on awards made in cases of medical liability and in "outlandish" class-action lawsuits.

Under the Republican proposal, people harmed by medical negligence through HMOs, for instance, could receive, besides medical compensation, only \$250,000 for pain and suffering. The patient, however, may have no other way to pay for support services required for the rest of his or her life.

A campaign to limit class action lawsuits against big businesses is in action as well. Republicans also plan to protect asbestos manufacturers—including a subsidiary of Halliburton Co., which Vice-President Cheney used to head.

Eliminate managed care, the major driver of medical mistakes, undertake bankruptcy reorganization of the practices of medical malpractice insurers, and we can prevent the disaster of losing the nation's experienced and irreplaceable physicians.

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