

ACA could change costs for auto, malpractice and other insurance, study finds

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The expansion of health insurance accomplished under the Affordable Care Act may alter costs for several major types of liability insurance, although any such changes are likely to be modest, according to a new RAND Corporation report.

Automobile, workers' compensation and general business liability insurance [costs](#) may fall under the Affordable Care Act, while costs for medical malpractice coverage could be higher, according to the study.

Researchers say the changes could be as much as 5 percent of costs in some states, but caution there is considerable uncertainty surrounding such estimates. The findings are from one of the first systematic studies of how the Affordable Care Act could influence costs for liability and related lines of insurance.

"The Affordable Care Act is unlikely to dramatically affect liability costs, but it may influence small and moderate changes in costs over the next several years," said David Auerbach, the study's lead author and a policy researcher at RAND, a nonprofit research organization. "For example, auto insurers may spend less for treating injuries, while it may cost a bit more to provide physicians with medical malpractice coverage."

RAND researchers examined how the Affordable Care Act might operate across different liability lines and how the impacts might vary across states given existing laws, population demographics and other

factors.

Liability insurance companies reimburse tens of billions of dollars each year for medical care related to auto accidents, workplace injuries and other types of claims. For example, auto insurers collectively paid \$35 billion for [medical costs](#) associated with accidents in 2007, about 2 percent of all U.S. [health care costs](#) in that year.

But some of those costs may be covered by regular health insurance as more Americans become newly covered under the Affordable Care Act, according to the study.

As that happens, the cost of providing automobile insurance, workers compensation and homeowners insurance may decline. Ultimately, any cost changes experienced by insurance companies could be passed on to consumers through changes in premiums and coverage options.

Meanwhile, an increase in the number of people using the health care system may trigger a corresponding increase in the number of medical malpractice claims made against physicians and other [health care providers](#), according to the study. Such a shift could drive malpractice costs modestly higher.

Researchers say there are many state-level variables that will influence any impacts on liability costs created by the Affordable Care Act. This includes items such as whether states require medical costs to be deducted from liability awards or whether states choose to implement the Affordable Care Act's optional Medicaid expansion.

While the study primarily focuses on the short-term impacts of health reform on the cost of liability insurance, RAND researchers also suggest that the Affordable Care Act could have additional long-run impacts.

Costs of liability [insurance](#) could be reduced further if reforms aimed at driving down [health care](#) costs are successful, for example. Other potential long-run changes include modifications of tort law, shifts in pricing of medical services, changes in the number of practicing physicians and increased efforts by Medicaid to recover a portion of injury payments.

"This study highlights the far-reaching impacts of the Affordable Care Act," said Jayne Plunkett, head of casualty reinsurance for Swiss Re, a reinsurance company that sponsored the study. "Businesses and policymakers need to understand how and why their risk profiles might change as the Affordable Care Act is implemented."

More information: The study, "How Will the Affordable Care Act Affect Liability Insurance Costs?" can be found at www.rand.org.

Provided by RAND Corporation

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