

March 7, 2011

Cons, Big Cons and Medical Malpractice Reform

The argument for medical malpractice reform centers around the high costs of medical malpractice insurance premiums associated with frivolous lawsuits. To support this argument, there was first the creation of the myth of frivolous medical malpractice lawsuits. To bring the argument home, an additional myth was created.

The second myth is that a reduction in medical malpractice litigation will bring down the medical malpractice insurance premiums for doctors. In fact, the number of medical malpractice lawsuits has been in sharp decline over the last ten years. Medical malpractice claims are brought to successful conclusion at trial in about 3% of claims.

Logic would dictate that doctors should be seeing significant savings in medical malpractice insurance premiums. These savings would then be passed on to patients and taxpayers through lower costs of medical care. Lets not hold our breath as we wait for the insurance industry to pass these savings on.

The point is seen most clearly in California where there state regulators are investigating dramatically inflated premiums. In an aptly name article "Calif regulator: Malpractice insurance too pricey" from the Silicon Valley Mercury News, there were some interesting but not too surprising findings on the topic.

The article states that on average, California insurers pay out around 23% of premiums for claims. This seems like a pretty respectable profit, perhaps even a little high. Medical malpractice insurance carriers on the other hand cannot live with a meager 400% margin. According to the article, the largest medical malpractice carrier, The Doctors Company, spends only 10% of premiums on claims. Some other providers pay as little as 2% of premiums on claims.

Where do savings from the highly successful 30 year Tort Reform campaign go? According to California regulators, they certainly do not go to doctors, patients or taxpayers. They go entirely to the insurance industry, which really was the point all along.

You have to hand it to the insurance industry. Its public relations and marketing efforts at distorting the reality of medical malpractice costs are remarkable. Its business model is beyond compare. After all, who can question the

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business savvy of an industry working off 90-98% margins while successfully crying hardship and distress every dollar of profit along the way.

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