

0 (1s):

Hi, it's Dr. Weitz. Thanks so much for joining me for this episode of the private medical practice academy

1 (8s):

As a physician, regardless of your specialty or where you practice, you're going to want to have malpractice insurance, but it's not as simple as just calling up an insurance broker and saying, Hey, I want to get malpractice insurance today. I'll tell you about the different types of malpractice insurance and some of the things you're going to want to consider when trying to evaluate, which is the best one for you to start with. You need to understand the requirements of the state or state where you practice. Many states require that all physicians have malpractice insurance. Although the mandatory amount of coverage can vary. Some states have tort reform, basically a fancy way of saying that there are limits on how much you can be sued for, for example, in Louisiana, where I live the most than an individual physician is on the hook for his a hundred thousand dollars per incident.

1 (1m 4s):

Anything above and beyond that is covered by something called the patient compensation fund. So my malpractice insurance has a component for both the individual and then also a contribution to the patient compensation fund. You're going to want to check with your state medical board to understand your state's malpractice insurance requirements. You're also going to want to make sure that you have adequate coverage, but on the other hand, you also don't want to overpay for coverage. You don't need one of the things I want to point out to you is that even if you work in a state that doesn't require malpractice insurance, you're still going to need it. Why? Because you need malpractice insurance in order to get hospital privileges and okay, maybe you're thinking, well, I don't need hospital privileges.

1 (1m 50s):

Yes, but you also need malpractice insurance in order to get commercial insurance contracts. If you read your commercial insurance contracts, you'll see that they all require that you have some base amount of malpractice insurance, even in the rare instance where you're not absolutely required to have malpractice insurance, the pros of having it outweigh the cons. As a matter of fact, the only real con is the cost of paying for it. And in reality, the expense is minimal compared to the amount you could be on the hook for if a patient files a suit against you. Even if, you know, with 100% certainty that you did nothing wrong and will never actually have to pay a cent in damages, you still have to defend yourself against the suit.

1 (2m 39s):

Your legal defense alone can cost tens of thousands of dollars, which in most cases is far more than the cost of your malpractice coverage. I want to share some statistics about malpractice lawsuits from the AMA. Approximately one third of all, physicians are going to have a claim against them. At some point during their careers, the longer you practice, the more likely it becomes that you're going to get sued. As a matter of fact, almost half of all physicians over the age of 55 have been sued at least once. And of all the suits filed.

1 (3m 19s):

Approximately 50% of them go to trial while most malpractice claims end in a settlement either before trial or during trial, and only about 5% of them result in a jury verdict, but it is still a nosebleed. When it comes to dealing with the suit, you'll still be forced to pay for legal services and defense fees, unless you have malpractice insurance to cover those costs for you. Now that you're thinking to yourself, I need malpractice insurance. Let's actually talk about the different types of insurance that are available to you. The first is claims made coverage with a claims made policy.

1 (4m 0s):

Your insurer is only going to cover malpractice claims. If the claim is made against you, basically a demand or a lawsuit has to be made against you within your policy period. And the date of the alleged incident has to be within that period. For example, say your policy period runs from January 1st, 2021 to December 31st, 2023, if a patient files a claim in 2024 for an incident between 2021 and 2023, and you didn't renew your policy, the company is not going to pay this claim as soon as the policy period ends.

1 (4m 41s):

So does the coverage, regardless of when the patient files the claim, now this is one of the things that can be very confusing about claims made coverage. If you have claims made coverage, you are going to need either a tail or nose insurance tail coverage is purchased from your previous carrier while nose coverage is purchased from your new carrier. Doctors usually choose one or the other, but not both having either tail or nose coverage ensures that any claims made by patients from a previous practice are still covered. Even when you're at the new practice or you have changed insurance carriers, then there's an occurrence coverage.

1 (5m 23s):

This is the broadest and most protective type of medical malpractice policy. With this. It doesn't matter when the lawsuit is filed so long as the incident occurs during the policy period because occurrence coverage is the most comprehensive choice its availability in the marketplace is limited with only a few carriers actually offering it needless to say, it's also more expensive. It prevents you though from needing to get tail coverage when a claims policy ends. So in general, it's the best way to protect yourself. And it offers the flexibility to cancel one policy and get a new policy whenever you want.

1 (6m 6s):

As I always say, there's no such thing as free lunch, even though occurrence coverage offers the best protection. It's not as commonly purchased as claims-made coverage because of the cost and the limited carrier availability. Now, as a brief aside, there's also something called claims paid coverage. This is one of the least common coverage options with this type of coverage. The claim isn't recognized until the indemnity pays out or the claim closes the downside to this type of coverage is that if you do have a claim made against, as long as that claim remains open, you need to maintain that coverage with the claims paid

insurance carrier.

1 (6m 51s):

What this means is that you could be paying premiums for years when you don't want to, because you have to meet them. Tina, until the claim is closed. Now that can often take three to four years. And if you don't want to do that, you end up having to get an even larger tail payment to get out of the policy. I also want to point out to you that if you do choose to cancel or switch the insurance carriers before the claim pays out and you don't pay the larger tail payment, you run the risk of having to pay the claim out of your personal assets. So you should see that this is the least optimal of the options that I've presented to you.

1 (7m 35s):

Now let's talk about how much malpractice insurance costs. There are several factors that affect how much malpractice insurance costs as with all types of insurance, how much coverage you will need will directly affect how much you pay in insurance. It's premiums. As I said earlier, you're going to work. I wanna understand your state's requirements for the minimum amount of coverage that you need to maintain. You'll also want to understand your state's laws regarding malpractice. So you understand what your potential personal exposure is after that, how much liability coverage you purchase is really based on your own comfort level. Obviously the more coverage you buy, the more you can expect to pay each month, except for some high risk specialties.

1 (8m 22s):

Physicians can typically expect to spend about 3% of their annual salary on malpractice insurance premium. Now another factor that determines malpractice pricing is your prior claims history. This should not come as a surprise to you. It's true, really not any different than car insurance. If you have lots of accidents, then of course, you're going to pay more for cars, insurance. If you can even get it. Similarly, if you had it, malpractice claims filed against you in the past, and you're looking for new malpractice insurance, the companies are going to treat you as a higher risk physicians with a history of claims made against them should expect to pay more than physicians with no claims on their record.

1 (9m 8s):

And if you have a number of claims, you may even be forced into the excess and surplus market, which leads to dramatically increased costs for the same coverage. Now, continuing on with the obvious where you work also factors into how much you're going to pay in insurance premiums. Some states are more litigious than others. This actually means a couple of different things. First, that there were a high number of lawsuits. This is usually because it's relatively easy to file a suit. As an example, it's really easy in Louisiana for somebody to file a medical malpractice lawsuit.

1 (9m 52s):

And it costs them very little money. Once the suit is filed, it goes before medical review panel that consists of

one physician for the plaintiff, one physician for the defendant. I E the doctor being sued and one that's mutually agreed upon by both sides. Now, if the medical review panel finds in favor of the physician being sued, then the case is usually dropped otherwise. Or if the medical review panel finds in favor of the plaintiff, it can go to a jury trial. Unless of course you settle out of court more often than not. The suit gets dropped and there's no settlement, but here's the thing.

1 (10m 32s):

It's still a hassle. That's why having malpractice is so important. And in states where it's really easy to file a lawsuit, or a lot of lawsuits are filed, you're going to pay more for malpractice in some place else because they still have to defend you. Even if the case has never settled back to defining what I mean. When I say some states are litigious, some states don't limit the amount that plaintiffs can be awarded. If it's easy to file a suit and or there are no caps on what a plaintiff can be awarded, you can bet that your premiums are going to be higher. Now, some states have tort reform laws that do put a cap on how much an injured party can be awarded for non-economic damages, such as pain and suffering.

1 (11m 21s):

This is why knowing your state's laws is so important as should be obvious states with strict tort laws have lower malpractice premiums in states that don't have those restrictions. Now, regardless of your location, your claim history and your coverage amounts, certain specialties are always going to pay more than others. Most insurance companies look at both how often physicians are sued in a given specialty and how expensive those lawsuits are. On average, when they're determining how to set their premiums, one way to bring down the cost of your malpractice premiums. When you're first starting out is to select a claims, made policy with a maturation date.

1 (12m 6s):

This can save you money in your early years, but over time, usually after five years, it's going to actually have the same premium as an occurrence based policy. Now that I've gotten your attention, because obviously we're going to save you some money here. Claims-made policies with a maturation date are essentially a step system in which the rates you pay increase over time from year one to year five. This comes from the idea that you're less likely to face prosecution in your first year of coverage. When you haven't actually seen as many patients by year five, you maximize the potential time for a potential liability due to the statute of limitations.

1 (12m 47s):

So basically at five years, the premium is then mature and is going to be the same going forward for each year. You hold a claims, made maturation policy. Your rates are going to increase until you're five. So while a claims made policy with a maturation date can lower your cost. I want to remind you that if you were to terminate this policy, you're still going to need tail coverage. As a general rule claims made coverage still is more economical in private practice over the course of your career. And let me tell you that as a perk, most

claims made carriers actually offer a free retirement tail.

1 (13m 34s):

So if you have the same carrier, the entire time you're in practice, you will not have to buy a tail more likely than not. When you retire. Now, you may be wondering exactly what your malpractice insurance policy is going to cover and what it doesn't. Malpractice insurance generally covers any claim made against the medical provider because of bodily injury, based on services provided or a lack of services provided or medical negligence besides covering any damages awarded to the patient. Malpractice insurance almost always includes legal counsel and they cover your defense costs both proceeding.

1 (14m 16s):

And during the trial, if it even goes that far, it will also typically give you a sub limit to defend yourself in the event that there is any kind of medical board action against you, which you're always, always, always going to want to use, because you'd never want to respond to the board by yourself without an attorney vetting what you have said. It's also important to note that some circumstances are not covered under malpractice while they should be intuitively obvious to you. They typically include sexual misconduct on part of the physician, illegal acts and services performed under the influence of alcohol and drugs.

1 (14m 59s):

And while I'm sure you're listening to me and thinking, well, that's a no brainer. Let me tell you stuff like that happens more often than you think. I want to point out to you that every provider in your practice needs their own malpractice insurance. This means every physician and every mid-level. But one of the things that often gets overlooked is the need to have malpractice insurance for your practice. If all of the providers are covered by the same insurance carrier, aside from the fact that you're likely to get better rates, they will also often provide free coverage for the practice. As an example, my practice, I was insured by a company called <inaudible> and each one of our physicians and our mid-levels was also covered by <inaudible>.

1 (15m 47s):

They provided coverage for comprehensive pain management, the actual company for free. Now you may be wondering how coverage for the individual provider differs from the practice coverage. Your individual coverage covers you. No doubt, but let's say that one of your employees tells the patient to take a Tums instead of calling 9 1 1, even though the person has called in and says, I have crushing chest pain, and I'm short of breath, the patient dies of an EMI and the family sues the physician. Didn't see that patient, the mid-level didn't see that patient.

1 (16m 27s):

It was somebody who answered the phone who told the patient, oh, take a Tums. It's your practice. That's liable. Your practice coverage covers this. So now some final points before you sign up for a policy, be sure to compare prices and policy terms across different insurers in order to make sure that you are getting the

best policy for your money. Then before you sign the policy, read it thoroughly and understand what it covers and what it doesn't before you sign up. And my final point when you're actually filling out and submitting the application, you want to make sure that the information is 100% accurate.

1 (17m 11s):

If your insurance provider can prove that you weren't honest on your application, you will be liable for paying all costs and damages associated with any malpractice claim.

0 (17m 24s):

Thanks for joining me, please be sure to sign up for my newsletter below, I'll be sending you tips on how to start a practice, grow a practice, and then add multiple services so that you can maximize your revenue.