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ASSEMBLY BILL 320

Brief History

Development of the Medical Malpractice Crisis in Nevada

- In 2002, a medical malpractice liability insurance crisis of availability and affordability began to occur in Nevada and many other areas of the country. Because of skyrocketing insurance premiums, many Nevada physicians indicated they would have to close their practices or leave the state. Faced with an escalating concern about critical medical care, Governor Kenny C. Guinn called a special session of the Legislature to begin on July 29, 2002. His proclamation called for lawmakers to consider 11 different issues contributing to the malpractice insurance crisis.
- Medical care is an essential component to maintain a high quality of life. A community without adequate access to physicians may be expected to experience health care problems, which could include unnecessary suffering, poor health, and premature deaths. Any threat to the availability of medical care must be addressed promptly and vigorously.
- The time line and experience of Nevada is similar to that of many other states. Beginning in May of 2001, trauma physicians in Southern Nevada reported significant increases in malpractice insurance premiums, in some cases doubling the amount charged the previous year. The St. Paul Company, which insured approximately 60 percent of Nevada's doctors, filed for an 83.6 percent rate hike that was subsequently reduced by the Insurance Commissioner to 70 percent.
- Despite approval of the huge rate increase, St. Paul announced in September 2001 that it would not renew coverage for certain categories of physicians. By December 2001, the company had decided to exit the medical malpractice market nationwide. Shortly thereafter, physicians in Southern Nevada began announcing they would have to close their practices or leave the state due to the high cost of insurance coverage. Many of these physicians were obstetricians/gynecologists (OB/GYNs), who deliver nearly 12,000 babies a year in the state.
- The Nevada Legislature responded to the threatened shortage of health care providers by establishing an interim subcommittee on malpractice insurance to study its causes and examine possible solutions.
- Meanwhile, the Division of Insurance, Nevada's Department of Business and Industry, held a public hearing and determined that conditions existed to justify

the creation of a Nevada Essential Insurance Association. On March 15, 2002, the Governor and the Insurance Commissioner issued an emergency regulation authorizing formation of a joint underwriting association that became known as the Medical Liability Association of Nevada (MLAN).

- After arduous study and debate, the Legislature enacted **Assembly Bill 1** (Chapter 3, *Statutes of Nevada 2002 Special Session*), which addresses some of the major issues involving our court system that have been identified as contributing factors in the unstable medical malpractice insurance environment. These changes include the imposition of a \$350,000 cap on noneconomic damages, which is one of the lowest in the nation among those states that have such a cap.

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