THE EFFECT OF THE MEDICAL LIABILITY INSURANCE CRISIS ON PHYSICIAN SUPPLY AND ACCESS TO MEDICAL CARE IN GEORGIA

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The Georgia Board for Physician Workforce

The Georgia Board for Physician Workforce is a state agency responsible for advising the Governor and the General Assembly on physician workforce and medical education policy and issues. The Board's responsibilities include monitoring and forecasting the supply and distribution of physicians in Georgia, assuring an adequate supply, specialty mix, and geographic distribution of physicians to meet the health care needs of Georgia, coordinating physician workforce planning with state funding for medical education, and the development and support of medical education programs required to meet physician workforce needs.

The 15 member Board was originally established in 1976 as a special purpose board (The Joint Board of Family Practice). In recognition of the broadened responsibilities of the Board, including medical schools, graduate medical education programs, student financing programs, and physician workforce planning, the statute governing the Joint Board of Family Practice (O.C.G.A. 49-10) was amended through the passage of Senate Bill 533. Effective July 1, 1998, the Joint Board of Family Practice became the Georgia Board for Physician Workforce. While the programs administered by the Board did not change substantially, the Board membership was modified and the agency's research and education purpose was broadened.

Members of the Board are appointed by the Governor and confirmed by the Senate for six-year terms. By statute, the membership includes five primary care physicians, five physicians from other specialties, three hospital representatives (including one rural hospital representative), one business community representative, and one consumer member with no connection to the practice of medicine.

Board staff includes the Executive Director and seven staff positions. The staff also provides administrative support for the State Medical Education Board, which is a separate state agency. The Board offices are located at 1718 Peachtree Street in Atlanta.

The Georgia Board for Physician Workforce is an independent state agency attached to the Georgia Department of Community Health for administrative purposes only in accordance with O.C.G.A. 50-4-3.

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Contributions

The information in this report is based on the voluntary contribution of the 2,190 physicians in Georgia who completed the survey instrument. Participation by Georgia's physicians in surveys conducted by the Georgia Board for Physician Workforce since 1976 has been essential in the effort to provide the General Assembly, the Governor, Georgia's medical schools and teaching hospitals, Georgia's hospitals and health care community, and the public with accurate and reliable information on physician workforce needs and issues in Georgia. The contribution of the physicians who completed the current survey is gratefully acknowledged.

G.E. Alan Dever, Ph.D., M.T., M.D. (Hon.) and his staff in the Department of Community Medicine, Mercer University School of Medicine, played a major role in the design and conduct of the study, providing both technical consultation and direct support to the study. The study could not have been completed without Dr. Dever, and his contribution to the study and to the report are acknowledged with appreciation.

The staff of the Georgia Board for Physician Workforce and State Medical Education Board provided essential support in the conduct of the study and preparation of the report. Kelly McNamara, M.B.A., Carla Graves, Cherri Tucker, Peggy Hensley Shull, Mary Paape, and Janice Friend were essential to the study, and their contribution and support are recognized with gratitude.

Bruce Deighton, Ph.D., Executive Director of the Georgia Board for Physician Workforce and State Medical Education Board, served as principal author of the report.

Executive Summary

Medical liability insurance is essential for physicians who practice clinical medicine. If medical liability insurance is unavailable or if the cost of medical liability insurance becomes unaffordable, then it is reasonable to assume that physicians will leave clinical practice or retire, limit the scope of their clinical practice to reduce liability risk, or will relocate to another state that has lower medical liability insurance costs. On June 17, 2002, Georgia was identified by the American Medical Association as one of twelve states where medical liability insurance costs had increased to a level that was expected to result in significant numbers of physicians leaving or limiting clinical practice, retiring, or relocating to another state[1].

A mail-out survey of 6,181 practicing physicians in Georgia was conducted in the Fall of 2002 to gather information on the availability, cost, and coverage levels of medical liability insurance, and to provide information on the effect of the medical liability insurance crisis on physicians' practice behaviors and clinical responsibilities, including providing medical services in emergency rooms and acceptance of high-risk patients. The survey was also designed to quantify the number and specialty of physicians reported to be leaving clinical practice, retiring, or leaving the state as a result of increased medical liability insurance costs.

The survey sample was designed to be representative of all physician specialties and all geographic areas of Georgia. The overall response rate to the survey was 35 percent, with variation by specialty and by the response rate to individual questions. Margin of error for the survey varies by specialty and by individual response rate, and this margin of error is reflected in the confidence interval limits reported. The survey results are reported at the 95 percent confidence level.

The survey asked 11 questions about medical liability insurance:

- Do you have malpractice insurance?
- During the last year, has your level or the level of your group coverage increased, decreased, or remained the same?
- During the last year, have your medical malpractice premiums significantly increased, moderately increased, stayed the same, moderately decreased, significantly decreased?
- If your premium increased during the last year, what was the approximate percent increase?
- Have you had any difficulty finding malpractice insurance coverage during the last year?
- What is the name of your current insurance carrier?
- Have you changed insurance carriers during the last year?
- Have you stopped or do you plan to stop providing certain high-risk procedures as a result of the cost of malpractice insurance?
- Have you stopped or do you plan to stop providing emergency room coverage as a result of the cost of malpractice insurance?
- Do you plan to leave clinical practice during the next year as a result of the cost of malpractice insurance?
- Do you plan to leave the state within the next year as a result of the cost of malpractice insurance?

[1] American Medical Association, June 2002

Results for all practicing physicians in Georgia on seven of the key questions are summarized in the following table.

SUMMARY OF PRACTICING PHYSICIANS RESPONSES TO 7 KEY MEDICAL LIABILITY QUESTIONS DURING THE LAST YEAR, BY NUMBER, PERCENT, AND RANGE

Question	Response Rate (%)	Estimated number of Georgia Physicians (#)	Estimated Range	
			Minimum	Maximum
Have malpractice insurance?	93.2	14,666	14,477	14,823
Had difficulty finding malpractice insurance coverage during the last year?	13.1	2,061	1,841	2,313
Changed insurance carriers during the last year?	20.1	3,163	2,880	3,446
Stopped or plan to stop high-risk procedures due to malpractice insurance?	17.8	2,801	2,549	3,084
Stopped or plan to stop providing emergency room coverage due to malpractice insurance?	11.3	1,778	1,558	2,030
Plan to leave clinical practice during the next year due to malpractice insurance?	2.0	315	236	441
Plan to leave the state within the next year due to malpractice insurance?	2.0	315	236	425

Limiting the scope of practice was by far the largest effect of the medical liability insurance crisis on access to medical care reported in this survey. An estimated 17.8 percent of physicians, more than 2,800 practicing physicians in Georgia, are expected to stop providing high risk procedures in their practices during the next year in order to limit their liability risk. High risk procedures vary by specialty, but include procedures such as delivering babies, reading mammography tests, and performing complicated surgical procedures.

Nearly 1 in 3 obstetrician/gynecologists and 1 in 5 family practitioners reported plans to stop providing high-risk procedures, indicating that access to obstetrical care may be significantly reduced during the next year as a result of the medical liability insurance crisis.

Close to one-third of the radiologists and general surgeons also reported plans to stop providing high-risk procedures. In the practice of diagnostic radiology, interpreting mammography studies carries the highest liability risk. Access to mammography in Georgia is expected to be sharply reduced next year as a result of the medical liability insurance crisis. Surgery includes a broader range of procedures that may be considered high risk in terms of liability exposure.

Reduced coverage of Emergency Room Services was the second largest effect reported in the survey, with 11.3 percent of physicians, more than 1,750 physicians, reporting that they have stopped or plan to stop providing coverage of emergency room services in order to reduce their liability risk.

30 percent of plastic surgeons, 22 percent of obstetricians, 18 percent of family practitioners, and 16 percent of orthopedic surgeons indicated that they have stopped or plan to stop providing ER coverage as a result of the medical liability insurance crisis.

Retire from clinical practice or relocate their practice to another state – Four percent of practicing physicians in the survey, equating to an estimated 630 physicians in Georgia, plan to retire from clinical practice or leave the state in response to the medical liability insurance crisis.

Availability of medical liability insurance is a significant problem for many physicians in Georgia. Thirteen percent indicated that they had difficulty finding medical liability insurance and 20 percent reported changing insurance carriers during the last year. Orthopedic surgeons had the most difficulty, with 30 percent reporting difficulty finding insurance and 39 reporting that they changed insurance carriers during the last year. Obstetrician/Gynecologists, Emergency Medicine physicians, and Anesthesiologists also had high percentages of physicians reporting problems with availability of medical liability insurance.

Cost of medical liability insurance increased 30 percent or more for the majority of physicians in obstetrics/gynecology, orthopedic surgery, neurological surgery, neurology, general surgery, and anesthesiology. Other specialties reported increases ranging from 11 to 30 percent during the last year. More than one third of physicians reported increasing the amount of medical liability insurance coverage purchased, which partially explains cost increases. The majority of physicians, more than 60 percent, reported maintaining the same level of coverage, and 5 percent reported decreasing the amount of insurance coverage during the last year.

Conclusions

The medical liability insurance crisis is a serious problem in Georgia. The findings reported in this survey indicate that the medical liability insurance crisis is having a significant negative effect on physician supply and access to medical care, particularly with regard to obstetrics, orthopedic surgery, general surgery, radiology, and emergency medicine services.

We anticipate that larger referral hospitals in the state will be impacted by patients being referred for care by physicians who are leaving practice, leaving the state, or no longer providing certain types of procedures that carry a high liability risk. Rural hospitals will also be significantly impacted by physicians leaving their medical staff or reducing their scope of practice, and it is likely that it will become more difficult for rural communities to recruit physicians. The survey results also suggest that hospitals that operate emergency rooms will have greater difficulty finding physicians to provide emergency service coverage, particularly in the surgical specialties such as plastic surgery, orthopedic surgery, and neurosurgery.

The survey results confirm that many physicians in Georgia are having difficulty finding medical liability insurance and that the cost of medical liability insurance is increasing at an unsustainable rate. A significant number of physicians in Georgia are insured by companies that

have gone out of business or that have stopped writing medical liability insurance policies in Georgia. As these policies expire in 2003, the medical liability insurance crisis in Georgia is expected to become more acute.

The medical liability insurance crisis is a complex problem and there are several areas where additional research is needed in order to provide complete information. The need for complete information, however, must be balanced by the urgency of the need to address the problem. The results of this study indicate that physicians in Georgia are leaving practice, retiring early, restricting the scope of services in their practice, and moving to other states in reaction to the medical liability insurance crisis. If no action is taken, it seems likely that these trends will continue.

INTRODUCTION: THE MEDICAL LIABILITY INSURANCE CRISIS IN GEORGIA

Medical liability insurance is essential for physicians who practice clinical medicine. If medical liability insurance is unavailable or if the cost of medical liability insurance becomes unaffordable, then it is reasonable to assume that physicians will leave clinical practice or retire, limit the scope of their clinical practice to reduce liability risk, or will relocate to another state that has lower medical liability insurance costs. On June 17, 2002, Georgia was identified by the American Medical Association as one of twelve states where medical liability insurance costs had increased to a level that was expected to result in significant numbers of physicians leaving or limiting clinical practice, retiring, or relocating to another state[2].

Georgia faces a significant shortage of physicians over the next two decades, even without the added complication of a medical liability insurance crisis. Georgia's population increased 26 percent between 1990-2000, adding approximately 1.7 million people, a population equivalent to the State of Nebraska or the State of West Virginia. Georgia's population is projected by the U.S. Census Bureau to continue to increase at double the national rate through 2010. Georgia's population growth, combined with other factors such as economic growth and aging of the population, are expected to sharply increase demand for medical care over the next ten years. Georgia's physician supply is currently about one-third below the national average, Georgia ranks 35th out of the 50 states in physician supply, and our physician to population ratio has been declining since 1996. The medical liability insurance crisis may accelerate the developing shortage of physicians in Georgia, particularly in specialties that have high medical liability insurance rates, such as diagnostic radiology, obstetrics/gynecology, orthopedic surgery, and neurosurgery.

Evaluating access to medical care is a more challenging problem than simply determining the number of physicians in a given geographic service area. Physicians may practice in a community, but not provide the full range of services for their specialty due to liability risk, low reimbursement, or a combination of both factors. Obstetrical services are perhaps the most obvious example of this issue. Prior studies of the effect of rapidly increasing medical liability costs on access to medical care have demonstrated that significant numbers of Obstetrician/Gynecologists and Family Practice physicians stop providing obstetrical services when medical liability insurance costs increase to a point where the insurance is perceived to be no longer affordable.[3] Other examples of medical services where liability risk and insurance cost may cause physicians to limit the scope of their practice include coverage of emergency rooms by orthopedic and neurosurgeons and mammography diagnostic services by diagnostic radiologists. Patients with complicated medical problems may find fewer physicians willing to provide services due to the higher liability risk involved in treating such patients.

The cost and availability of medical liability insurance is related to the cost of healthcare in a number of important ways. Several studies have documented the cost of so called "defensive medicine" where physicians may order more diagnostic tests than would otherwise be considered medically necessary in order to protect against lawsuits resulting from missing a low probability

[2] American Medical Association, June 2002

[3] Institute of Medicine, Medical Professional Liability and the Delivery of Obstetrical Care: Volume I, Washington, D.C., National Academy Press, 1989.

diagnosis.[4] Obstetricians may perform more C-Sections as a way to reduce liability risk. Whether tort reform or other steps to limit medical liability would reduce the cost of defensive medicine is speculative, but the rationale for such reduction is clear.

The Congressional Budget Office recently estimated that the federal government would realize savings of $11.3 billion over the 2004-2012 period if Congress enacts HR 4600, the HEALTH Act, which would impose limits on medical malpractice litigation in state and federal courts by capping awards and attorney fees, reducing the statute of limitations, eliminating joint and several liability, and changing the way collateral-source benefits are treated. The CBO estimates that state and local governments would save $5 billion over the 2003-2012 period on employee health care benefit costs and $2 billion on state Medicaid spending if HR 4600 is enacted.[5]

If the cost or availability of medical liability insurance reduces the number of practicing physicians, the law of supply and demand begins to increase economic pressure on physician reimbursement rates, driving up physician salaries as hospitals and group medical practices bid for physicians in specialties that are in short supply. The problems created by physician shortages are even more significant for rural communities because medical services make up a large percentage of the economy and because rural communities often cannot compete with higher salaries offered in urban areas.

Physicians who limit their practice in response to insurance or liability risk concerns may refer their high-risk patients to hospital emergency rooms or to large specialty referral hospitals for care. Hospital emergency rooms are not the appropriate service site for many kinds of routine medical services, and routine services provided by emergency medicine physicians are usually much more expensive than the same service provided by an office based physician. Emergency rooms are already very busy and realistically do not have the capacity to provide routine medical care for large numbers of patients who may be referred by physicians who are limiting their practices because of insurance or liability risk concerns. Furthermore, other factors are currently increasing the patient load on emergency medical services, including an increasing number of physicians who will no longer treat Medicare patients because of a reduction in reimbursement rates implemented by the federal government. Emergency rooms are not equipped, staffed, or appropriate to provide medical care to all patients and realistically cannot handle the major increase in patient volume that is likely to result from the medical liability crisis.

Problems with availability of medical liability insurance

Physicians must present proof of medical liability insurance to maintain hospital privileges. The availability of medical liability insurance is important for physicians to remain in practice, but it is also an important means to assure that patients who are injured by negligence or malpractice receive reasonable compensation. The loss of insurers through insolvency or through their exit from the market in Georgia threatens this compensation mechanism. Even in the unlikely event that physicians would continue to practice without medical liability insurance, the probability is

[4] Institute of Medicine, Medical Professional Liability and the Delivery of Obstetrical Care: Volume I, Washington, D.C., National Academy Press, 1989.

[5] Congressional Budget Office, Cost Estimate, H.R. 4600 Help Efficient, Accessible, Low Cost, Timely Healthcare(HEALTH) Act of 2002, September 25, 2002

remote that damages in the range currently being awarded by juries could be collected from physicians' personal financial assets.

The availability of medical liability insurance in Georgia has declined sharply during the last two years. Since 2000, 15 of the 20 active insurers have stopped writing new medical liability insurance policies in Georgia.[6] The largest provider of medical liability insurance in the United States, the St. Paul Companies, withdrew entirely from the medical liability insurance business in December of 2001. Several major insurers have become insolvent, including Associated Physicians Insurance Company, Insurance Corporation of America, Legion, PHICO, PIE Mutual, Professional Medical, and Reliance.

Physicians who lose their medical liability insurance coverage in Georgia have few options to secure new insurance. Physicians who are unable to secure insurance face the dilemma of being forced to retire from clinical practice or accepting a severe risk to their personal finances by continuing in practice without coverage.

Physician owned mutual insurance companies provide medical liability insurance for approximately 60 percent of the physicians in the United States.[7] Many of these companies were started as a solution to the lack of medical liability insurance in the 1970's, and the concept is providing part of the solution to the lack of insurance that has developed during the current medical liability crisis. There are a number of new physician owned insurance companies that have recently been started in Pennsylvania, New Jersey, and West Virginia to address the lack of medical liability insurance in those states. The largest provider of medical liability insurance in Georgia is MAG Mutual Insurance Company, a physician owned mutual insurance company.

Physician owned mutual insurance companies sell medical liability insurance at the lowest cost possible and historically have had lower loss ratios than commercial insurance companies. In 2001, medical liability companies incurred losses of $1.54 for every $1 they collected in premiums[8]. Insurance companies are losing money at an unsustainable rate on medical liability insurance and are taking steps to increase revenue and reduce costs. Some insurance companies do not insure physicians in high-risk specialties such as obstetrics, neurosurgery, and vascular surgery. Other companies have stopped writing new policies in order to minimize financial losses in the current market. All have reviewed their underwriting guidelines in order to minimize losses.

There do not appear to be many incentives for insurance companies like MAG Mutual to step in and provide medical liability insurance for Georgia physicians who have lost coverage from their previous carrier. Despite conservative management, MAG Mutual reports that it is taking substantial financial losses in the medical liability insurance business, and underwriting a large number of new policies at current premium rates may actually accelerate financial losses. If financial losses on medical liability insurance continue, premium rate increases will accelerate and more insurers will leave this line of business.

A number of the larger hospitals in Georgia have addressed the lack of professional liability insurance by self-insuring up to a certain limit, perhaps $5 to $6 million, and then purchasing

[6] MAG Mutual Insurance Company, 2002
[7] Physician Insurance Association of America, 2002
[8] Albert, Tanya "Liability crisis reaction: Doctor-owned insurance fill gap" AMNews, December 23/30, 2002

additional insurance for claims above that level. Physicians who are employed by these hospitals usually are provided with medical liability insurance as an employment benefit. This appears to be a successful strategy for these hospitals and their associated physician groups, at least in the short term. Hospitals have a strong incentive to minimize claims through risk management programs. Problems noted are the cost and availability of excess coverage for catastrophic claims above the self-insured limit, and the ability of the hospital to continue to pay self-insured claims from hospital operating revenues. The largest hospital in Georgia, Grady Memorial, recently announced that it is self-insuring for claims less than $15,000,000.[9] This would appear to place the hospital at significant financial risk since all claims less than the $15 million limit will be paid from hospital revenues. Hospitals are under significant pressure to reduce costs in order to maintain a margin necessary to fund equipment and capital improvements, and increased insurance costs reduce funds that might otherwise be available to support staff and equipment needs.

Financial relationships between hospitals and physicians are highly regulated by the federal government, and the additional complexity of self-insurance plans requires the hospitals to obtain good – usually expensive – legal and insurance advice. Because hospitals in Georgia (and the rest of the country) often lose money on the operation of physician practices, the long-term outlook for hospitals continuing to employ large numbers of physicians is in question, and therefore, the viability of hospital self-insurance plans as a long-term solution for the lack of medical liability insurance is in doubt.

The lack of availability of medical liability insurance in Georgia is potentially a devastating problem for the state budget. The current situation in Pennsylvania illustrates how the lack of insurance may play out in Georgia during the next year.

Most of the insurance companies writing medical liability insurance left Pennsylvania during the last year. Approximately 60 percent of Pennsylvania physicians' medical liability insurance policies are set to expire on December 31, 2002.[10] Reports from physician practices in Pennsylvania indicate that a substantial number will close after January 1 because they will not have insurance, and that a number of other practices report plans to stop delivering babies or providing other high risk procedures because they cannot afford the insurance premiums.[11]

Whether physicians leaving practice in reaction to the medical liability crisis is rhetoric or reality will be demonstrated in the early months of 2003 in Pennsylvania, West Virginia, Nevada, and Mississippi, states where the liability insurance crisis is a few months ahead of the same situation occurring in Georgia. One of the objectives of this study is to attempt to quantify the number of physicians in Georgia who have had difficulty locating medical liability insurance or who are currently insured by companies that are in the process of exiting the market. Even if these physicians can afford to pay the premiums, medical liability insurance may not be available, and they would then be forced to evaluate the viability of remaining in practice.

[9] Andy Miller, "Grady makes $15 million bet: huge malpractice deductible reflects squeeze", Atlanta Journal Constitution, October 7, 2002

[10] Albert, Tanya "End-of-year action crucial: Pennsylvania faces liability meltdown" AMNews, December 9, 2002.

[11] Ibid.

Pennsylvania will reportedly consider a state funded insurance pool for physicians who are unable to obtain medical liability insurance from other sources. Governor-elect Ed Rendell has proposed a $220 million bailout of the state insurance fund through a one-time surcharge on health insurance company reserves. The proposal projects that physician payments to the state insurance pool would be reduced by two-thirds as a result.[12]

Problems with affordability of medical liability insurance

A report issued in 2002 by the U.S. Department of Health and Human Services reported that the average cost of medical liability insurance in Georgia increased 20 to 40 percent per year during 2001 and 2002, depending on the specialty of the physician[13]. Insurance companies have indicated that they plan to continue to increase premium costs at double-digit rates for the foreseeable future in order to remain in business.

MAG Mutual Insurance, the largest provider of medical liability insurance in Georgia, sells medical liability insurance at the lowest possible cost and generally has a lower premium schedule than commercial insurers. Table 1 shows the MAG Mutual premium schedule for the top 10 largest physician specialties during the period from 2000-2002.

TABLE 1.
MAG Mutual Insurance Company
Georgia Medical Professional Liability Rates
$1 million/$3 million limit of liability

Specialty	2000	2001	2002	Cumulative % increase 2000-2002
Anesthesiology	17,842	16,269	19,523	9%
Emergency Medicine	14,083	16,054	19,265	37%
Family Practice	7,124	8,121	9,745	37%
Internal Medicine	7,124	8,121	9,745	37%
Neurosurgery	46,441	52,943	63,532	37%
Obstetrics/Gynecology	39,732	40,811	48,973	23%
Orthopedic Surgery	32,150	32,733	39,280	23%
Psychiatry	5,765	6,572	7,887	37%
Radiology	8,423	9,602	14,619	74%
General Surgery	24,223	27,615	33,138	37%

MAG Mutual Insurance Company, Atlanta, Georgia, 2002

MAG Mutual's premium increases from 2000-2002 were modest for some specialties, increasing only 23 percent for obstetrician/gynecologists and increasing 9 percent for anesthesiologists, while premiums for other specialties such as radiology increased 74 percent over the two year

[12] CNN.com./Health, "Pa.doctors drop boycott threat," January 1, 2003
[13] U.S. Department of Health and Human Services, Update on the Medical Litigation Crisis: Not the Result of the "Insurance Cycle", September 25, 2002

period from 2000-2002. The median increase in premiums over the two-year period was 37 percent.

The effect of medical liability insurance premium increases on the net revenue available for physician compensation varies widely depending on factors such as whether the practice is office based or facility based (office based physicians have higher overhead costs), on the payer mix of the physicians practice (physicians with a high Medicaid and indigent care payer mix have lower revenue per patient), and on the types of services offered (physicians with high procedure volume generally have higher revenue). Physician reimbursement has been fixed or declining due to cost control measures implemented by Medicare, Medicaid, managed care insurance, and other health insurance providers. Therefore, physicians cannot easily pass higher overhead costs along to patients and insurers. Unless physicians can reduce other practice costs or increase patient volume, the increase in medical liability insurance will reduce the profitability of the practice and most likely result in a reduction in the physician's compensation.

An increase of $2,600 in insurance costs over a two-year period for primary care physicians is a significant increase, but is not of a magnitude that, as a single factor, would be expected to result in a large number of practices closing. For practices that have lower than average revenue due to payer mix or because the physician may be reducing work hours and patient volume, the increase in insurance costs may be sufficient to trigger an evaluation of the viability of the practice. If a physician is contemplating retirement, the increase in insurance costs could be a factor in making that decision earlier than would be the case otherwise. The key issue for primary care practices is likely to be availability of insurance rather than cost. Continued rate increases of 20-40 percent annually over two or three years, however, would raise premium levels to the $14,000-$25,000 range and, at that point, would be expected to begin pricing many primary care physicians out of the market.

Family practice physicians who provide obstetrical services face higher medical liability insurance costs, and have seen these costs escalate at rates similar to obstetrician/gynecology specialists over the last two years. Because family practice physicians usually have a lower volume of obstetrical patients than OB/GYN specialists, their liability risk is somewhat lower, but their ability to generate revenue to offset higher insurance costs is also lower. Insurance rates for obstetrics have reached the level where it is prohibitively expensive for most family physicians to continue to provide obstetrical services. Therefore, we expect that a large number of family physicians currently providing obstetrical services in their practice will stop providing these services within the next year.

Family physicians and internal medicine specialists provide most of the nursing home medical care services in Georgia. Physician reimbursement rates for medical care in nursing homes are low. Nursing homes have been the target of a large volume of liability lawsuits, and therefore, physicians providing medical care in nursing homes face an increased liability risk. The combination of low reimbursement and high liability risk is expected to reduce the number of physicians willing to provide medical care to nursing home patients.

Affordability of insurance and the availability of insurance are significant considerations for physicians in higher risk specialties such as obstetrics/gynecology, neurosurgery, orthopedic surgery, radiology, and general surgery.

Obstetrician/gynecologists have the second highest premium level after neurosurgeons. The rate of increase in premiums for physicians providing obstetrical care has also been higher than for most other specialties. In Georgia, the median premium level is currently just under $50,000 for obstetrician/gynecologists and is expected to be $65,000 in 2003. At the same time, reimbursement levels from insurers such as Medicaid are declining by as much as 10 percent. Because more than 50 percent of deliveries in Georgia are paid for by Medicaid, the increase in premium levels combined with the decrease in reimbursement is expected to reduce the number of obstetrician/gynecologists providing obstetrical services. We expect that physicians who have a large number of Medicaid beneficiaries in their practice will be disproportionately effected by the increase in liability insurance premiums.

Georgia's surgeons have seen double digit increases in medical liability insurance premiums over the last two years. Part of their liability exposure comes as a result of providing surgical coverage for emergency rooms. Neurosurgery, orthopedic surgery, and general surgery are specialties required to provide trauma care for patients involved in automobile wrecks, gunshot wounds, industrial and farm injuries. While there is no guarantee that the surgeon will be paid for services rendered, there is a significant risk of being sued by the patient. In order to limit liability exposure and the risk of becoming uninsurable because of claims history, the number of surgeons willing to provide trauma coverage is expected to be reduced during the next year. At the current rate of increase, medical liability insurance will soon become unaffordable for many surgeons in Georgia and they are expected to face the dilemma of leaving practice, leaving the state, or reducing their income if they remain in practice in Georgia.

Diagnostic radiologists have experienced the largest percent increase in medical liability insurance costs of any specialty in Georgia during the last two years. Much of the liability risk for radiologists involves reading mammograms, potentially a life saving diagnostic technique. However, because mammograms are at best about 90 percent effective in detecting breast cancer, some cancers will inevitably be missed by this technique. When that happens, the patient often files a lawsuit against the radiologist for failure to diagnose her cancer. It is expected that a significant number of radiologists will stop reading mammograms in order to reduce this liability risk and to keep medical liability insurance premiums at a manageable level. If premiums for radiologists continue to increase 50 to 75 percent every two years, it is unlikely that any radiologist in Georgia will be able to afford to read mammograms. The high cost of insurance is also likely to reduce the total number of radiologists practicing in Georgia, and radiologists are already in critically short supply in Georgia.

Cost of medical liability insurance is an important factor for all physicians, but is likely to have the greatest effect on family physicians who provide obstetrical services, obstetricians, surgeons, and radiologists in Georgia.

What is causing the medical liability insurance crisis?

During the last national crisis in medical liability insurance during the late 1980's, the Institute of Medicine published a report entitled "Medical Professional Liability and the Delivery of Obstetrical Care" that provided a broad overview of studies and reports on the impact of medical liability costs on access to obstetrical care. Regarding the causes of increased liability cost, the report concluded that no single factor could be cited and that there were strongly held views on different sides of arguments about what was causing the increase in medical liability insurance

cost. Thirteen years later in 2002, the Institute of Medicine's conclusions still apply: this is a complex issue and no single factor can be cited as the cause for increases in medical liability insurance.

A sharp increase in the size of jury awards is cited as a major factor by several different observers, including the U.S. Department of Health and Human Services. Between 1995 and 2000, the median jury award in medical liability cases increased 100 percent from $500,000 to $1,000,000. A study recently published by the consumer group Americans for Insurance Reform, suggests that increases in jury awards reflect the rates of medical inflation.[14] Inflationary increases in the cost of medical care account for some of this increase, however, the Consumer Price Index-Urban for medical care increased only from 220.5 to 260.8 during this five-year time period. Therefore, the majority of the increase in jury awards for medical liability cases exceeds the rate of inflation for medical costs by a large margin.

Insurance companies derive a significant amount of income from investments. Loss of investment income by insurance companies due to low interest rates and falling stock prices since the late 1990's has reduced the investment revenue of many insurance companies, limiting their ability to subsidize premium rates as a means of maintaining or increasing market share. This phenomenon has been described as a recurring business cycle, where premium rates rise predictably with falling prices in the stock and bond markets.

Some observers have commented that insurance companies under priced medical liability insurance during the 1990's because of high levels of investment income available during the period. With the loss of investment income in recent years, companies have had to sharply increase premiums over a short period of time to more accurately reflect the true costs of medical liability insurance products. The argument is that smaller premium increases over a longer period of time would be less of a shock to physicians purchasing insurance coverage. While smaller, but more frequent increases in premiums may reduce "sticker shock", it would not change the economics of operating a medical practice with continuously increasing costs for medical liability insurance.

The cost of reinsurance, insurance for major awards, increased to some extent following insurance company claims paid following the September 11, 2001 terrorist attacks. However, the cost of reinsurance is not viewed as a major driver of increases in the medical liability insurance rates.

Another view is that pricing for medical liability insurance is a function of the degree of competition in the marketplace. Reduced competition resulting from insurance companies going out of business or exiting the medical liability insurance market allows remaining companies to increase prices without fear of losing market share. Business competition is an important principle in controlling the cost of most products and services. However, it must be acknowledged that insurers are unlikely to maintain lines of business that are unprofitable or carry an unacceptably high level of financial risk. The uncertainty that has developed in the medical liability insurance market in recent years as a result of rapidly increasing jury awards and other costs of litigation may raise the level of financial risk above the point any insurance company is willing to tolerate. A recent report from the U.S. Department of Health and Human

[14] Tanya Albert, "Study: Payouts tied to inflation", Amednews.com, November 4, 2002

Services draws a correlation between what they refer to as "the broken litigation system" and the number of insurers willing or able to remain in the medical liability insurance business.[15] The report also takes the position that states that have enacted tort reforms, such as limits on jury awards for non-economic damages, generally have lower medical liability insurance costs and are not experiencing the current crisis. California is cited as an example. This position is in direct contrast to a study published in 1999 by J. Robert Hunter and Joanne Doroshow from the national consumer group Citizens for Corporate Accountability & Individual Rights which concluded that tort reforms did not result in lower insurance rates.[16]

In summary, there is no single cause for the current medical liability insurance crisis in Georgia. Loss of investment income by insurance companies, rapidly increasing jury awards in medical liability cases, and decreased competition in the insurance market are major factors.

Limitations of information on the medical liability insurance crisis

Current reports on doctors leaving practice, limiting services, or leaving the state in response to the medical liability insurance crisis are largely based on anecdotal information, such as local news stories, or on ad hoc surveys conducted by medical societies and related organizations, or conjecture based on reports from other states. While such information is of interest, it is of limited value in terms of making policy decisions because of design and sampling problems, and arguably, because of potential bias on the part of the surveyors.

The lack of factual information on doctors leaving practice in response to the medical liability insurance crisis is not limited to one side of the argument. Comments from the Georgia Trial Lawyers Association suggest that concerns about physicians leaving practice or leaving the state as a result of increases in medical liability insurance costs are exaggerated, that doctors did not go out of business during the last medical liability crisis in the late 1980's, therefore, in essence, there will be no problem with access to medical care as a result of the medical liability crisis occurring now.[17] This position is pure speculation and has no basis in fact.

There is a need for ongoing research on the effects of medical liability insurance cost and availability on physician supply and access to medical care. Evaluating the effect of any given factor on the adequacy of medical services is challenging, and evaluation of the medical liability insurance issue on access to medical care is no exception. Well-designed research and careful study of the current medical liability insurance crisis will yield important information for policy makers, physicians, insurance companies, trial lawyers, and for the general public. The importance of this issue for Georgia's health and economy, as well as the range of opinion and emotion involved, calls attention to the need for high quality information based on research.

[15] U.S. Department of Health and Human Services, "Update on the Medical Litigation Crisis: Not the Result of the "Insurance Cycle", September 25, 2002

[16] Hunter, J.R., Doroshow, J., "Insurance costs and rates don't lower after tort reform", Citizens for Corporate Accountability & Individual Rights, 1999.

[17] Bryant, J. "Battle brews against tort reform: Lawyers, victims oppose jury – award caps," Atlanta Business Chronicle, December 16, 2002.

Potential solutions to the medical liability insurance crisis

The current problems with medical liability insurance are similar to problems that took place in the mid-1970's and the late 1980's. During both of these previous "crises" in medical liability insurance, considerable work was done to come up with solutions to address the problem. Tort reform was clearly part of the solution in the 1970's, with 49 of 50 states enacting major tort reforms[18]. However, the list of concepts and reforms was not narrowly focused on tort reform. No-fault proposals, such as the Moore-Gephardt bill introduced in the 98th and 99th Congress as H.R. 5400 in 1984, would have taken medical injuries out of the tort system altogether. Arbitration proposals, such as The Professional Medical Reform Act of 1987, H.R. 1372, provided another approach to address the problem. The Institute of Medicine cataloged many of these ideas in their major report on medical liability insurance published in 1989[19]. Many of the concepts described in the Institute of Medicine report may be of use in addressing the current situation.

Other states are facing problems with medical liability insurance and are at various stages in the review or adoption of legislative changes to address the problem. Pennsylvania is apparently proposing a one time "tax" on insurance company assets to provide $220 million in funding for the state insurance pool in order to provide access to insurance for obstetricians, trauma surgeons, and other high risk specialists who have not been able to find affordable insurance. Nevada allowed trauma surgeons in Las Vegas to become temporary county employees in order to address the immediate problem of the lack of insurance. Florida has formed a task force to look at potential solutions to the medical liability insurance crisis in that state, and has come up with a fairly comprehensive list of proposals for consideration by the Governor. California's medical liability law has been cited by many observers as a model that has worked to control medical liability insurance premiums in that state. Georgia may want to take advantage of the prior work of other states on this issue.

It is not the intent of the Georgia Board for Physician Workforce to propose solutions to the medical liability insurance problem. Rather, our purpose in this report is to examine the effect of the medical liability insurance on physician supply and on access to medical care in the state. There is a range of opinion on whether the medical liability insurance crisis is a major problem that will have long-term implications for healthcare and for the state's economy, or whether the problem is temporary and will not have any significant impact on access to medical care in Georgia. Our intent is to provide data and information that may be of help in sorting these issues out and in quantifying the effects, if any, of the medical liability insurance crisis on access to medical care.

[18] Institute of Medicine, Medical Professional Liability and the Delivery of Obstetrical Care, Volume11, National Academy Press, 1989
[19] Ibid.

METHODOLOGY

A mail-out survey of 6,181 practicing physicians in Georgia was conducted in the Fall of 2002 to gather information on the availability, cost, and coverage levels of medical liability insurance, and to provide information on the effect of the medical liability insurance crisis on physicians' practice behaviors and clinical responsibilities, including providing medical service in emergency rooms and acceptance of high-risk patients. The survey was also designed to quantify the number and specialty of physicians reported to be leaving clinical practice, retiring, or leaving the state as a result of increased medical liability insurance costs.

Survey Design

The four page survey requested information on (1) Demographics, (2) Specialty and Medical Education, (3) Practice Type and Location, (4) Practice Activity, and (5) Medical Malpractice Insurance.

Demographics included three questions: gender, race/ethnicity, and year of birth.

Specialty and Medical Education included 10 questions relating to specialty, board certification, year of board certification, name and location of medical school of graduation, and name and location of residency training for both primary and secondary specialty training.

Practice Type and Location included 4 questions regarding county of practice, zip code, percent of work time at each practice location, and type of practice, e.g., group practice, hospital based practice, community health center, etc.

Practice Activity included 14 questions on hours worked per week, percentage of time in patient care activities, practice volume, distribution of patients by insurance category, taking new patients, taking new Medicare patients, taking new Medicaid patients, changes in income from prior year, plans to retire or reduce clinical practice time within the next three years, recruitment activities to bring additional physicians to the practice or to the community, and perception of physician supply in the community.

Medical Malpractice Insurance included 11 questions as follows:

- Do you have malpractice insurance?
- During the last year, has your level or the level of your group coverage increased, decreased, or remained the same?
- During the last year, have your medical malpractice premiums significantly increased, moderately increased, stayed the same, moderately decreased, significantly decreased?
- If your premium increased during the last year, what was the approximate percent increase?
- Have you had any difficulty finding malpractice insurance coverage during the last year?
- What is the name of your current insurance carrier?
- Have you changed insurance carriers during the last year?
- Have you stopped or do you plan to stop providing certain high-risk procedures as a result of the cost of malpractice insurance?

- Have you stopped or do you plan to stop providing emergency room coverage as a result of the cost of malpractice insurance?
- Do you plan to leave clinical practice during the next year as a result of the cost of malpractice insurance?
- Do you plan to leave the state within the next year as a result of the cost of malpractice insurance?

Questions regarding medical liability insurance were placed at the end of the survey in order to avoid highlighting these issues and to increase the probability of obtaining complete information on specialty and medical education, practice activities and location, and demographics.

Physician Database

The Georgia Board for Physician Workforce has conducted a survey of licensed physicians in Georgia every two years since 1986 in order to determine the number and geographic distribution of physicians in practice by specialty. The survey is conducted as part of the medical license renewal process and includes 100 percent of practicing physicians in Georgia. Practicing physicians are defined as physicians who report working 20 hours or more per week providing medical services in Georgia. This definition excludes physicians who have a Georgia medical license but do not practice medicine, practice medicine in another state, or who practice less than 20 hours per week.

Geographic distribution is based on the address, county, and zip code of the physician's practice location, providing a high degree of confidence in the accuracy of the information in the database. Physicians working in more than one location are asked to list their primary office location, as well as the percentage of time worked in each location listed. This information allows for development of an accurate description of the number of full time equivalent physicians working in each of Georgia's 159 counties.

Specialty distribution is self-reported by physicians completing the survey from a list of recognized medical specialties. Information on specialty distribution is, therefore, less reliable than information on geographic distribution. Assuming that most physicians provide correct information on the specialty reflected by their training and practice, the specialty distribution of physicians in the database is reasonably accurate. The database lists 82 self-reported specialties, including specialties such as "diabetes", "hypnosis", and "nutrition" that are generally not recognized by the American Medical Association or American Osteopathic Association.

Physicians included in the survey were drawn from the existing database maintained by the Georgia Board for Physician Workforce.

Survey Sample

A random sample stratified by specialty was selected from the 15,736 physicians licensed and practicing in Georgia as of January 1, 2000. All 82 specialties listed in the Georgia Board for Physician Workforce database were included in the sample. Essentially, a random sample of each of the 82 specialties was selected. Combined, this resulted in surveys being mailed to 6,181 physicians, approximately 39 percent of the total number practicing in the state.

The sample size selected was based on the assumption of a response rate of .50. Since this was the first time this survey had been conducted, we did not have prior knowledge or studies on which to set the response rate to the questions. Setting the response rate probability at .50 essentially provided a conservative estimate of the sample size needed to achieve a representative sample. Further, because we wanted to assure all specialties were represented, we applied the .50 proportion to each specialty. For example, there are 2,262 internists practicing in Georgia and using the .50 probability, we determined we would need to sample 327 internists to achieve a valid representative sample. On the other hand, there were 47 cardiovascular surgeons and the sample size for this group was 47. In this instance we surveyed all cardiovascular surgeons. Based on the number of responses received, we calculated the 95 percent confidence intervals for each specialty.

Confidence Intervals

Confidence intervals are calculated to convey the effects of sampling variation on the estimates of the proportion of the total population. Confidence intervals do not control for non-sampling error such as bias in survey design, conduct, or analysis. The method used to calculate confidence intervals in this study was the Wilson method – the recommended method when there are very low proportions or even when there are no observed events, and hence the events and the proportion are both zero.[20] To address this problem, the following method can be used for calculating all confidence intervals, regardless of observed events and the resulting proportions. First the three quantities are calculated:

$$A = 2r + z^2$$
$$B = z\sqrt{z^2 + 4rq}$$
$$C = 2(n + z^2)$$

Where:

$r =$ observed events (number who responded to the question)
$z = 1.96$
$z^2 = 1.96^2 = 3.84$
$n =$ sample size
$q = 1 - p$
$p =$ proportion of the response

Utilizing the parameters listed, the 95 percent confidence intervals for the population proportion is given by:

$$A - B/C \text{ to } A + B/C$$

[20] E.B. Wilson, "Probable inference, the law of succession and statistical inference", Journal of the American Statistical Association, 1927, vol. 22, pp. 209-212.

Proportions are used to summarize data for binary variables, that is, variables that can take two possible values, such as the percentage of physicians who changed malpractice insurance carriers last year. For example, in this survey we have the percent of physicians who changed and the percent who did not change malpractice insurance carriers last year.

Of 35 radiologists who responded to the survey question, "Will you leave clinical practice next year due to malpractice insurance?", all 35 indicated they would not leave practice or conversely, zero said that they would leave practice.

Thus, the confidence intervals for this response are calculated in the following manner:

$p = 0/35$ or .00 percent (proportion)
$r = 0$ (observed events)
$q = 35/35$ or 100 percent (proportion)

Therefore:

$$A = 2(0) + 1.96^2 = 3.84$$
$$B = 1.96\sqrt{3.84 + 4(0)(100)} = 3.84$$
$$C = 2(35 + 1.96^2) = 2(35 + 3.84) = 77.68$$

Thus, to calculate the 95% Confidence Intervals, we substitute:

1. Lower Interval Limit

$$A - B/C$$
$$= 3.84 - 3.84/77.68$$
$$= 0$$

2. Upper Interval Limit

$$A + B/C$$
$$3.84 + 3.84/77.68 = .0989$$

Thus, the 95 percent confidence intervals for radiologists responding to the question is 0.0% to 9.9%. Although zero radiologists responded yes to the question, "Will you leave clinical practice next year due to malpractice insurance?", the true population proportion could be between 0.0% and 9.9%. Thus, since we are 95 percent confident that the population proportion is between these two numbers, it is true that if we took another sample of radiologists we could get a statistical response of "yes" to the asked question between 0.0% and 9.9%.

Response Rate

The overall response rate was 2,190 of 6,181 surveys, or 35 percent. Response rates varied for different specialties and for responses to individual questions on the survey. The calculations utilized for confidence intervals reflect the variations in response rate. Estimated proportions of the population for both the total physician population in Georgia and for each specialty group are reported at the 95 percent confidence level.

Limitations

For a variety of reasons, mail-out surveys generally have fairly low response rates. Low response rates, both through non-response to the entire survey and to individual question in the survey, create certain problems in projecting the results to the entire population of physicians in the state.

First, there is the possibility that there are significant differences between physicians who returned the survey and those who did not respond to the survey or who did not answer some questions on the survey. The assumption is that because the sample was randomly selected, any differences will be minimized. However, further analysis such as comparison of characteristics of responders to non-responders on factors such as age, gender, ethnic background, location of medical school may reveal significant differences which would indicate a level of bias in the survey results. While the information necessary to conduct such an analysis was included in the survey, practical limitations of time and financing have not allowed for an analysis comparing characteristics of responders to non-responders at the present time.

Because of the relatively small sample size in some specialties, the degree of precision in estimating how the results of the survey apply to all physicians practicing in that specialty in Georgia is somewhat limited. This margin of error is indicated by the wider range, or confidence intervals, used to report the results for some of the smaller specialty groups.

Some specialty groups did not return a sufficient number of responses to allow for interpretation to the entire population of physicians in that specialty in Georgia. Results were not reported for these specialties.

All the data collected in the survey is self-reported, and therefore, is inherently subject to the limitations of self-reported data. Self-reported data is one of the limitations of this study.

The 95 percent confidence level used to select the sample size for each specialty included in the survey is a reasonable standard for a survey of this type. However, there is a 5 percent probability that our sample did not adequately reflect the general population of physicians in Georgia, and this fact should be acknowledged as a limitation of the study.

The physician database from which the sample was drawn is constructed from survey data conducted every two years as part of the medical license renewal process in the Georgia. Consequently, some physicians who are practicing in Georgia may not be counted in the current physician database and therefore would not be included in the sample.

As with any survey data, some degree of caution is warranted in interpreting the results. This is not to say that the results of the survey are unreliable or not valid, but rather that there are certain limitations that are inherent in surveys and survey methodology, and these limitations should be recognized in the interpretation of the results.

SURVEY FINDINGS

Table 2 summarizes the key survey findings for all physicians practicing in Georgia.

Table 2
RESPONSE RATES FOR
STATEWIDE IMPACT BASED ON TOTAL FOR LAST YEAR,
BY NUMBER, PERCENT, AND RANGE

Question	Response Rate (%)	Population Estimate (#)	Estimated Ranges	
			Minimum	Maximum
Have malpractice insurance?	93.2	14,666	14,477	14,823
Had difficulty finding malpractice insurance coverage during the last year?	13.1	2,061	1,841	2,313
Changed insurance carriers during the last year?	20.1	3,163	2,880	3,446
Stopped or plan to stop high-risk procedures due to malpractice insurance?	17.8	2,801	2,549	3,084
Stopped or plan to stop providing emergency room coverage due to malpractice insurance?	11.3	1,778	1,558	2,030
Plan to leave clinical practice during the next year due to malpractice insurance?	2.0	315	236	441
Plan to leave the state within the next year due to malpractice insurance?	2.0	315	236	425

The confidence interval indicates the 95 percent confidence interval for each question, that is, we are 95 percent certain that the estimate of response is between the upper and lower limits of this range.

I. AVAILABILITY AND COST OF MEDICAL LIABILITY INSURANCE IN GEORGIA

The first set of survey questions regarding medical liability insurance addressed the issues of availability and cost of insurance, difficulty in finding insurance during the last year, and changes in insurance carrier during the last year.

How many physicians in Georgia do not carry medical liability insurance?

Ninety-three percent of the respondents indicated that they currently have medical liability insurance, with a confidence interval from 92.0 percent to 94.2 percent when applied to the entire population. Taken at face value, this result would translate to an estimated 14,666 of the 15,736 practicing physicians in Georgia carrying medical liability insurance, with a 95 percent probability that the true number lies in the range between 14,477 and 14,823. Conversely, the results could be interpreted to mean that between 6 and 8 percent of physicians in Georgia do not carry medical liability insurance, translating to between 944 and 1,259 physicians who do not carry medical liability insurance.

Table 3 shows the estimated number of physicians in Georgia by specialty who do not carry medical liability insurance according to survey results.

Table 3
RESPONSE RATES FOR PHYSICIANS WITHOUT MALPRACTICE INSURANCE DURING THE LAST YEAR, BY NUMBER

Specialty	Total Number of Physicians in Practice		Estimated Number of Physicians WITHOUT Malpractice Insurance
Anesthesiology	783		24
Dermatology	244		0
Emergency Medicine	732		28
Family Practice	2,143		156
General Surgery	771		21
Internal Medicine	2,264		208
Neurology	261		5
Obstetrics/Gynecology	1,170		43
Ophthalmology	389		0
Orthopedic Surgery	556		15
Otolaryngology	259		0
Pediatrics	1,402		64
Plastic Surgery	149		3
Psychiatry	912		127
Radiology	745		25
Urology	249		0

We assumed that nearly all physicians in Georgia would carry medical liability insurance, therefore, the number of physicians reporting that they did not carry medical liability insurance was surprising. Each of the 148 respondents reporting that they did not carry medical liability insurance was reviewed in further detail to determine practice type, practice location, and specialty. Of the 148, 134 reported their primary activity to be administration or research, and in practice settings listed as VA Hospital, CDC, or Other. This group of physicians did not list practice volume statistics, and therefore, it is likely that they are not practicing clinical medicine other than for medical research purposes. This explains 134 of the 148 physicians who reported that they do not carry medical liability insurance.

Fourteen of the 148, or 0.6 percent of respondents, appear to be in clinical practice and report not carrying medical liability insurance. This appears to be a more accurate estimate of the actual number of physicians in Georgia without medical liability coverage. Translated to the entire population of practicing physicians, we estimate that 95 physicians in Georgia are practicing without medical liability insurance.

Are physicians in Georgia having difficulty finding medical liability insurance?

Thirteen percent of the respondents reported that they had difficulty finding medical liability insurance during the last year. The confidence interval is from 11.7 percent to 14.7 percent, translating to between 1,841 and 2,313 having difficulty finding insurance.

There was considerable variation in the response of different specialties to this question, ranging from 2.9 percent of ophthalmologists to 29.6 percent of orthopedic surgeons reporting difficulty finding medical liability insurance. The estimated number of physicians by specialty who had difficulty finding medical liability insurance during the last year is shown in Table 4 (s*ee next page*).

Table 4
RESPONSE RATES FOR PHYSICIANS HAVING DIFFICULTY FINDING MALPRACTICE INSURANCE DURING THE LAST YEAR, BY NUMBER, PERCENT, AND RANGE

Specialty	Physicians in Practice (#)	Physicians Having Difficulty Finding Malpractice Insurance			
		Response Rates (%)	Estimated Number Having Difficulty Finding Malpractice Insurance	Estimated Range *	
				Low	High
Anesthesiology	783	19.4	152	99	223
Dermatology	244	10.6	26	11	55
Emergency Medicine	732	24.2	177	122	247
Family Practice	2,143	11.3	242	156	369
General Surgery	771	14.6	113	69	174
Internal Medicine	2,264	9.8	222	161	308
Neurology	261	5.1	13	4	44
Obstetrics/Gynecology	1,170	25.3	296	223	383
Ophthalmology	389	2.9	11	3	38
Orthopedic Surgery	556	29.6	165	112	228
Otolaryngology	259	8.5	22	9	52
Pediatrics	1,402	6.6	93	49	170
Plastic Surgery	149	8.3	12	5	29
Psychiatry	912	9.8	89	46	165
Radiology	745	9.0	67	37	118
Urology	249	11.1	28	13	55

*** Based on 95% confidence interval**
**** 2002 data**

How many physicians in Georgia changed medical liability insurance carriers during the last year?

Twenty percent of respondents reported changing medical liability insurance carriers during the last year, with a 95% confidence interval of 18.3 percent to 21.9 percent. Again, there was a wide variation in response from different specialties, from 5.7 percent for ophthalmologists to 38.6 percent for orthopedic surgeons. Higher percentages of physicians in high risk specialties such as obstetrics/gynecology and anesthesiology reported changing insurance carriers during the last year.

Table 5 shows the estimated number of physicians by specialty that changed insurance carriers during the last year, based on the survey results.

Table 5
RESPONSE RATES FOR NUMBER OF PHYSICIANS WHO CHANGED MALPRACTICE INSURANCE PROVIDERS DURING THE LAST YEAR, BY NUMBER, PERCENT, AND RANGE

Specialty	Physicians in Practice (#)	Physicians Who Changed Insurance Providers			
		Response Rate (%)	Estimated Number who Changed Insurance Providers	Estimated Range *	
				Low	High
Anesthesiology	783	32.3	253	185	331
Dermatology	244	26.5	65	40	98
Emergency Medicine	732	24.2	177	124	245
Family Practice	2,143	16.1	345	242	484
General Surgery	771	17.3	133	86	198
Internal Medicine	2,264	18.4	417	331	521
Neurology	261	7.9	21	7	54
Obstetrics/Gynecology	1,170	27.9	326	250	415
Ophthalmology	389	5.7	22	9	54
Orthopedic Surgery	556	38.6	215	156	280
Otolaryngology	259	14.6	38	19	70
Pediatrics	1,402	18.8	264	184	369
Plastic Surgery	149	18.8	28	15	48
Psychiatry	912	18.3	167	104	255
Radiology	745	11.6	86	51	141
Urology	249	14.8	37	19	66

*** Based on 95% confidence interval**
**** 2002 data**

Has the cost of medical liability insurance in Georgia changed during the last year, and if so, by how much?

The most frequently reported rate increases by specialty are shown in Table 6.

Table 6
RESPONSE RATES FOR LEVEL OF PREMIUM INCREASE DURING THE LAST YEAR

Specialty	Total Number of Physicians in Practice	Mode (Most Frequent)
Anesthesiology	783	>30%
Dermatology	244	11-20%
Emergency Medicine	732	>30%
Family Practice	2,143	11-20%
General Surgery	771	>30%
Internal Medicine	2,264	11-20%
Neurology	261	21-30%
Obstetrics/Gynecology	1,170	>30%
Ophthalmology	389	21-30%
Orthopedic Surgery	556	>30%
Otolaryngology	259	11-20%
Pediatrics	1,402	11-20%
Plastic Surgery	149	>30%
Psychiatry	912	11-20%
Radiology	745	>30%
Urology	249	>30%

Specialties reporting "greater than 30 percent" as the most frequent response were anesthesiology, emergency medicine, general surgery, obstetrics/gynecology, orthopedic surgery, plastic surgery, radiology, and urology. General surgery also reported "greater than 30 percent" as the median response, meaning that at least half of the general surgeons report premium increases of greater than 30 percent. Specialties reporting "21-30 percent" as the most frequent response were neurology and ophthalmology.

Have physicians in Georgia changed the amount of medical liability insurance they are carrying during the last year?

Approximately 60 percent of physicians reported that the amount of insurance coverage they purchased last year remained the same as the previous year. Thirty-five percent reported increasing the amount of insurance coverage and 5 percent reported decreasing the amount of insurance purchased over the previous year.

II. EFFECT OF MEDICAL LIABILITY INSURANCE COSTS ON ACCESS TO MEDICAL CARE IN GEORGIA

The second set of questions addressed physician response to the cost of medical liability insurance, specifically, the set of physician responses that have been reported by the American Medical Association and others: limiting scope of practice, reducing liability exposure from emergency room coverage, leaving clinical practice, and leaving the state.

Are physicians in Georgia limiting the scope of their practice in response to medical liability insurance costs?

Nearly eighteen percent of respondents reported that they have stopped or plan to stop providing high-risk procedures as a result of the cost of malpractice insurance, translating to an estimated 2,801 physicians in Georgia. Based on the survey sample size and confidence limits, there is a 95 percent probability that the true number lies between 2,549 and 3,084 physicians.

As with other questions, there was considerable variation in response from different specialties, from 6.0 percent of pediatricians to 33.5 percent of obstetrician/gynecologists. The number of physicians who reported limiting or planning to limit the scope of their practice was higher in high-risk specialties, as might be expected.

Table 7 shows the estimated number of physicians in Georgia, by specialty, who are expected to have stopped or are planning to stop providing high risk procedures as a result of the cost of medical liability insurance.

Table 7
RESPONSE RATE FOR
PHYSICIANS WHO PLAN TO STOP HIGH-RISK PROCEDURES
DURING THE LAST YEAR, BY NUMBER, PERCENT AND RANGE

Specialty	Physicians in Practice (#)	Physicians Who Plan to Stop High Risk Procedures			
		Response Rates (%)	Estimated Number Stopping High-Risk Procedures	Estimated Range *	
				Low	High
Anesthesiology	783	11.8	92	53	157
Dermatology	244	26.5	65	40	98
Emergency Medicine	732	7.3	54	26	105
Family Practice	2,143	21.2	454	330	609
General Surgery	771	32.1	248	185	320
Internal Medicine	2,264	11.5	260	192	349
Neurology	261	10.5	27	11	63
Obstetrics/Gynecology	1,170	33.5	392	311	483
Ophthalmology	389	11.4	44	23	82
Orthopedic Surgery	556	27.1	151	101	214
Otolaryngology	259	25.5	66	40	102
Pediatrics	1,402	6.0	84	44	160
Plastic Surgery	149	25.5	38	23	59
Psychiatry	912	13.2	120	67	206
Radiology	745	31.3	233	174	300
Urology	249	18.5	46	26	77

*** Based on 95% confidence interval**
**** 2002 data**

Are physicians in Georgia stopping or planning to stop providing emergency room coverage as a result of the cost of medical liability insurance?

Approximately eleven percent of respondents reported that they have stopped or are planning to stop providing emergency room coverage as a result of the cost of medical liability insurance. This translates to an estimated 1,778 physicians in Georgia, with a range from 1,558 to 2,030 based on survey sample size and confidence limits.

Plastic surgeons had the highest percentage of affirmative responses to this question, with 29.8 percent indicating that they have stopped or plan to stop providing emergency room coverage due to the cost of medical liability insurance. This was followed by obstetrics/gynecology at 22.4 percent, family practice at 18.7 percent, and orthopedic surgery with 15.8 percent of respondents. As might be expected, the lowest rate was for emergency medicine at 2.2 percent.

Table 8 shows the estimated number and range of physicians by specialty who have stopped or plan to stop providing emergency room coverage as a result of the cost of medical liability insurance.

Table 8
RESPONSE RATES FOR
PHYSICIANS WHO PLAN TO STOP EMERGENCY ROOM COVERAGE
DURING THE LAST YEAR, BY NUMBER, PERCENT, AND RANGE

Specialty	Physicians in Practice (#)	Physicians Who Plan to Stop ER Coverage			
		Response Rates (%)	Estimated Number Stopping Emergency Room Coverage	Estimated Range *	
				Low	High
Anesthesiology	783	4.7	37	14	90
Dermatology	244	11.4	28	12	59
Emergency Medicine	732	2.2	16	4	55
Family Practice	2,143	18.7	401	281	557
General Surgery	771	11.8	91	53	150
Internal Medicine	2,264	9.0	204	143	288
Neurology	261	13.5	35	15	73
Obstetrics/Gynecology	1,170	22.4	262	193	346
Ophthalmology	389	11.6	45	23	83
Orthopedic Surgery	556	15.8	135	88	197
Otolaryngology	259	12.5	32	15	64
Pediatrics	1,402	6.3	88	45	167
Plastic Surgery	149	29.8	44	28	66
Psychiatry	912	12.5	114	61	202
Radiology	745	3.7%	28	11	69
Urology	249	5.5%	14	5	37

*** Based on 95% confidence interval**
**** 2002 data**

Are physicians in Georgia leaving clinical practice in response to the cost of medical liability insurance?

Two percent of the physicians completing the survey reported that they plan to leave clinical practice during the next year as a result of the cost of medical liability insurance. This translates to an estimate of 315 of the 15,736 practicing physicians in Georgia planning to leave clinical practice during the next year. Based on the survey sample size and confidence limits, there is a 95 percent probability that the number of practicing physicians planning to leave practice in the next year as a result of the cost of medical liability insurance is between 1.5 and 2.8 percent of the physician workforce in Georgia, or between 236 and 441 physicians currently in practice.

Table 9 shows the distribution of physicians by specialty expected to leave clinical practice next year in response to the medical liability insurance crisis.

Table 9
RESPONSE RATES FOR
PHYSICIANS LEAVING CLINICAL PRACTICE
DURING THE LAST YEAR, BY NUMBER, PERCENT, AND RANGE

Specialty	Physicians in Practice (#)	Physicians Leaving Clinical Practice			
		Response Rates (%)	Estimated Number Leaving Practice	Estimated Range *	
				Low	High
Anesthesiology	783	0	0	0	31
Dermatology	244	4.1	10	3	33
Emergency Medicine	732	1.0	7	2	41
Family Practice	2,143	3.8	81	36	169
General Surgery	771	2.9	22	8	63
Internal Medicine	2,264	1.8	41	18	88
Neurology	261	0	0	0	24
Obstetrics/Gynecology	1,170	7.1	83	47	143
Ophthalmology	389	1.4	6	1	30
Orthopedic Surgery	556	1.4	8	1	42
Otolaryngology	259	2.0	5	1	14
Pediatrics	1,402	1.5	21	6	73
Plastic Surgery	149	0	0	0	11
Psychiatry	912	2.4	22	6	78
Radiology	745	0	0	0	25
Urology	249	0	0	0	16

*** Based on 95% confidence interval**
**** 2002 data**

Are practicing physicians in Georgia relocating their practices to other states as a result of the cost of medical liability insurance?

Two percent of respondents indicated plans to leave Georgia within the next year as a result of the cost of medical liability insurance. Translating this result to the 15,736 practicing physicians in Georgia, we would expect that 315 physicians will leave the state during the next year, with a range from 236 to 425 based on sample size and confidence limits.

Table 10 shows response rates by specialty.

Table 10
RESPONSE RATE FOR
PHYSICIANS LEAVING STATE NEXT YEAR
DURING THE LAST YEAR, BY NUMBER, PERCENT, AND RANGE

Specialty	Physicians in Practice (#)	Physicians Leaving State Next Year			
		Response Rate (%)	Estimated Number Leaving the State	Estimated Range *	
				Low	High
Anesthesiology	783	4.3	34	13	82
Dermatology	244	0	0	0	18
Emergency Medicine	732	4.0	29	12	73
Family Practice	2,143	1.9	41	13	116
General Surgery	771	2.9	22	8	63
Internal Medicine	2,264	.6	14	5	50
Neurology	261	0	0	0	24
Obstetrics/Gynecology	1,170	4.5	53	26	105
Ophthalmology	389	0	0	0	21
Orthopedic Surgery	556	2.9	16	4	55
Otolaryngology	259	2.1	5	1	28
Pediatrics	1,402	1.5	21	6	73
Plastic Surgery	149	0	0	0	11
Psychiatry	912	3.7	34	12	93
Radiology	745	4.4	33	14	74
Urology	249	0	0	0	16

*** Based on 95% confidence interval**
**** 2002 data**

DISCUSSION

I. AVAILABILITY AND COST OF MEDICAL LIABILITY INSURANCE

One of the objectives of this study was to quantify by number and specialty of physicians who currently do not carry medical liability insurance, who reported difficulty finding medical liability insurance during the last year, who changed insurance carriers during the last year, or who are currently insured with carriers who are in the process of exiting the medical liability insurance business in Georgia. All of these measures are indicators of the availability of medical liability insurance in Georgia.

Physicians who reported that they do not carry medical liability insurance

The relatively high number of physicians in the survey who reported that they do not carry medical liability insurance, 148 of 2,170 respondents, or 6.8%, was a surprising result since it was assumed that nearly all practicing physicians in Georgia carried medical liability insurance. Further review of the 148 physicians who reported that they did not have medical liability insurance revealed that 134 of the 148 were probably not in active clinical practice, and therefore, did not have a need to carry medical liability insurance. Of the remaining 14, or 0.6% who did not carry medical liability insurance, there are several possible reasons for not carrying insurance.

Also, it is possible that at the time the survey was conducted some physicians were in between carriers for medical liability, thereby responding that they did not have insurance. It is obviously impossible to accurately determine the number who may have been in this situation.

The defensive strategy of going without insurance, or "going bare," may explain some of the physicians who report not carrying medical liability insurance. The rationale for this strategy is that it is assumed that physicians who do not have insurance will be less likely to be sued because there will be a lower probability of collecting significant financial damages. The survey does not provide enough information to determine the number of physicians in this category, but it is assumed to be small because of the very high personal financial risk involved.

A small percentage of physicians who report that they do not have medical liability insurance are in the category of physicians who have lost their previous insurance and have not been able to locate new coverage. This is the group of physicians at greatest risk of closing their practice. In the worst-case scenario, all 14 respondents reporting that they did not have medical liability insurance would be in this category. Extrapolating to the entire population of practicing physicians in Georgia would mean that fewer than 100 physicians are in the category of having lost insurance coverage and have not been able to locate new coverage.

A third possibility is that some physicians may perceive that they cannot afford medical liability insurance because of the increase in cost in recent years. This presents a high degree of financial risk, but if the physician believes the risk of being sued is low, they may be willing to assume the financial risk rather than paying for insurance at high premium rates.

Physicians reporting changing insurance carriers and having difficulty finding medical liability insurance

About 20 percent of the physicians in the survey reported changing insurance carriers and 13 percent reported difficulty finding medical liability insurance during the last year. This result is not surprising given the number of insurance companies leaving the market in Georgia and the reported problems with finding new coverage, particularly problems with tail coverage.

The availability of insurance appears to be a more significant problem for orthopedic surgeons, anesthesiologists, obstetrician/gynecologists, and emergency medicine physicians, than for other specialists.

Nearly 40 percent of the orthopedic surgeons responding to the survey reported changing insurance carriers during the last year and close to 30 percent reported difficulty finding medical liability insurance. Sixty one percent reported a significant increase in premiums, with the largest group reporting premium increases of greater than 30 percent.

The pattern was similar for physicians in other high-risk specialties, although not as dramatic as for orthopedic surgery.

One of the findings of the survey was that at least 10 percent of physicians in Georgia are still insured by St. Paul or by one of the other insurance companies that have exited the market in Georgia or have gone out of business. As these policies come up for renewal during 2003, physicians may have difficulty finding insurance.

Changes in the Cost of Medical Liability Insurance

"Greater than 30 percent" was the median response for all specialties to the question regarding the magnitude of premium increases during the last year. The survey did not request information on the magnitude of increases greater than 30 percent, therefore, the average increase cannot be calculated. However, several physicians commented that their premiums had increased as much as 400 percent during the last year. The overall picture is that premiums increased at double-digit rates for nearly all physicians in Georgia in 2002. This is consistent with information that has been reported from other sources and consistent with information reported nationally on the cost of medical liability insurance.

We do not have a very good understanding of the point at which the cost of medical liability insurance triggers a decision to close the practice, or decisions to make other significant changes in the practice, such as laying off personnel or changing location. Approximately 4 percent of medical practices in Georgia appear to have reached this limit already, and this number could increase during the next year as current insurance policies expire and physicians face the decision of writing the check for a much higher amount of money. An annual increase in medical liability insurance premiums in the 20-30 percent range, doubling premiums in three to four years, is probably not a sustainable rate of increase for most medical practices. For physicians in specialties such as obstetrics/gynecology, where average premiums are already in

the $50,000 range, 30 percent annual increases in premiums will probably have a more immediate impact on the financial viability of the practice.

Changes in Coverage Levels

A strategy to reduce the cost of insurance is to reduce coverage levels. Rising insurance costs would be expected to result in some physicians reducing coverage levels in order to maintain premium levels in a manageable range. This strategy is obviously of use only to the extent that physicians currently have coverage above minimum levels.

Physicians may also increase their level of coverage if the risk of being involved in a lawsuit is perceived to be increasing or if the level of potential damages from a lawsuit exceeds current coverage levels and puts personal financial assets at risk. Physicians in high-risk specialties such as Obstetrics/Gynecology, Orthopedic Surgery, and Neurosurgery might be expected to increase coverage levels for these reasons.

Increases in the cost of medical liability insurance must take into account increases in coverage levels. If a large number of physicians report increasing their coverage level for medical liability, then increases in the cost of insurance would be at least partly explained by the increased amount of insurance being purchased. If physicians are able to pay for additional insurance coverage, then it seems unlikely that the cost of insurance would have a significant effect on physician practice behavior. For example, it is unlikely that physicians who report purchasing increased coverage levels are planning to leave practice or to leave the state within the next year.

The majority of physicians in the survey, approximately 60 percent, indicated that they are maintaining the same level of coverage as in prior years. Because many health insurance plans and hospital medical staffs require a minimum of $1,000,000/$3,000,000 coverage, the assumption is that most physicians in Georgia have this minimum level of coverage. Additional research would be required to validate this assumption.

About 35 percent of physicians in the survey reported increasing medical liability insurance coverage levels over the prior year. This partially explains the reported increased cost of insurance, although there is not enough information from the survey to determine the extent to which coverage level increases explain increases in cost. Higher jury awards and consequently higher liability risk may explain why physicians are purchasing additional liability insurance, however, we don't have enough information from the survey to draw this conclusion.

Only 5 percent of physicians in the survey reported decreasing coverage levels. This could indicate that only a small percentage of physicians were carrying insurance above minimum levels. An alternate explanation is that the level of cost increase has not been sufficient to cause physicians to consider reducing coverage levels. There is not enough information from the survey to draw conclusions, other than the conclusion that a relatively small percentage of physicians reduced coverage levels last year.

Changes in coverage level are an area that is of significant interest and an area where additional research is warranted.

II. EFFECT OF MEDICAL LIABILITY INSURANCE COST ON ACCESS TO MEDICAL CARE IN GEORGIA

There were four questions designed to provide information on the number and specialty of physicians who were limiting the scope of their practice, eliminating emergency room coverage, planning to leave clinical practice, or planning to leave the state in response to the cost of medical liability insurance.

Physicians limiting the scope of practice

Based on the survey results, we expect that approximately 2,800 physicians in Georgia, 18 percent of all practicing physicians in the state, will stop providing high-risk procedures during the next year in order to reduce their liability risk. This is by far the largest effect of the medical liability insurance crisis on physician practice patterns and on access to medical care. If valid, the survey results suggest that access to medical and surgical procedures will be significantly reduced during the next year.

Specialties with the highest proportions of physicians reporting plans to reduce liability risk by limiting the scope of their practice were obstetrics gynecology (34%), general surgery (32%), radiology (31%), dermatology (27%), orthopedic surgery (27%), Otolaryngology (26%), plastic surgery (26%), and family practice (21%).

The definition of "high-risk procedure" was left open ended because of the wide variation in procedures provided by different specialties. However, two common procedures reported to carry a high liability risk are obstetrical services and diagnostic services involved in the interpretation of mammograms. Radiologists who state that they plan to stop providing high risk procedures can reasonably be interpreted to mean radiologists will stop reading mammograms. Obstetricians and family practitioners who state that they plan to stop providing high risk procedures can reasonably be interpreted to mean they will stop delivering babies. Complicated and difficult surgical procedures generally carry a higher liability risk, and it can reasonably be assumed that fewer surgeons will be willing to treat these patients next year.

Further information is needed to determine the complete list of procedures and services that will be affected. It is our intention to continue to study this issue in more detail through focus groups with different medical and surgical specialists during the next year.

Reduced access to obstetrical services has been observed as a major effect of previous medical liability insurance crises, and it appears that access to obstetrical services in Georgia will be reduced by 20 to 30 percent during the next year as a result of the current medical liability crisis. Access to obstetrical services in rural communities will be a particular concern because of the travel time required by pregnant women for prenatal care, as well as for delivery.

Diagnostic procedures to detect cancer may also be negatively affected by the medical liability insurance crisis. Fewer radiologists reading mammograms, for example, will inevitably result in longer waiting times for the procedure and longer waiting times for results.

Physicians Stopping Emergency Room Coverage

Approximately eleven percent of the physicians responding to the survey indicated that they have stopped or plan to stop emergency room coverage during the next year as a result of the cost of medical liability insurance. This translates to an estimate of 1,778 physicians in Georgia who will no longer cover the emergency room as a result of the cost of medical liability insurance. Next to the 2,800 physicians expected to stop providing high risk procedures, coverage of the emergency room was the second largest effect of the medical liability insurance crisis identified by the survey.

Specialties such as Plastic Surgery (30%), Obstetrics/Gynecology (22%), Family Practice (19%), Orthopedic Surgery (16%), Neurology (14%), Psychiatry (13%), and General Surgery (12%) had higher than average proportions of physicians indicating that they have stopped or plan to stop emergency room coverage as a result of the cost of medical liability insurance.

Assuming the survey results are valid, access to medical and surgical services in emergency rooms in Georgia will be significantly reduced by the medical liability insurance crisis during the next year. Hospitals that are not able to provide certain types of services, such as orthopedic surgery or psychiatry, will transfer patients to centers that are staffed to provide these services. Costs to transport patients are therefore expected to increase. Stress on emergency medical services will be increased.

Physicians Leaving Clinical Practice

The number of physicians who report plans to leave clinical practice during the next year due to the cost of medical liability insurance was relatively small, estimated to be 2 percent of practicing physicians, or 315 physicians. Taking into account the margin of error in the survey, the actual number could be as low as 236 or as high as 441 physicians.

The specialty with the highest number of physicians reporting plans to leave practice in response to the cost of medical liability insurance is obstetrics/gynecology. We estimate that 83 physicians, or 7 percent of obstetrician/gynecologists currently practicing in Georgia, will retire from clinical practice during the next year. The number could be as low as 47 (4.0%) or as high as 143 (12.2%) based on the margin of error in the survey.

Family Practice is a close second with an estimated 81 physicians reporting plans to retire because of the medical liability insurance crisis. The combined loss of 164 physicians from the two specialties that provide obstetrical care will have a significant negative effect on patient access to obstetrical services in the State of Georgia during the next year. The loss of family practitioners delivering babies in rural communities is a major problem.

Other significant losses are expected in general surgery, dermatology, pediatrics, internal medicine, and psychiatry.

While the loss of 2 percent of the practicing physicians in the state appears to be a relatively small number, the loss must be viewed in the context of a state that is already well below the national average physician supply (ranks 35th/50 states) and a state that is increasing in population at double the national rate of growth. Three hundred fifteen physicians is roughly

equivalent to the combined graduating class of all four medical schools in Georgia, so it not an insignificant number of physicians. Combined with physicians stating that they plan to leave the state or limit their scope of practice, the loss of physicians who are retiring early due to the medical liability insurance crisis is a very serious problem that will have a significant negative effect on access to medical care.

Physicians Leaving the State of Georgia

Two percent of respondents to the survey indicated plans to relocate their practice to another state in response to the cost of medical liability insurance in Georgia. This translates to 315 physicians, with a low estimate of 236 and a high of 425 based on the error rate of the survey.

As previously noted, the combined loss of 630 physicians next year due to early retirement or relocation to another state will have a significant negative effect on access to medical care in Georgia. Obstetrics/gynecology, radiology, anesthesiology, psychiatry, general surgery, emergency medicine, otolaryngology, and family practice appear to be the specialties that will lose the largest number of physicians.

A related issue that was not addressed by the survey is the effect that the medical liability insurance problem in Georgia may have on physicians relocating to Georgia from other states. Between 1998-2000, for example, 2,389 physicians migrated to Georgia and 1,582 physicians migrated out of Georgia, for a net gain of 813 physicians.[21] The number of physicians migrating to Georgia could be reduced if Georgia acquires a reputation for being one of the worst states for medical liability insurance, as the American Medical Association has labeled the state. Recent graduates of residency programs in Georgia may also be less likely to establish practices in the state if the cost of medical liability insurance becomes a significant factor or if the perception of Georgia as a good location for practice is diminished by the medical liability insurance problem.

[21] Georgia Board for Physician Workforce, "Physician Workforce 2000: Physician Migration Patterns", December, 2002

CONCLUSIONS

The survey results support the conclusion that the medical liability insurance crisis is having a significant negative effect on physician supply and access to medical care in Georgia. Based on survey results, an estimated four percent of practicing physicians in Georgia, 630 physicians, will leave the state or retire from clinical practice during the next year in response to the medical liability insurance crisis. Georgia faces physician shortages in many areas of the state now. Further complicating the immediate situation is the fact that many physicians in the military reserves are being called to active duty as a result of the military buildup in the Middle East. The loss of more than 600 physicians due to the medical liability insurance crisis will create or exacerbate medical access problems for many communities in Georgia. Georgia does not have the medical education capacity to replace this number of physicians.

Access to medical care, particularly obstetrical care, will be reduced by the fact that nearly 18 percent of physicians in Georgia, an estimated 2,800 physicians, plan to stop providing high risk procedures in their practice during the next year. Previous reviews of the effect of medical liability insurance problems on access to medical care indicate that obstetrical care is one of the medical services that is most severely effected. The loss of obstetrical services in rural communities is an especially difficult problem.

Another 11 percent of physicians in Georgia, 1,778 physicians, report plans to stop providing emergency room coverage in response to the medical liability insurance crisis. We anticipate that larger referral hospitals in the state will be impacted by patients being referred for care by physicians who are leaving practice, leaving the state, or no longer providing certain types of procedures that carry a high liability risk. Ironically, hospital emergency rooms in major referral centers are expected to become busier taking in these patients, but finding consulting physicians to deliver care in the emergency room will be more difficult. The survey results suggest that hospitals that operate emergency rooms will have greater difficulty finding physicians to provide emergency service coverage, particularly in the surgical specialties such as plastic surgery and orthopedic surgery.

Rural hospitals will also be significantly impacted if physicians leave their medical staff or reduce their scope of practice, and it is likely that it will become more difficult for rural communities to recruit physicians. Previous studies have demonstrated that the loss of physicians in rural communities has a significant impact on the local economy and can threaten the financial viability of rural hospitals.

The results of the survey also tend to confirm that availability of medical liability insurance is a serious problem for physicians practicing medicine in Georgia, and that the cost of medical liability insurance is increasing at an unsustainable rate. Orthopedic surgeons and obstetricians appear to have the most difficulty finding medical liability insurance. Availability of insurance appears to be a more significant problem than cost, although the two problems are linked, that is, the lack of competition in the medical liability insurance business is probably contributing to the rise in cost to some extent. The rate of increase in cost will result in premiums doubling every three to four years for most specialties, and, if not addressed, will begin pricing larger numbers of physicians out of the market in 2004-2007.

The medical liability insurance crisis is a very serious problem in Georgia and should not be underestimated either in terms of its impact on access to medical care or its impact on the state's economy. The impact on the state budget could also be severe if the state becomes the insurer of last resort by creating an insurance pool in order to assure access to liability insurance for trauma center physicians, obstetricians, and other "uninsurable" specialists.

The medical liability insurance crisis is a complex problem and there are several questions of interest where the information is not as complete as we would like. There is certainly a need for continuing research regarding several issues. However, the need for additional information should not mask the urgency of the crisis in terms of its effect on access to medical care in Georgia or result in delay in taking action to address the problem.

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APPENDIX

APPENDIX

Georgia Board for Physician Workforce

2002 Physician Specialty Survey

Overview of Survey Sample and Respondents, by Specialty

Specialty	Number of Physicians in 2000	Number of Physicians in Survey Sample	Number of Survey Respondents
Anesthesiology	*783	*258	*93
Dermatology	*244	150	56
Emergency Medicine	*732	252	108
Family Practice/General Practice	*2,143	*491	*179
General Surgery	*771	*255	*87
Internal Medicine	*2,264	*326	*104
Neurology	*261	*156	*45
OB/GYN**	1,170	408	164
Ophthalmology	*389	192	71
Orthopedic Surgery	*556	227	75
Otology/Otorhinolaryngology	*259	*157	52
Pediatrics	*1,402	*301	*122
Plastic Surgery	*149	*149	60
Psychiatry	*912	*267	*98
Radiology/Diagnostic Radiology	*745	*372	*125
Urology/Urological Surgery	249	152	58
ALL PHYSICIANS	**15,736**	**6,181**	**2,190**

* Indicates revisions in data from initial calculations
** Includes Gynecology, Obstetrics, and Obstetrics/Gynecology