

## New Study Finds Malpractice Premiums Only A Small Fraction of Doctors' Expenses

Despite claims by some doctors that rising malpractice premiums are driving physicians out of business, new data confirms that for many years, insurance premiums have made up only a small percentage of total expenses for doctors, including “high-risk” specialists.

In the first known study to compare doctors' premiums to their total expenses and incomes, researchers analyzed the American Medical Association's own physician surveys. The study is published in the May/June 2006 edition of *Health Affairs* magazine.<sup>1</sup> **According to the study:**

- ❖ From 1970-2000, premiums increased only slightly. In 2000, premiums were lower than in 1986. From 1986-2000, there was a sizable decline in premiums while other expenses surged.
- ❖ The decrease in premiums as a percentage of total expenses between 1986 and 2000 was attributable to a decline in premiums combined with increased spending for other practice expenses.
- ❖ “For the specialties, premiums also decreased as a percentage of total expenses from 1986 to 2000—most notably for OB/GYN, for which premiums declined from 20 percent to 13 percent. OB/GYN premiums decreased \$487 per year, while total practice expenses increased \$5,305 per year.”
- ❖ “National trends were reflected in the nine regions with slight variations... In no region were premiums as a percentage of total expenses more than three percentage points higher than the national mean during any year.”
- ❖ “Although premiums rose from 1996 to 2000, practice revenue declined nationally and for specialties (except for OB/GYN). It was revenue decline and increases in nonpremium expenses, not premium increases, that account for the overwhelming share of falling income. For OB/ GYN, revenue increased slightly, but income declined because of large increases in practice expenses. However, increases in premiums were less than one-twentieth the size of increases.”
- ❖ The average physician income in 2003 was still between the ninety-fifth and ninety-ninth percentiles for all Americans.

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<sup>1</sup> Marc A. Rodwin, Hak J. Chang, and Jeffrey Clausen, “Malpractice Premiums And Physicians' Income: Perceptions Of A Crisis Conflict With Empirical Evidence,” *Health Affairs* – Vol. 25 , Number 3, p. 750 (May/June 2006).