

Insurers hike doctors' rates by as much as 57 percent

Law takes away rights of citizens, fails to save doctors money

By Allison Wall

"We've been through some of the worst natural disasters and man-made catastrophes in our history, and had some of the best earnings in the last 20 or 30 years."

Frank W. Nutter, representing the Property and Casualty Association of America.

Well over a year has passed since Gov. Perdue signed Senate Bill 3 into law. Proponents of the bill, including the insurance industry, promised that it would lower the cost of insurance for doctors and hospitals. But that hasn't been the reality.

On the contrary, Senate Bill 3 has limited injured patients' legal options, while having no impact on insurance rates. MAG Mutual, Georgia's largest doctor insurer, has frozen its rates the past two years. And the company increased doctors' premiums by 53.5% between 2002 and 2004, despite a projected 33.1% decline in future payouts to victims. The company claims it doesn't have the money to lower premiums right now, but it holds almost three times the surplus that the National Association of Insurance Commissioners deems adequate.

Other insurance companies have actually increased the cost of coverage for some doctors, nurses and hospitals. Rate filings obtained by Georgia Watch from the Office of the Insurance Commissioner revealed that at least six companies selling insurance to Georgia doctors have increased their

Earnings for the property insurance industry are at an all-time high of \$44.8 billion - up from \$3.05 billion in 2002.

rates - one by as much as 57.5%. These premium increases have had a real affect on hospitals. In April, Elbert

Memorial Hospital closed it's obstetrics unit because of the escalating cost of malpractice insurance. Elbert Memorial is the second rural area hospital to stop delivering babies in recent months. Wills Memorial Hospital in Wilkes County did the same last fall. And, according to health professionals, more rural hospitals are likely to follow suit. Meanwhile, earnings for the property casualty insurance industry are at an all-time high of \$44.8 billion - up from



Grassroots Coordinator Maggie White and former Communications Coordinator Branden Lane teach financial basics to Lockheed Elementary School fourth graders in Doraville.

Establishing our Roots:

Georgia Watch cultivates and educates

By Maggie White

New growth has been a theme for Georgia Watch this year. Like a well-tended garden, hard work and maintenance is paying off for our organization as our roots spread throughout the state.

First, we are happy to report a threefold growth in membership! As more and more families face increasing costs and consumer challenges, many are turning to the state's leading consumer watchdog for help in the areas of personal finance, health care and insurance company abuse.

The media's reliance on Georgia Watch has increased as well. Reporters know that we work for Georgia families - regardless of political preference or economic status.

Coalition of Advocates for Georgia's Elderly continues fight for safety

By Allison Wall

Spend enough time in a Georgia hospital and odds are you will catch an infection that is completely unrelated to your original illness.

The quality of health care delivered in Georgia's hospitals, nursing homes and doctors' offices is one of our state's most pressing concerns. That's why Georgia Watch has worked for two years with AARP Georgia, the Georgia Network to End Sexual Assault and the Coalition of Advocates for Georgia's Elderly (CO-AGE) to raise awareness and support for common sense patient protections.

Meaningful change can't come soon enough. According to the Third Annual Patient Safety in American Hospitals Report, 1.24 million Medicare patients hospitalized from 2002 to 2004 were victims of serious medical mistakes, leading to over 250,000 preventable deaths.

In July, the Institute of Medicine found that more than 1.5 million Americans are injured every year by drug errors in hospitals, nursing homes and doctors' offices. On average, a hospitalized patient is subject to at least one medication error per day.

And one in 20 patients, or about two million each year, contract an infection while in the hospital. At least 90,000 Americans die from hospital-acquired infections every year, according the U.S. Centers for Disease Control.

In Georgia, things are even worse than they are in most other states. The Journal of the American Medical Association has ranked the quality of health care provided in Georgia 47th in the nation. There is no debate: Georgia must do better. Even the medical community will admit that things need to change.

For these reasons and many more, CO-AGE reaffirmed its commitment to patient safety on July 13 at its annual priorities setting meeting at Kennesaw State University. Each year, CO-AGE picks two or three legislative issues – out of 20 or more possibilities – as priority issues for the upcoming legislative session. As they did in 2004, CO-AGE again voted for patient safety as one of the group's two legislative priorities for 2007 and 2008.

Several Georgia Watch supporters attended the meeting, including State Rep. Mike Keown, who came from Coolidge; Dr. Kelly Thrasher and Vic Jones, who came from Macon; and Rita Baker, who came from Warner Robbins.

CO-AGE will continue to work with state lawmakers to pass patient protection bills that will make health care safer for all Georgians, provide more information to health care consumers, and make it easier for people who are injured by medical errors or other misconduct to seek justice.

A patient safety law could bring much-needed accountability to the state's medical industry by reforming the state's medical board, allowing patients to play a role in the complaint and doctor disciplinary process, and by requiring hospitals to publicly report infection rates.

For example, the state's medical board, which hears complaints made against doctors, is made up of almost all doctors – even though federal standards call for at least one-fourth of board members to be non-medical personnel. Also, when a patient files a complaint with the medical board, he or she is not allowed to testify in front of the board or play any part in the board's investigation. These changes at the medical board could level the playing field for patients who largely prefer to have complaints resolved in the open – not in the secrecy of back room, industry-only discussions.

Finally, a patient safety law could give patients much-needed information about where they can receive the best treatment – and could save the state's health care system money. This year South Carolina passed S. 1318, the Hospital Infection Disclosure Act, requiring hospitals to publicly report their infection rates. On average, hospital-acquired infections increase the length of hospital stays up to 30 extra days, costing the U.S. health system approximately \$5 billion and causing substantial, unnecessary pain and illness. South Carolina's new law could dramatically decrease unnecessary hospital stays.

Why can't Georgia do the same?

Georgia Watch and Clark Howard team up against car title lenders

By Coley Ward

When Alicia Lummus took out a \$528 car title loan using her 2001 Chevy Silverado as collateral, she had no idea that she would end up stuck in an endless cycle of debt. Unfortunately for Lummus and thousands of Georgians, title pawns more often lead to financial strife than financial relief. And in Lummus's case, her inability to make sky-high interest payments led a pawnshop to repossess her truck.

Lummus's story illustrates the fundamental inequality that exists between borrowers and lenders in Georgia. In the peach state, title pawn lenders charge interest rates as high as 300 percent annually. Many customers spend months paying only interest, never touching their principle.

WSBTv reporter and nationally syndicated talk show host Clark Howard featured Lummus's story during an April newscast. The report talked about the risks associated with car title loans, the lack of government regulation and the effort being led by Georgia Watch to educate consumers and advocate for meaningful reforms. Georgia Watch's participation in Howard's story highlights the media's expanding relationship with Georgia Watch and the importance of the non-partisan consumer-based information we release.

Be sure to check out the updated Georgia Watch Web site in the near future and listen to what Clark Howard has to say about the risks associated with car title lending.

To view the WSB report log onto <http://www.wsbtv.com/money/8959201/detail.html>

Harvard University Calls Frivolous Lawsuits "Overblown"

By Allison Wall

In May, the New England Journal of Medicine (NEJM) published a study that cast serious doubt on the insurance industry's claims that "frivolous" lawsuits have driven up the cost of malpractice insurance.

Quite simply, the study states, "Portraits of a malpractice system that is stricken with frivolous litigation are overblown." Specifically, the Harvard researchers found that lawsuits involving real evidence of negligence, misconduct or malpractice out-numbered frivolous cases by two to one. In fact, 80 percent of the cases researched in the study involved injuries that caused significant or major disability, or death.

"Some critics have suggested that the malpractice system is inundated with groundless lawsuits, and that whether a plaintiff recovers money is like a random 'lottery,' virtually unrelated to whether the claim has merit," said lead author David Studdert. "These findings cast doubt on that view by showing that most malpractice claims involve medical error and serious injury, and that claims with merit are far more likely to be paid than claims without merit."

Georgia Watch addresses growing crisis of identity theft

By Coley Ward

Identity theft is now the fastest growing crime in America. In 2005, identity thieves victimized over 250,000 Georgians – the ninth highest rate in the country. And once an individual's identity is stolen, it can take months to repair the damage that is done.

The Identity Theft Resource Center reports that on average it takes 330 hours and between \$851 and \$1378 for an individual to repair damage done by identity thieves.

Businesses pay a price, too. Last year there were an estimated 263,000 victims of identity theft in Georgia, at a cost to small and large businesses alike of at least \$2.6 billion.

It's time to do something to protect consumers. Other states have already started. Currently, at least 25 states have passed credit freeze legislation and several other states are considering laws to combat the over 10 million incidents of identity theft occurring each year in the U.S.

The only sure fire way to prevent identity theft is through a credit freeze, which prohibits lenders from reviewing your credit report unless you authorize it, thus pulling the plug on criminals opening accounts with your stolen identity.

Two House bills offered in committee this year would have allowed consumers to freeze their credit, but neither bill received a vote on the House floor. Georgia Watch worked diligently to educate lawmakers about identity theft and credit freeze protection, but faced opposition from several well-financed lobbyists hired by companies such as ChoicePoint.

Until Georgia lawmakers pass a law to fight back at these criminals, you will always be at risk. For more information on how to protect yourself from identity theft go to www.georgiawatch.org.

Working to keep the heat turned on

From the Director's Chair

Allison Wall
Executive Director



Since the founding of Georgia Watch over three years ago, we have worked to focus our time, efforts and resources on important state issues in the areas of health care, personal finance and insurance accountability.

It may have come as a surprise that Georgia Watch took a leading role this winter in a variety of discussions and debates concerning home heating and natural gas. Specifically, we fought to protect the Public Service Commission's adversary staff, for financial assistance for home heating bills, and against the proposed natural gas pipeline from Elba Island.

The not-so-obvious link between each issue and the Georgia Watch mission is cost to consumers. Beginning last fall, the office phones started ringing off the hook with

frantic callers from around the state who were facing gas disconnection and collection notices because they simply could not afford their home heating bill. We heard from folks with bills that ranged from a couple hundred dollars, to over \$1,000.

Governor Perdue's solution to this crisis was to cut the gas tax in half, from four percent to two percent. Per customer, the estimated savings for the entire winter was \$16.00.

This year alone Georgia Watch helped dozens of low-income or elderly families keep their home fires burning by connecting them with government agencies, charities and churches that provided financial assistance for energy costs and weatherization improvements. Unfortunately, some of these people were so desperate to keep warm that they were lured into high-risk, high-cost loans, such as car title loans.

Similarly, Georgia Watch weighed in on proposed changes to the PSC's adversary staff, which is responsible for scrutinizing rate increase requests by regulating energy companies and arguing against increases when the proposals are not reasonable. Eliminating or reducing the autonomy of the consumers' advocate would only offer utilities greater opportunity to price-gouge Georgia's energy consumers, driving more families into debt and, for some, the underworld of predatory lending.

Also, Georgia Watch kept a close eye on major legislation to approve construction by Atlanta Gas Light of a natural gas pipeline from Elba Island that would serve the entire Southeast Region. Predictably, AGL demanded that Georgia consumers foot the bill for this massive infrastructure expansion that, incidentally, would tremendously boost the company's profitability.

The bottom line? Shifting costs to the consumer to benefit a corporation's bottom line is a popular yet dangerous trend that we Watchers expect to see again at the 2007 Georgia General Assembly. Unscrupulous business practices such as this put families at an even greater risk of financial crisis, particularly now when working families are struggling to keep up with increases in the cost of insurance and health care.

So remember, now is the time to lock in your rate because natural gas costs usually take a dip when our home heaters get a break. If you are interested in changing your marketing company, the PSC provides an online "Gas Marketer's Scorecard" that keeps track of each and every complaint made to the PSC about any marketer operating here in Georgia. The scorecard is so easy to use because they break up complaints into basic categories, such as "billing" and "deceptive marketing." You can access the scorecard at www.psc.state.ga.us, under "Consumer Corner."

Harvard continued from page 3

Of the total of 1,452 files reviewed, only 37 lawsuits did not involve any injury at all, and only a handful of those claimants received any compensation from a jury or settlement.

The study, which was conducted by professors at the Harvard School of Public Health and the Harvard Risk Management Foundation, is called "Claims,

Errors, and Compensation Payments in Medical Malpractice Litigation."

It is another chapter in a library of proof that frivolous lawsuits are not clogging the court system. Last fall, John Ashcroft's U.S. Justice Department announced that, from 1985 to 2003, the number of tort trials in America dropped by nearly 80%.

cover story continued from page 1

from \$3.05 billion in 2002. Last fall, the National Association of Insurance Commissioners announced that these insurers held over \$1.3 trillion in assets.

Can we ignore that the timing of these record-breaking profit increases parallel the recent period of skyrocketing rate increases for doctor policy-holders that the American Medical Association has dubbed "the crisis years?"

The silver bullet missed

Even politicians who voted for Senate Bill 3 admit that the silver bullet solution to lowering insurance and health care costs was actually a failure. In the Douglas Daily News, Rep. Chuck Sims (R-Ambrose) claimed that the Medical Association of Georgia was misinformed about tort reform and malpractice insurance and informed physicians that their malpractice insurance would decrease if the legislature passed a tort reform bill. "In fact," said Sims, "it's gone up."

Unfortunately, the cost of insurance is only half the story. Georgia's new law limits what a jury can compensate any victim who proves a medical provider was deliberately negligent – even if the negligence kills a loved one. This one-size-fits-all approach severely affects retirees, veterans, stay-at-home parents and anyone else who does not work or works for very little pay.

Even worse, Senate Bill 3 takes away the rights of patients injured or killed in any of Georgia's emergency rooms because of clear negligence. If there is no access to the court system, there is no access to justice. The ER immunity provision of the law requires patients to prove "gross negligence," which means proving that their medical provider willfully and knowingly mistreated them. This is virtually impossible to prove in an emergency setting, after the fact.

Last year twenty-three year-old Augusta resident Ashlyn Clark went to a local emergency room with abdominal, back, and leg pain. Emergency room nurses clearly documented all of Clark's complaints. However, the emergency room

physician only focused on the back pain. He did not perform a pelvic or abdominal exam and did not take into account Clark's low blood pressure and elevated pulse. Three days later, Clark returned to the emergency room deathly ill. A CT scan indicated a ruptured appendix, but subsequent surgery confirmed that she suffered from a ruptured abscess of the right ovary and tube. She went into multisystem organ failure and died 12 days after the operation. Clark's family tried to find legal representation to hold this doctor accountable, but was unsuccessful.

That is the biggest impact of Senate Bill 3 – it has made it more difficult for families to find legal representation or hold wrong doers accountable. As a result, careless mistakes go unpunished.

Opportunities for reform

Georgia lawmakers have yet to question the insurance companies themselves. Even during the legislature's hearings on Senate Bill 3, neither MAG Mutual nor any other property casualty insurer was questioned about rate hikes, payouts, surpluses, recent windfall profits or their business practices.

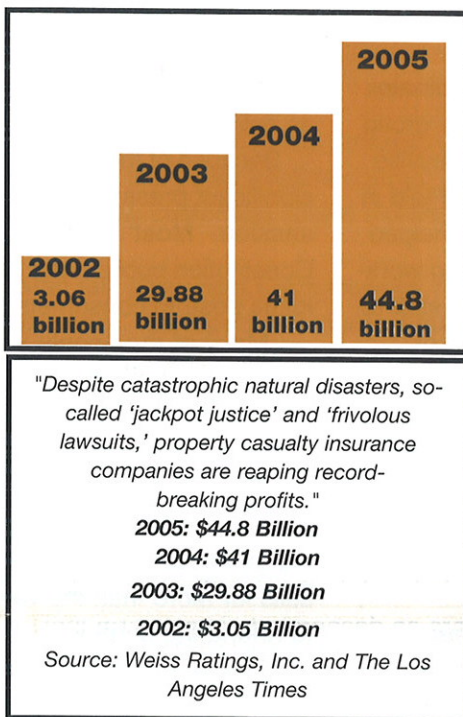
Also, many Georgians do not realize that Insurance Commissioner John Oxendine

accepts campaign contributions from the very companies that he is responsible for regulating. For example, executives at MAG Mutual gave \$3,100 to his re-election campaign between January 2005 and June 2006. Georgia citizens and our health care providers deserve better.

In California, the insurance commissioner is required to hold public hearings on rate increase requests exceeding 15 percent. This sunshine reform, called Proposition 103, has saved California doctors and hospitals over \$60 million in the past three years – in addition to \$75 million in refunds.

How long can Georgia wait for real reform?

Senate Bill 3 locked many Georgia citizens out of the courthouse and left them with no recourse for their injuries. And it created a system where the insurance industry isn't held accountable, and necessary improvements to our state's health care go unrealized. It will take an open debate on insurance accountability and a fresh approach to solve these problems. Georgia doctors and patients deserve nothing less.



Ward named Communications Coordinator

By Maggie White



Coley Ward didn't have much time to get his feet wet.

During his first week as Georgia Watch's communications coordinator, Ward traveled with the group to Fort Stewart in Hinesville and Hunter Army Air Field in Savannah, where he helped lead consumer-training work-

shops. He also traveled with Georgia Watch staff to Kennesaw State University for the Coalition of Advocates for Georgia's Elderly (CO-AGE) annual priority setting meeting.

"It was definitely a trial by fire," Ward said. "But it was exciting trying to learn as much as I could as fast as I could about topics like identity theft and patient safety. I hadn't crammed that much since college."

Actually, Ward, who attended Connecticut College in New London, Conn., spent more time working for his school's student newspaper than he did cramming for tests.

Ward comes to Georgia Watch from Creative Loafing, the state's largest weekly paper, where he worked as a reporter covering politics. Before that, he worked as a production assistant at ESPN's Cold Pizza. He moved to Atlanta two years ago from his hometown of Wallingford, Penn.

"I'm excited to help make Georgia a more consumer-friendly state," Ward said.

As communications coordinator, Ward will be responsible for shaping Georgia Watch's message. He'll be writing media releases, letters to the editor, and articles for the group's Web site and newsletter.

Georgia fails to regulate car title lending

By Danny Orrock

After more than 15 years, it seemed like Georgia lawmakers were finally willing to change the law to protect people from high-risk car title loans. But it didn't happen.

Since Georgia became the first state to sanction the car title loan industry in 1992, lenders have had the authority to charge triple-digit interest on loans up to \$3,000 using a car title as collateral.

Because of these legal business practices, the industry received significant press leading up to the 2006 legislative session. Most notably, in early 2005 the Atlanta Journal-Constitution published a front-page feature on the risks that car title loans pose to consumers.

Many of the people interviewed in the AJC story didn't realize they were on the hook for annual percentage rates (APR) as high as 300 percent. Most car title loans come with high interest payments that often trap borrowers in debt for months or even years. Many borrowers end up losing their cars, because if a payment is just one day late, the borrower's vehicle can be repossessed and sold within 30 days. What's worse, if the vehicle sells for more than the value of the loan, the lender is not required to refund the surplus.

The attention the media gave to car title lending spurred the state legislature to hold hearings in the summer and fall of 2005, and a handful of politicians proposed bills to regulate the industry. House Bill 864 would have forced pawnshops to return surplus funds to the borrower after they had repossessed and sold his or her vehicle. The House Banks and Banking Committee, chaired by Rep. James Mills (R-Gainesville), expanded the bill to require the borrower to make small principal payments beginning in the fourth month. But when HB 864 moved to the House Rules Committee, chaired by Rep. Earl Ehrhart (R-Powder Springs), it was replaced with entirely new language that removed any and all caps on interest rates. Ehrhart's committee would have allowed lenders to charge uncapped interest rates above 300 percent annually.

Uproar ensued, which was magnified by news reports of over \$320,000 in campaign contributions by the industry, including a private jet ride for Rep. Ehrhart. The bill was pulled from consideration.

On the other side of the State Capitol, Sen. Bill Hamrick (R-Carrollton) was committed to moving Senate Bill 535 forward. Although the bill had a number of positive protections for customers, it failed to lower the triple-digit interest rates that car title lenders can charge. When SB 535 moved to the Senate floor, Senator Emanuel Jones (D-Decatur) offered an amendment

Continued on page 7

Roots continued from page 1

Whether they're from the Associated Press, the Atlanta Journal-Constitution, or the Cordele Dispatch, many reporters rely on Georgia Watch for information, expertise and commentary on consumer issues.

But Georgia Watch doesn't just wait for people to come to us. We are committed to taking our pro-consumer message on the road. Last summer we organized a statewide tour, hosting town hall meetings in cities such as Gainesville, Valdosta and Augusta to talk one-on-one with community members about our issues and their consumer complaints.

This summer, Georgia Watch has continued to co-sponsor consumer workshops at military installations around the state. Now more than ever, careful financial planning is important to military families. During recent consumer workshops at Fort Stewart and Hunter Army Air Field, soldiers and the base financial counselors told us that car title lenders, payday lenders and other loan sharks target members of the military, at the expense of national security.

College students are another lucrative target for creditors and predatory lenders. That's why, in conjunction with the Albany District Attorney's office, Georgia Watch co-sponsored a series of consumer workshops on personal money matters and identity theft at Albany State University in December and April.

Georgia Watch also partners with Operation Hope, a national organization that offers basic financial literacy courses to public school students. Through a project called Banking on Our Future, Georgia Watch staff lead class discussions on the fundamentals of personal finance. We are excited about the opportunity to help lay the groundwork for a more stable financial future for Georgia's next generation.

Just as temperatures started to drop last winter, natural gas prices soared. Shocked by triple-digit gas bills, many desperate families sought utility assistance. Calls poured in to the Georgia Watch office and we responded by connecting low-income families and older Georgians with the Public Service Commission and local Community Action Agencies. Some families qualified for one-time assistance. However, a long-term solution is urgently needed. That's why Georgia Watch will continue to advocate for every family's right to have affordable utilities.

As Georgia Watch continues to branch out across the state through educational outreach, opportunities for members abound. If you would like to participate in any of the organization's activities, or if you have outreach ideas, please contact the Georgia Watch office.



Georgia Watch staff with Army Financial counselors at Fort Stewart

Title Lending continued from page 6

to the bill that would have reduced the APR rate to 5% a month after the third loan payment. Unfortunately, his amendment failed and the bill moved to the House with no interest rate reductions.

Again, the House wouldn't act. Sen. Hamrick's bill never received a vote in House committee. The 2006 Georgia General Assembly ended on March 30th with no new consumer protections, another victory for the car title industry.

Georgia Watch is: AWARD-WINNING

- AARP Georgia recognized Georgia Watch with their 2005 Partnership Award.
- The International Academy of Digital Arts and Sciences gave us a 2005 Webby Worthy Award.
- Georgia Trend named Executive Director Allison Wall one of their 2006 Notable Georgians.
- Georgia Informer named Mrs. Wall one of Georgia's 50 Most Influential Women for 2005.

Join, Shop & Give to Support Georgia Watch

Georgia Watch recently joined **Benevolink**, an innovative program that offers an easy way to support the state's leading consumer watchdog year-round, without taking extra money out of your pocket. Through **Benevolink**, you shop for the things you want with over 200 brand name retailers, and generate charitable giving to the causes of your choice. In fact, you could generate more than \$100 or more in a year for Georgia Watch by shopping through *The Marketplace* at **Benevolink**. To learn more and join, visit **www.georgiawatch.org** or **www.benevolink.com**.

Allison Wall

Executive Director

Danny Orrock

Legislative Coordinator

Maggie White

Grassroots Coordinator

Coley Ward

Communications Coordinator

***For questions
regarding "The
Watcher," contact us
by phone at
1-866-33-WATCH or by
email at
georgiawatch@georgiawatch.org***

HELP PROTECT GEORGIA CONSUMERS!

Georgia Watch needs your financial support to continue working on behalf of consumers and families. Please make your tax-deductible donation today. Georgia Watch relies solely on grants and individual donations and never accepts money from corporate interests.

(You may make a secure donation on the web at www.georgiawatch.org)

MAIL TO:

55 Marietta St. Suite 903
Atlanta, GA 30303

Georgia
Watch

