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Editor-in-Chief

How many days does it take you to pay for your liability insurance?

For ObGyns, the cost-to-revenue ratio is a worst-case scenario

One of the most challenging issues in obstetrics is the relationship between professional income and the cost of professional liability insurance.

The lucky specialties

Most medical specialties are lucky to have modest professional liability premiums. These fields include emergency medicine, family practice, pediatrics, anesthesia, internal medicine, dermatology, radiation oncology, psychiatry, radiology, and pathology. In these specialties, regardless of the relative levels of reimbursement, the cost of liability insurance is affordable. Within only 3 weeks, physicians in these specialties generate enough revenue to pay for their entire year's liability insurance. By January 20, their cost is covered.

High premiums and high income

In the surgical specialties of ObGyn, neurosurgery, orthopedics, general surgery, and plastic surgery, the cost of professional liability insurance is substantial. However, in neurosurgery, orthopedics, general surgery, and plastic surgery, the revenue generated per day of work is significantly greater than in ObGyn, allowing these specialists to generate enough revenue to pay their premiums within about 7 weeks. These specialists generate enough revenue to pay their liability insurance premium by February 18.

For us, high premiums, lower income

For ObGyns, liability premiums are substantial, but income is less than in fields such as neurosurgery, orthopedics, and

The unluckiest specialty

Number of days needed to cover annual liability premiums, by specialty

SPECIALTY	DAYS
More than 35 days	
Obstetrics and gynecology	70
Neurosurgery	49
21 to 35 days	
Orthopedics	34
General surgery	31
Plastic surgery	25
Fewer than 21 days	
Emergency medicine	20
Family practice	17
Pediatrics	14
Anesthesia	13
Internal medicine	11
Dermatology	11
Radiation oncology	10
Psychiatry	10
Radiology	8
Pathology	6

These data are derived from the 2003 AMA report on physician practices¹ and the 2005 professional liability premiums assessed by a major Massachusetts insurer,² with a market adjustment. For this analysis, a 5-day workweek, 4 weeks of vacation, and no national holidays were assumed.

The number of days per year needed to pay professional liability insurance premiums is likely to vary considerably among specialties, based on geographical variations in cost of premiums and patterns of clinical reimbursement. For example, in states with strong tort reform legislation, the cost of liability insurance is well below the national average. Despite these variables, the relative rankings are likely consistent across the nation.

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FAST TRACK

High premiums coupled with modest reimbursement undermines obstetrical practice and reduces access to care

INSTANT POLL

What is your opinion?



At
OBG Management, we are
interested in the challenges
that you face in your practice.

Based on your estimate, how many
calendar days does it take for you to
generate sufficient clinical revenue to pay
your annual professional liability premium?

- 30 days 75 days
 45 days 90 days
 60 days

Respond via INSTANT POLL, at

www.obgmanagement.com

*We will publish a summary
of responses in an upcoming issue.*

EDITORIAL CONTINUED

plastic surgery. Therefore, it takes us longer—about 10 weeks, or until about mid-March—to generate sufficient revenue to pay our premiums.

2 problems and 2 solutions

The mismatch between modest reimbursement for clinical services and exceptionally high professional liability premiums undermines the stability of obstetrical practice in the United States and will continually reduce patients' access to obstetrical care.

The 2 logical solutions are:

1. to reduce professional liability expenses through tort reform, and
2. to raise reimbursement to appropriate levels to cover the cost of liability insurance.

Unfortunately, these solutions are unlikely to be realized in the near future, because trial lawyers are actively opposing tort reform, and the insurance industry is reluctant to increase reimbursement for clinical services.

Thank goodness April is here. As ObGyns, most of us have finished paying for our professional liability insurance and can continue to work hard to start generating the income needed to pay our taxes and enjoy the beginning of spring.

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REFERENCES

1. American Medical Association. Physician Socioeconomic Statistics. Chicago: Center for Health Policy Research; 2003.
2. Barbieri RL, Anastos, L, Michels KB. Economic factors and the percentage of residency positions filled by United States medical graduates. *Obstet Gynecol.* 2005;106:581-584.

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on an article in this issue?**

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