

Contact: Robyn Caulfield for the Horn Law Firm
(913) 663-4200 or RobynCPR@earthlink.net

Physician reimbursements decline as health insurance company profits, medical errors increase

Experience of local attorney shows number of errors is up, as overburdened doctors must see more patients to maintain flat income

Independence, Mo. – March 9, 2005 – It is no coincidence that insurer profits and medical errors are rising, while physician reimbursements are declining.

Medicare plans to cut physician payment rates – after which insurance companies model their physician fee schedules – by 31 percent from 2006 – 2013. Over this eight-year period, the American Medical Association (AMA) says Medicare will cut payments in Missouri by \$2.11 billion, and by \$990 million in Kansas. Those figures translate to an average of \$19,000 annually for each physician in Missouri and \$20,000 for every Kansas doctor.

These eight annual cuts, scheduled to begin Jan. 1, 2006, would put 2013 Medicare payment rates at less than half of what they were in 1991 after adjusting for practice cost inflation, according to the AMA. Managed care reimbursements, already on the decline, are expected to follow similarly.

Meanwhile, the AMA reports that insurer profits are on the rise. Based on the companies' own financial reports, all of the seven largest health plans in the nation posted substantial profits in 2004, and six of the seven (Humana, WellPoint, PacifiCare, United Health Group, CIGNA and Aetna) experienced significant profit increases (ranging respectively from 22.3 to 136 percent) from the prior year.

So as insurance companies enjoy growing revenues, physicians are struggling to maintain flat incomes as they face declining insurer reimbursements and increasing malpractice premiums. To compensate, doctors must see more patients to make the same money and take other cost-cutting measures – all of which negatively affect the quality of and access to health care.

"Today's health care crisis is significantly influenced by the fact that physicians are overloaded with the burden of having to treat as many patients as possible, due to declining reimbursements and higher malpractice insurance costs," said Douglas R. Horn, lead attorney of the Horn Law Firm. "By squeezing doctors, the insurance industry is in effect encouraging them to fit more patients into their schedule and thereby creating an environment conducive to more medical errors."

In Horn's experience, preventable medical errors are directly related to physician overload, health care staff shortages and profit-driven managed health care corporations. His practice is largely comprised of cases involving both medical and prescription errors.

According to the National Academy of Sciences' Institute of Medicine, medical errors kill as many as 44,000 to 98,000 people in hospitals every year. Even at the lower estimate, medical mistakes are the eighth-leading cause of death in the United States – higher than motor vehicle accidents, breast cancer or AIDS.

"The solution is not one-dimensional," said Horn. "Insurers who hold doctors hostage with exorbitant malpractice premium increases should be held accountable, and the same goes for unscrupulous attorneys who file lawsuits without merit. Most importantly, we should work to preserve the rights of innocent victims and improve the delivery of health care – perhaps through mandatory disclosure of medical errors and other ways – so that everyone benefits."

About Horn Law

Horn Law has been helping 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.

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EDITOR'S NOTE: Please consider interviewing Douglas Horn, who can offer insightful commentary on medical malpractice litigation as well as the health care industry. Horn approaches these topics as a medical negligence attorney who formerly counseled clients on the other side of the issue – doctors, hospitals and health insurance corporations. For a fresh point of view, contact Robyn Caulfield at (913) 663-4200 or RobynCPR@earthlink.net, to schedule an interview with Horn.