BLOG

Strength in numbers - and better medical malpractice rates

By Matt Gracey, Managing Director

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Before it became part of Risk Strategies, Danna-Gracey, the agency I co-founded with Julie Danna and Tom Murphy, was Florida's leading independent medical malpractice insurance specialist. One of the ways we drove the early stages of our growth and leading market position was by engaging our doctors in endorsed programs, as well as one original risk purchasing group (RPG).

By getting their coverage as part of a participating professional society, our physicians earned credits that helped reduce their premium costs. It was convenient, beneficial, and very popular. We worked hard to organize and promote these arrangements and, at our peak, had 10 different programs running at any given time. But in the early 2000s, malpractice losses jumped and the market began hardening. Endorsed programs went away one-by-one as insurers sought to make up profits lost covering claims defenses and settlements, but, in contrast, our one original risk purchasing group thrived through the hard market.

It was a real learning experience. We decided to find another route to the same result by creating more RPGs instead of endorsed programs. Knowing that there is always bargaining strength in numbers, we focused on creating more risk purchasing groups (RPGs) where we had years of successful experience.

Not to be confused with captives, which are more like risk retention groups, an RPG does not require up-front capitalization or even any type of broad agreement from individuals participating in the group. There is also no barrier for a physician to leave the group. It's an almost perfect insurance purchasing structure for doctors and one of the few collective bargaining tools that doctors¸ who are prohibited by federal law from collectively bargaining for almost anything, have to help them drive a better deal.

Federally sanctioned, RPGs operate outside of the normal filings-of-rates and approval-of-each-credit and so forth of the endorsed program approach. An RPG just needs to file in whichever state they want to do business and the state department of insurance is basically obligated to approve it.

Once formed, the RPG gives participants leverage to negotiate better rates and terms. It also gets the group and its members transparency in the carrier relationship. Without the threat of arbitrarily removing credits, the carrier becomes more of a partner with the RPG; both seeking to find ways to maintain low group rates. Doctors can finally take back some control in their malpractice insurance.

And not a moment too soon.

Pre-pandemic, carriers writing medical malpractice coverage were losing money. Rising rates typically follow quickly on the heels of such a trend. The COVID-19 pandemic, however, shuttered normal court proceedings and staunched the claims bleeding. As courts start re-opening and claims and high verdicts return, a new hard market is unfolding. Doctors have a shrinking window of time to reassess their coverage and how they get it.

In the last market hardening cycle starting in the early 2000s we saw carriers drop interest in engaging with any type of purchasing group. We had a large radiology group pass on forming an RPG as a market hardening was forming. Within two years, rates doubled. When that radiology group circled back it was too late, unlike a number of other thriving RPGs that we had formed with forward thinking society leaders prior to the hard market.

With have over 20 years of experience running RPGs tailored for a number of different specialties, we know the time is ripe once again for this approach. Don't let the window close on you.

Want to learn more?

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