

The Effect of Malpractice Insurance Costs on Family Physicians' Hospital Practices

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One hundred fifty-two family physicians responded to a questionnaire about malpractice insurance from the Arizona Academy of Family Physicians. Physicians were asked whether they had limited their hospital privileges, by choice, because of the cost of malpractice insurance.

One hundred thirty-eight (90.8 percent) of the physicians had a hospital practice. Of these, 36 (26.1 percent) reported that they had restricted their hospital practice because of the cost of insurance. Most commonly, restricted activities involved the discontinuation (38.7 percent of the 36 physicians) or limitation (22.2 percent) of obstetrical activities. Other physicians had eliminated general abdominal surgery (24.9 percent) and other surgical and radiologic procedures.

The tendency of family physicians to limit their practices because of the cost of insurance premiums has important implications for health care in rural areas. It also may affect the scope and practice patterns of family physicians and other primary care physicians.

Medical malpractice liability insurance continues to be an important issue for physicians in all specialties. During 1982, six out of every 100 physicians faced a malpractice suit.¹ In 1983, the number rose to eight out of every 100 physicians.² These figures represent more than a threefold increase since 1976, and the annual rate of increase in malpractice claims continues to rise.^{1,3,4}

The large number of physicians facing malpractice litigation has been accompanied by a tremendous increase in the cost of medical malpractice liability insurance. In some areas of the country costs are staggering. For example, in New York an obstetrician might pay up to \$70,000 per year for liability insurance, and neurosurgeons can pay \$46,000 to \$63,000 per year.^{2,5} However, even in less urbanized states, the cost of insurance can be significant. For example, the cost of purchasing \$1 million of malpractice liability

insurance in Arizona is currently about \$28,000 in orthopedic surgery, obstetrics-gynecology, and neurosurgery.

The high cost of insurance and risk of litigation are having an impact on practice patterns of physicians in certain specialties. In obstetrics and gynecology, for example, where insurance premiums are high, 18 percent of physicians have completely excluded obstetrics from their practices, and 55 percent have restricted themselves to low-risk deliveries.²

The effect that malpractice insurance premiums are having on practice patterns of physicians in other specialties is not clear. It would be expected, however, that changes would be occurring in other specialties, particularly those with or overlapping with specialties that have high malpractice risks and liability costs.

The practice areas of family physicians often overlap with those of other specialties.⁶ For example, the majority of family physicians deliver babies and perform surgical procedures, both of which are high-liability areas of medicine.^{1,2,7} It would be expected, therefore, that family physicians might be affected by the cost of liability insurance. This study was undertaken by the Arizona Academy of Family Physicians to determine whether practice patterns of family physicians in Arizona are being affected by the cost of malpractice insurance.

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TABLE 1. AREAS OF PRACTICE LIMITED BY FAMILY PHYSICIANS BECAUSE OF COST OF MALPRACTICE INSURANCE (N = 138)

Area of Practice	Percentage Eliminating Area From Practice
Obstetrics	15.9
All obstetrical activity	10.1
High-risk and operative obstetrics	5.8
General (abdominal) surgery	6.5
Other surgical procedures	
Tonsillectomy	2.2
Dilation and curettage	1.4
Reduction of fractures	1.4
Vasectomy	1.4
Therapeutic abortion	1.4
Surgical assisting	1.4
Epidural anesthesia	0.7
Office radiology	0.7

METHODS

In January 1985 a questionnaire was mailed to all 440 active members of the Arizona Academy of Family Physicians. Active members are defined as practicing physicians or teachers of family practice who are graduates of a school of medicine or osteopathy, who are duly licensed and eligible to be members of county and state medical societies, and who have completed the necessary residency and continuing educational requirements prescribed by the American Academy of Family Physicians.

The questionnaire asked each respondent to answer "yes or no" to whether "there are any hospital privileges you do not have (by choice) as a result of the cost of malpractice insurance?" Those physicians who responded affirmatively were asked to specify the hospital privileges to which they were referring.

The questionnaire also requested information about each physician's age, location of practice, hospital size, and practice arrangement. One mailing was made to all subjects described above. Subjects were asked to return completed questionnaires by mail.

Data are reported as percentages. The analysis of variance and chi-square techniques were used for statistical analysis. Data analysis was performed with the *Statistical Package for the Social Sciences*.⁸

RESULTS

One hundred fifty-two (36.2 percent) questionnaires were completed and returned, the largest response to any survey ever undertaken by the Arizona Academy of Family Physicians.

Of the 152 respondents, 14 (9.2 percent) reported that they did not care for hospitalized patients. One of these 14 physicians did not have a hospital practice because he refused (because of cost) to carry medical malpractice liability insurance and his hospital, therefore, refused to grant him privileges. None of the other physicians without a hospital practice reported that issues related to malpractice insurance had influenced their decision not to have a hospital practice. Rather, their decisions were based on geographic proximity to hospitals, practice settings, and age (ie, semiretirement).

The other 138 (90.8 percent) physicians did have a hospital practice. Responding physicians varied widely in age, with no predominance of any particular age group. The majority practice in larger sized hospitals and in cities with populations greater than 500,000, reflecting that the majority of Arizona's physicians live in the population centers of Phoenix and Tucson. Forty percent of respondents were in solo practice, one third were in family practice groups, and ten percent were in health maintenance organizations.

There were 138 physicians with a hospital practice. Thirty-six (26.1 percent) reported that they had limited their hospital practice because of the cost of malpractice insurance (Table 1).

Obstetrical care was the most frequent area in which physicians reported limiting their practice. Twenty-two (15.9 percent of the 138) physicians had modified their obstetrical practice. Most commonly (14 of the 22 physicians) such modification involved a decision to eliminate all obstetrical activity from their practice. Of the remaining 8 of the 22 physicians, 5 were previously performing cesarean sections in their practices but had discontinued this procedure because of the cost of malpractice premiums. Three had eliminated care of all but very low risk cases.

The next most common area of practice to be restricted was general surgical procedures. Nine physicians (6.5 percent) reported eliminating general surgical procedures (appendectomy, cholecystectomy, etc) from their practice.

Small numbers of physicians also reported eliminating a variety of other surgical procedures from their hospital practice such as tonsillectomy, dilation and curettage, fracture reduction, and others.

Data were analyzed to determine whether physicians who had restricted their practices were different from those who had not done so in terms of age, practice location, hospital size, and other variables. No statistical relationships were noted.

DISCUSSION

Before discussing the findings of this study, the response rate to the questionnaire should be considered.

Only 36.2 percent of the mailed questionnaires were completed and returned. Although this response rate is less than optimal, it should be noted that this was the highest response rate to any survey undertaken by the Arizona Academy of Family Physicians. Response rates to previous surveys had never exceeded 25 percent. Thus, the results of this survey include at least the entire population of Arizona family physicians who regularly participate in and respond to state academy inquiries and activities.

The higher than usual response rate also suggests the possibility that the results of this study may overestimate the frequency with which physicians limit their practice because of the cost of liability insurance. It is possible that the "excess" responses contained a higher percentage of physicians who were unusually interested in this questionnaire because their practices had been affected by the cost of malpractice insurance.

Nonetheless, it is still of significant interest to note that 26 percent of Arizona family physicians in this study had limited their practices because of insurance costs. The limitations were imposed by the physicians themselves, not the insurance companies, because the cost of insurance was thought to be excessive.

Most commonly, these family physicians reported limiting their obstetrical care. Nearly 6 percent had eliminated all high-risk or operative obstetrics, and over 10 percent had completely discontinued all obstetrical activity in their practice. The criteria used by Arizona malpractice insurance companies to define uncomplicated deliveries are very restrictive and exclude (ie, define as high risk) such conditions as anemia, inductions of labor, and post-term labor. Thus, some physicians find it difficult to limit themselves to "low-risk" deliveries but do not wish to pay the insurance premiums necessary to cover deliveries other than those of low risk.

In addition, many family physicians reported eliminating various surgical procedures from their hospital practice, including both general surgical procedures and nonoperative procedures such as reduction of fractures.

The reduction of services because of liability insurance costs, particularly the reduction of obstetrical services, has several implications. The reduction of services has the potential to influence the practice of family medicine and the quality of health care in many communities.

First, although there is a growing supply (and perhaps a surplus) of physicians in the United States, some of the country's population is still medically underserved, particularly in rural areas.^{9,10} Family physicians are important and sometimes the only providers of prenatal care and delivery in many rural hospitals. If the cost of malpractice insurance were to cause significant numbers of rural family physicians to

withdraw their obstetrical service, some communities will be left with no adequate source of pregnancy care. Maternal and neonatal outcomes could be adversely affected.

Second, a major decrease in the obstetrical activity of family physicians would have an impact on the specialty of family practice and of primary care in general. If family physicians deliver fewer babies, their practices would subsequently include fewer infants and children and fewer patients with gynecologic and reproductive problems. Family practice and general internal medicine, although different in philosophy, could become very similar in scope; both would be limited to care of adult patients. In the face of increasing numbers of general internists and medical subspecialists and a tendency for family physicians to care only for adults, a decreasing supply of patients per physician could result in all three types of physicians (family physicians, general internists, and subspecialty internists) competing to deliver primary care to maintain their incomes.^{11,12}

Finally, malpractice costs may affect the way in which family practice as a specialty deals with conflicts over hospital privileges. In recent years increasing numbers of family physicians have experienced difficulty obtaining the hospital privileges they want.^{6,13-15} Such problems are most frequently encountered in the obstetrical and surgical areas of patient care.^{13,14} These same areas are those in which this study found that malpractice costs are causing family physicians to limit their practices.

However, the effect of insurance costs on family physicians' hospital practices may greatly exceed any effect that hospital privilege conflicts might have. For example, this study found that 10.1 percent of Arizona family physicians have completely eliminated obstetrics from their practice, a rate more than ten times that which family physicians in the Mountain states have reported being denied hospital privileges for obstetrical care.^{13,16} Thus, the hospital privilege issue for family physicians may be insignificant compared with the effect the liability insurance costs could have on the practice of family medicine.

CONCLUSIONS

Approximately one quarter of family physicians in Arizona responding to the questionnaire have limited their hospital practice because of the cost of malpractice liability insurance. The majority of these physicians have reduced or eliminated obstetrical care from their practice; many have also discontinued performing surgical procedures. If this trend continues, it may have important implications for the quality of health care in rural areas and may become an important

socioeconomic factor involving all the primary care specialties.

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