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Low Physician Reimbursement from Insurers Largely Responsible for Nation's Health-Care Crisis

Local Attorney Says Stingy Insurance Companies More to Blame than Medical Malpractice Lawsuits for Soaring Malpractice Insurance Rates

Independence, Mo. – February 12, 2003 – No one's talking about it, but low physician reimbursement rates from Medicare and other insurers are contributing as much or more to the financial woes of doctors across the state and the country.

“The real reason behind the current patient health-care crisis is low physician reimbursement rates from insurance companies,” said Douglas R. Horn, lead attorney of the Horn Law Firm. “It's ironic that doctors are siding with the insurance industry in the push for tort reform and a \$250,000 cap on noneconomic damages in medical malpractice suits, when insurance companies themselves are responsible for rising malpractice insurance rates and declining physician reimbursements.”

The federal government reduced Medicare physician reimbursement rates by 5.4 percent effective January 1, 2002, and has enacted legislation that calls for another 4.4 percent cut to take effect March 1, 2003. More cuts are expected: another estimated 5.7 percent in 2004, followed by a 2.8 percent cut in 2005. According to the American Academy of Family Physicians, these cuts would push physician payments back to 1993 levels, despite ever-rising costs of practicing medicine.

The American Medical Association says that physician reimbursement rates have increased an average of only 1.1 percent per year over the past decade, “far behind the skyrocketing rise” in the price of medical liability insurance and other costs. Advancing Health in America, a health care industry advocacy group, estimates that America's hospitals will see an \$18 billion gap between what it costs to provide care to Medicare patients and what Medicare actually pays in to them by 2005.

More alarming is that insurance companies model their physician fee schedules after Medicare rates. Managed care reimbursements have been on the decline for years and have even forced some doctors into early retirement. Industry studies like one in *Health Affairs* in 2002 projected a nationwide deficit of 200,000 physicians by 2020. The problem is worse in areas with deep managed care penetration where HMO enrollment is high.

When it comes to medical malpractice lawsuits, doctors and insurers say an increasing number of claims is to blame for high malpractice insurance costs. The evidence, however, suggests otherwise.

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According to the Missouri Department of Insurance, the number of medical malpractice claims filed in the state actually went down 16 percent from 2000 to 2001. And the average indemnity of the claims closed with payment decreased 17.8 percent from \$205,309 in 2000 to \$168,859 in 2001, according to the Department.

“My reputable colleagues and I can’t afford to take on frivolous medical malpractice cases,” Horn said. “Attorneys can’t spend tens of thousands of their own dollars on medical malpractice cases with no legal basis. Our law firm can only accept cases in which the patient has been a victim of clear-cut medical negligence. We seek independent expert opinions about a case’s potential before accepting it. We won’t represent a client unless a qualified doctor confirms the case is actionable.”

Horn, who also has experience representing large insurance companies and health-care providers, says it all boils down to one question: “Are we as a society going to be more concerned about preserving doctors’ wealth or an injured person’s right to fairly recover?”

Horn Law has been helping personal injury victims recover full and fair compensation for their injuries since 1990. Because of the firm’s size, Horn Law attorneys can devote unprecedented personal attention and resources to each client. Clients also benefit from Horn Law professionals’ combined 20 years of experience. Douglas R. Horn, the firm’s founder and lead attorney, is a member of the Kansas City Metropolitan Bar Association, the Missouri Association of Trial Attorneys and the American Trial Lawyers Association.

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