



October 18, 2005 11:33:32 AM

Medical Malpractice Interim Committee
c/o Rachele Hjelmaas
Legislative Services Agency
Iowa Statehouse
Des Moines, IA 50319

Via Electronic Mail: rachele.hjelmaas@legis.state.ia.us

Dear Medical Malpractice Committee Members:

On behalf of Iowa's 116 hospitals, the Iowa Hospital Association (IHA) appreciates the opportunity to provide written comments to the Medical Malpractice study committee. The availability and affordability of professional liability insurance threatens hospitals and physicians across Iowa. Without a slowing in the annual rise in medical malpractice insurance rates, patient access to care will ultimately be threatened. Many rural physicians and hospitals have already left the practice of obstetrics because of astronomical insurance rates to provide such services.

When a major carrier (providing coverage to 35 Iowa hospitals) left the Iowa professional liability insurance market in 2002, only two major carriers remained behind to write such business. The remaining two carriers were faced with capacity and reserve issues, leaving many Iowa hospitals struggling to find coverage. All hospitals were eventually successful in gaining coverage from another professional liability carrier, but it was not uncommon for hospital premiums to increase as much as *500 percent*, a prohibitive figure for many institutions. However, hospitals are left with no choice but to pay these premiums, which ultimately are passed on to the general public in the form of higher hospital charges.

Because Iowa continues to have only two major carriers providing professional liability insurance coverage, IHA continues to support measures that would attract additional carriers to Iowa and that would create a safety net for providers unable to afford or acquire coverage in Iowa's limited market place. IHA supports meaningful tort reform, especially financial caps on non-economic damages. Financial caps on non-economic damages will assist Iowa in attracting other professional liability insurance carriers who are resistant to expanding into states without non-economic damages caps. Additional carriers will create a more competitive marketplace in Iowa and market forces will help regulate premium costs.

Besides establishing caps on non-economic damages, Iowa must pursue other meaningful strategies to respond to this insurance premium crisis, including evaluating legislation particularly designed for obstetrical and emergency room care or the implementation of the Insurance Division's joint underwriting authority to establish a safety net for providers unable to afford or acquire coverage. Current law gives

the Division of Insurance the authority to develop a joint underwriting agreement (JUA). A JUA is an agreement between carriers, enforced by the Division of Insurance, to protect medical providers in cases where professional liability quotes are nonexistent. Surrounding states like Minnesota and Kansas have had such arrangements in place for many years to address potential market fluctuations. Because Iowa has only two major carriers writing coverage, a JUA would provide a necessary safety net in case one of those carriers left the marketplace leaving medical providers stranded without available or affordable coverage.

If the committee would like, IHA would be happy to invite hospital representatives to discuss their experience finding professional liability coverage, the rate of premium increases, and their perspective on the ability to Iowa hospitals to continue functioning in the current professional liability insurance environment. Please contact me if we can be of any further assistance on this issue.

Sincerely,

A handwritten signature in cursive script that reads "Greg Boattenhamer".

Greg Boattenhamer
Senior Vice President, Government Relations