



**Department of Consumer and Business Services**

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Before the  
**Senate Judiciary Committee**  
March 2, 2011

Testimony of  
Teresa Miller, Administrator  
Insurance Division  
Department of Consumer and Business Services

For the record, my name is Teresa Miller. I am the Administrator of the Insurance Division of the Department of Consumer and Business Services. I am here today to update the Committee on the program that subsidizes medical professional liability insurance costs for rural doctors.

The program began with enactment of House Bill 3630 in 2003. The goal of the program was to assist in attracting and retaining doctors in rural Oregon, and particularly doctors who provide obstetric services. The legislation was the result of escalating concern about the availability and affordability of medical professional liability insurance, particularly for rural doctors who provide obstetric services.

House Bill 3630 directed the State Accident Insurance Fund Corporation (SAIF) to establish a reinsurance program for medical professional liability insurance policies issued to rural doctors. The program was successful in providing medical professional liability insurance rate relief to rural doctors, and in 2007, the legislature enacted Senate Bill 183 to extend and modify the program for

an additional four years, through 2011, but within the original funding limit set in 2003.

In recognition of the role played by nurse practitioners in providing medical care in rural Oregon, the program was expanded to include some nurse practitioners who have a rural practice. In addition, the definition of qualifying “rural” area was modified to exclude areas considered “urbanized” by U.S. Census definitions such as Ashland (except for those doctors and nurse practitioners who provide obstetric care). Also, in order to be eligible for the program, doctors and nurse practitioners had to be willing to serve Medicare and Medicaid patients.

The program continues to prioritize obstetric care, and those who practice obstetrics continue to receive the highest subsidies – 80 percent for obstetricians and nurse practitioners certified for obstetric care and 60 percent for family practitioners or general practitioners whose practice includes obstetrics. Doctors and nurse practitioners in specified primary care fields such as pediatrics and family practice receive subsidies up to 40 percent, while subsidies for doctors and nurse practitioners in non-primary care fields decline over the four-year period from not more than 35 percent in 2008, to 25 percent in 2009, and to 15 percent in 2010 and 2011, based on available funds.

A total of about \$32.9 million was spent through calendar year 2010. However, the expenditures for 2008 through 2010 are still subject to audit. Enrollment during 2010 was 864, consisting of 808 doctors and 56 nurse practitioners, and SAIF expended about \$3.4 million for calendar year 2010. Enrollment for the first quarter of 2011 is 763 doctors and nurse practitioners.

The number of doctors and nurse practitioners receiving subsidies in a given year may not equal the enrollment for that year for various reasons. For example, requests for subsidies may not occur in the same calendar year in which the subsidy was provided.

The funding for the program came from a credit against workers' compensation assessments paid by SAIF. These assessments are collected from Oregon employers for administration of Oregon's workers' compensation system. Under the law, the program costs were capped at \$40 million, based on a one-time surplus in this workers' compensation account. However, that surplus no longer exists and this account is not a sustainable source of funding for this program.

This program continues to provide medical professional liability insurance rate relief for both rural doctors and nurse practitioners. It should be noted that the medical professional liability insurance market tends to be cyclical, and rates have been declining in recent years. Rates for Oregon's two largest insurers have gone down an average of 20 percent since 2006:

<u>Year</u>	<u>NPIC/Doctors Company*</u>	<u>CNA</u>
2006	-8.3%	1.9%
2007	-10.2%	-3.2%
2008	-8.9%	-7.6%
2009	0%	-2.5%
2010	-5.1%	0%

\*Prior to 2010, coverage was through Northwest Physicians Insurance Company. Beginning in 2009, coverage was through The Doctors Company, Northwest Physicians Insurance Company's parent.

The program is scheduled to sunset at the end of 2011.

I'll be happy to answer any questions you may have.