

Nurse Practitioner Medical Malpractice Claim Trends Analysis

Understanding Increases in Nurse Practitioner Medical Malpractice Premiums

National medical malpractice insurance rates for nurse practitioners have recently gone up. This is an important shift, as many nurse practitioners have not seen a rate increase in over ten years. Several factors in the malpractice market contributed to the historic stability of these rates and their recent change.

Insurance rates generally change due to one or both of the following:

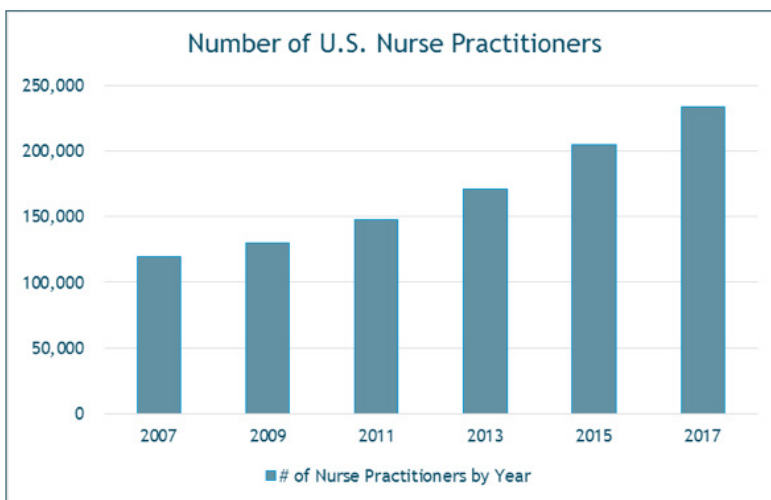
- (1) Claim Frequency: an increase in the rate at which a practitioner is sued
- (2) Claim Severity: an increase in the average cost of resolving a case against a practitioner (indemnity and legal fees)

For nurse practitioners, claim severity is the main reason current rates are increasing nationally.

Nurse Practitioners in High Demand and Scope of Practice Expanding

Nurse practitioners are in high demand. In fact, the number of nurse practitioners in the U.S. has nearly doubled in the last ten years to 248,000 (American Association of Nurse Practitioners, 2018). The growth of this profession has significantly exceeded the growth of other U.S. professions. This appears to be only the beginning — with their job growth rate projected to be four times the national average in the next ten years (Bureau of Labor Statistics, 2017).

Exhibit 1:



American Association of Nurse Practitioners

As the number of nurse practitioners grows, the scope of practice continues to expand. Twenty-three states, and the District of Columbia, permit nurse practitioners to practice fully independently, nearly double from twelve states in 2004 (NP Now, 2018) (Spetz, Parente, Town, & Bazarko, 2013). Nurse practitioners have more responsibilities than ever. They're evaluating patients, ordering and interpreting diagnostic tests, initiating and managing treatments, and prescribing medications and controlled substances under the exclusive licensure authority of the state board of nursing. Other states have also passed laws lowering the restrictions on nurse practitioners (NP Now, 2018).

Primary care is faced with a shortage of physicians and increased demand — as the Affordable Care Act granted new healthcare access to millions of Americans. Nurse practitioners are now playing a key role in delivering primary care services that used to only be provided by physicians. Their scope of practice is expanding as they help to meet this increased demand.

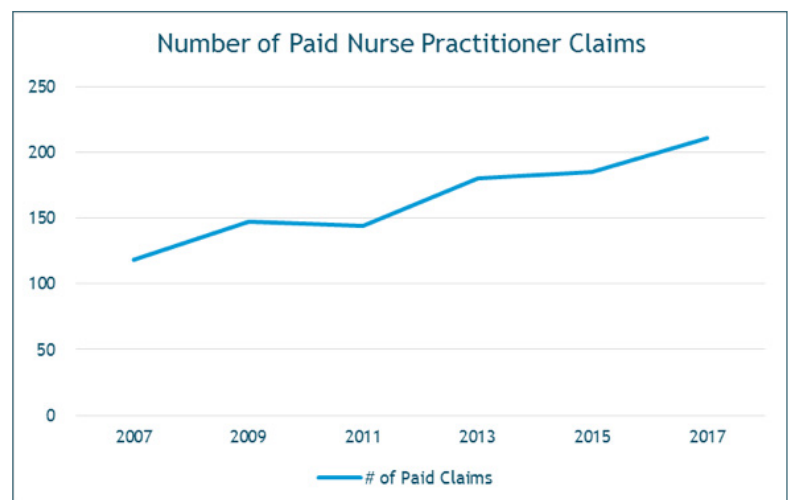
Claim Frequency Remains Flat

Claim frequency is the rate at which a practitioner is sued. It's the total number of claims divided by the number of practitioners. The claim frequency for a specialty can change due to either a change in the rate at which medical errors are being made, a change in the awareness at which errors are being made (transparency), or a change in the public sentiment towards suing a practitioner (propensity to sue).

Physician Claim Frequency: The physician community has experienced an unprecedented decrease in claim frequency over the last ten years. The total number of paid claims against physicians has fallen by approximately 20% (National Practitioner Data Bank, 2017). During that same time the active number of physicians in the U.S. has increased slightly (Association of American Medical Colleges, 2007-2017). This resulted in a decrease in physician medical malpractice insurance premiums.

Nurse Practitioner Claim Frequency: While physician claims are decreasing, the number of paid claims against nurse practitioners has nearly doubled in the last decade, as seen in the chart to the right (NPDB, 2017). The good news is that the number of nurse practitioners has also roughly doubled during that same period (AANP, 2018). While the vast majority of healthcare providers experienced a significant decrease in claim frequency, the frequency of paid claims against nurse practitioners held steady.

Exhibit 2:



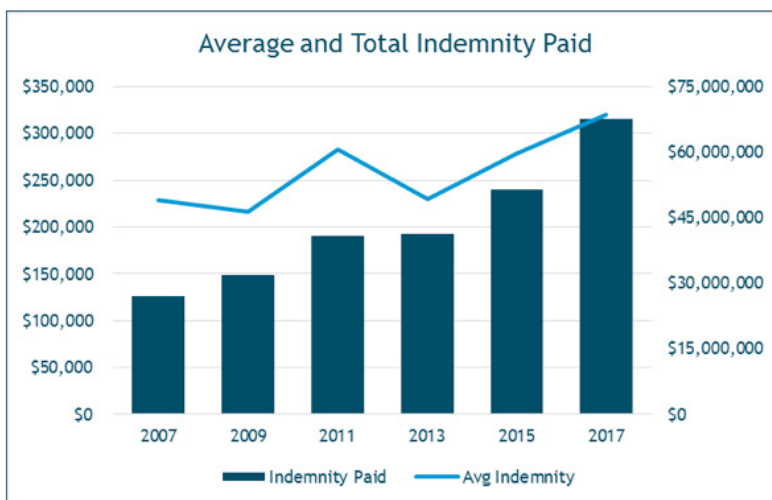
National Practitioner Data Bank Public Use Data File, December 31, 2017

This explains why nurse practitioners aren't experiencing the insurance rate decreases that other specialties have experienced. However, the fact that nurse practitioners are being sued at rates consistent with the past doesn't tell the whole story. A more complete explanation of this national rate shift is found by looking at indemnity severity and defense costs.

Claim Severity Trending Upward

Indemnity Cost: Indemnity cost is the amount paid on behalf of insureds to plaintiffs to resolve a claim. The costs associated with malpractice payments for nurse practitioners has more than doubled over the last ten years. As shown below, payments made in 2007 and 2017 were \$27 million and \$68 million respectively. This increase can't be credited entirely to the growth of nurse practitioners, since the growth of indemnity costs was 30% higher than the growth of the industry during this time.

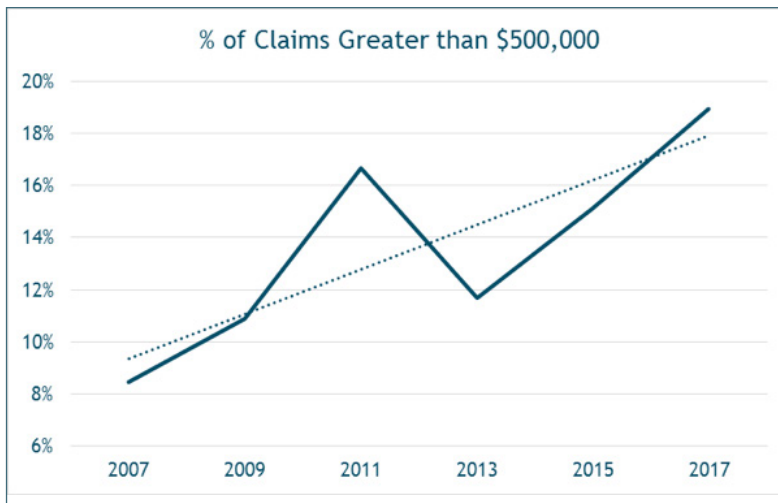
Exhibit 3:



*Indemnity cost is the amount paid to resolve a claim
National Practitioner Data Bank Public Use Data File, December 31, 2017*

Payments increase as the average costs to resolve a claim increase. From 2007 to 2017, the average indemnity payment grew from less than \$250,000 per case to over \$300,000 per case. The chart below shows that the number of claims settled for more than \$500,000 has increased from roughly 8% of total claims paid to over 18% (NPDB, 2017).

Exhibit 4:

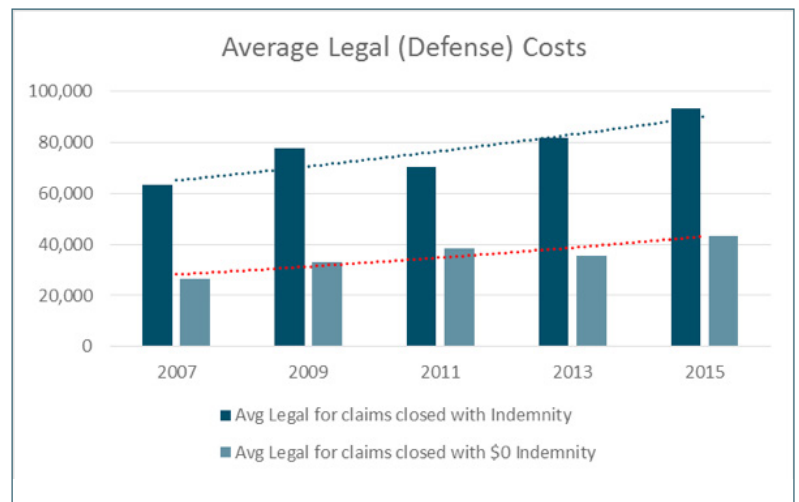


National Practitioner Data Bank Public Use Data File, December 31, 2017

Legal Defense Costs: Each claim requires careful review of the facts to make sure the insured receives proper coverage. Claims may involve legal review, deposition preparation, medical record review, supporting expert witnesses and potentially the cost of a full trial. These legal costs can add up quickly and are part of what insureds buy when they pay for malpractice coverage.

When the cost of legal defense rises, the cost of insurance coverage rises. The chart to the right illustrates legal costs in two categories. First, the cost to defend claims that result in an indemnity payment. Second, the cost to defend claims that result in no indemnity payment. The latter involves primarily “frivolous” cases as well as cases that go to trial and are won. The chart shows that from 2007 to 2017 expenses in both of these categories have quickly increased by over 50% (MedPro Group, 2018).

Exhibit 5:



MedPro Group Nurse Practitioner Claim Experience

What These Trends Mean for Nurse Practitioners

When procedures, training, and scope of practice change, malpractice claim frequency or severity can also change. Nurse practitioners have been directly affected by this fact as their scope of practice has expanded in the past ten years. They will continue to gain independence, and risk, as they take on more independent responsibilities that were previously shared with physicians.

When it comes to claims, nurse practitioners continue to be sued at historical rates, while other healthcare specialties have seen dramatic decreases in claims. Nurse practitioner premiums are increasing as a result of two factors: the average indemnity paid per malpractice claim and the increase in cost of defending both “frivolous” and warranted suits. This has ultimately resulted in the material rate changes reflected throughout the insurance industry.

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