

## Press Release—2010

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### **Society of Actuaries Study Finds Medical Errors Annually Cost at Least \$19.5 Billion Nationwide**

*Report shows how 1.5 million medical errors compromise quality of American healthcare and cause unnecessary waste in the system*

For Immediate Release:

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SCHAUMBURG, Ill., (Aug. 9, 2010)—Findings from a new study released today estimate that measurable medical errors cost the U.S. economy \$19.5 billion in 2008. Commissioned by the Society of Actuaries (SOA) and completed by consultants with Milliman, Inc., the report used claims data to provide an actuarially sound measurement of costs for avoidable medical injuries. Of the approximately \$80 billion in costs associated with medical injuries, around 25 percent were the result of avoidable medical errors.

"This report highlights a singular opportunity for both improving the overall quality of care and reducing healthcare costs in this country," says Jim Toole, FSA, CERA, MAAA and managing director of MBA Actuaries, Inc. "Of the \$19.5 billion in total costs, approximately \$17 billion was the result of providing inpatient, outpatient and prescription drug services to individuals who were affected by medical errors. While this cost is staggering, it also highlights the need to reduce errors and improve quality and efficiency in American healthcare."

Medical errors are a significant source of lost healthcare funds every year. For example, the study found that \$1.1 billion was from lost productivity due to related short-term disability claims, and \$1.4 billion was lost from increased death rates among individuals who experienced medical errors. According to a recent SOA survey, which identified ways to bend the national healthcare cost curve, 87 percent of actuaries believe that reducing medical errors is an effective way to control healthcare cost trends for the commercial population, and 88 percent believe this to be true for the Medicare population.

"We used a conservative methodology and still found 1.5 million measureable medical errors occurred in 2008," says Jonathan Shreve, FSA, MAAA, consulting actuary for Milliman and co-author of the report. "This number includes only the errors that we could identify through claims data, so the total economic impact of medical errors is in fact greater than what we have reported."

Key findings from the study include:

There were 6.3 million measureable medical injuries in the U.S. in 2008; of the 6.3 million injuries, the SOA and Milliman estimate that 1.5 million were associated with a medical error.

The average total cost per error was approximately \$13,000.

In an inpatient setting, seven percent of admissions are estimated to result in some type of medical injury.

The measurable medical errors resulted in more than 2,500 avoidable deaths and more than 10 million excess days missed from work due to short-term disability.

"In the past, the insurance industry had low visibility in its involvement in quality-improving initiatives," says Toole. "Now is the time for the industry to assume an active role by helping healthcare systems implement an actuarial approach, which can more systematically identify potential causes of medical errors than alternative approaches."

The study also identifies the 10 medical errors that are most costly to the U.S. economy each year. Approximately 55 percent of the total error costs were the result of five common errors:

Pressure ulcers

Postoperative infections

Mechanical complications of devices, implants, or grafts

Postlaminectomy syndrome

Hemorrhages complicating a procedure

The SOA and Milliman findings were based upon an analysis of an extensive claims database. Measureable costs of medical errors included increased medical costs, costs related to increased mortality rates, and costs related to lost productivity of an error.

For a full copy of the "The Economic Measurement of Medical Errors," report, please [click here](#).

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The SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal problems. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.