



INSIDE THE BUDGET

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New York City's Escalating Costs for Resolving Lawsuits

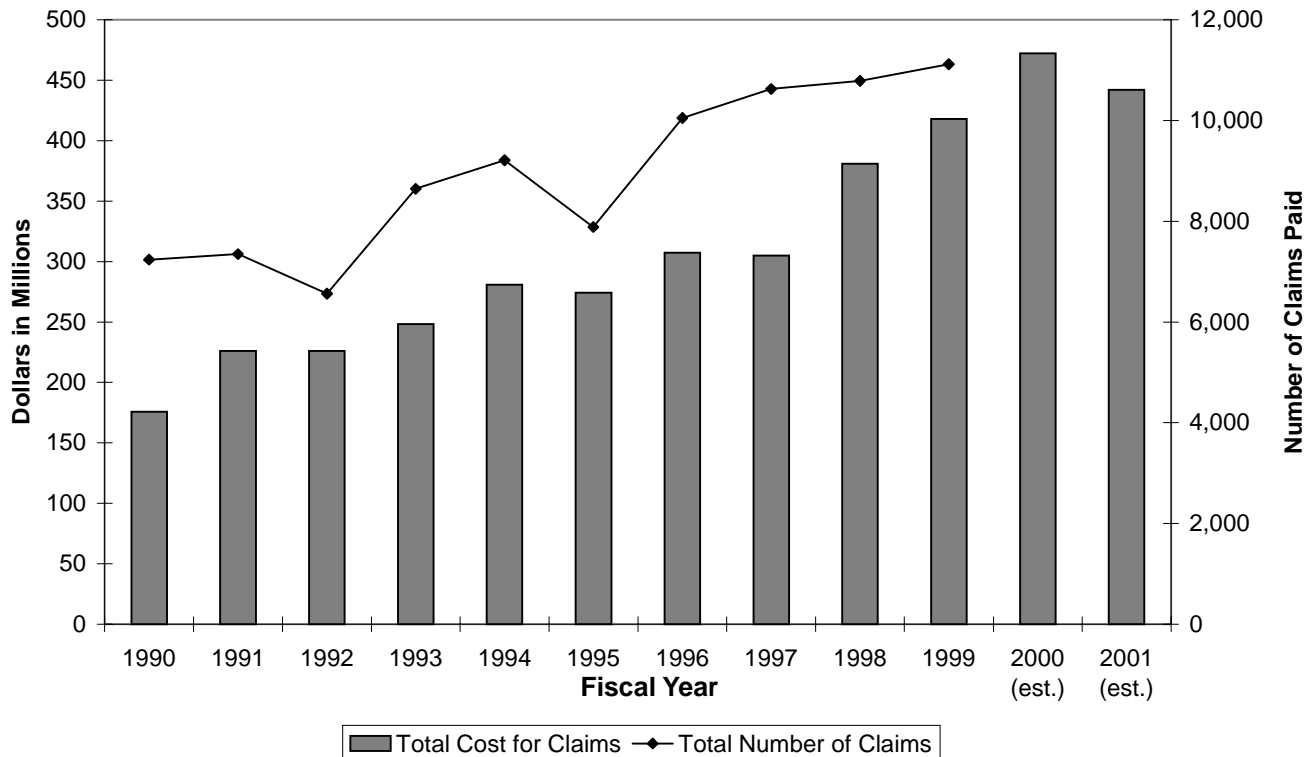
Payments by New York City to resolve lawsuits against the city for property damage, personal injury, and other legal claims more than doubled over the 1990s. In city fiscal year 2000 (July 1, 1999 to June 30, 2000), NYC spent an estimated \$472 million for these claims (through legal judgments and settlements with claimants), compared to \$176 million in 1990, and has budgeted \$442 million for such cases in 2001. For perspective, the 2001 allocation is almost as much as the 2001 November Financial Plan

expenditure forecast for the Department of Homeless Services (\$460 million) and more than twice the 2001 November Financial Plan expenditure forecast for the Department of Parks and Recreation (\$180 million).

The large majority of city spending for judgments and settlements result from personal injury claims, including

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**NYC Judgments & Settlements
Total Cost and Number of Claims, 1990-2001**



SOURCE: IBO; Comptroller's Annual Claims Report

Note: These numbers reflect only cases that have been resolved; there is also a large number of active cases. 1999 is the last year for which detailed data is available at the time of this printing.

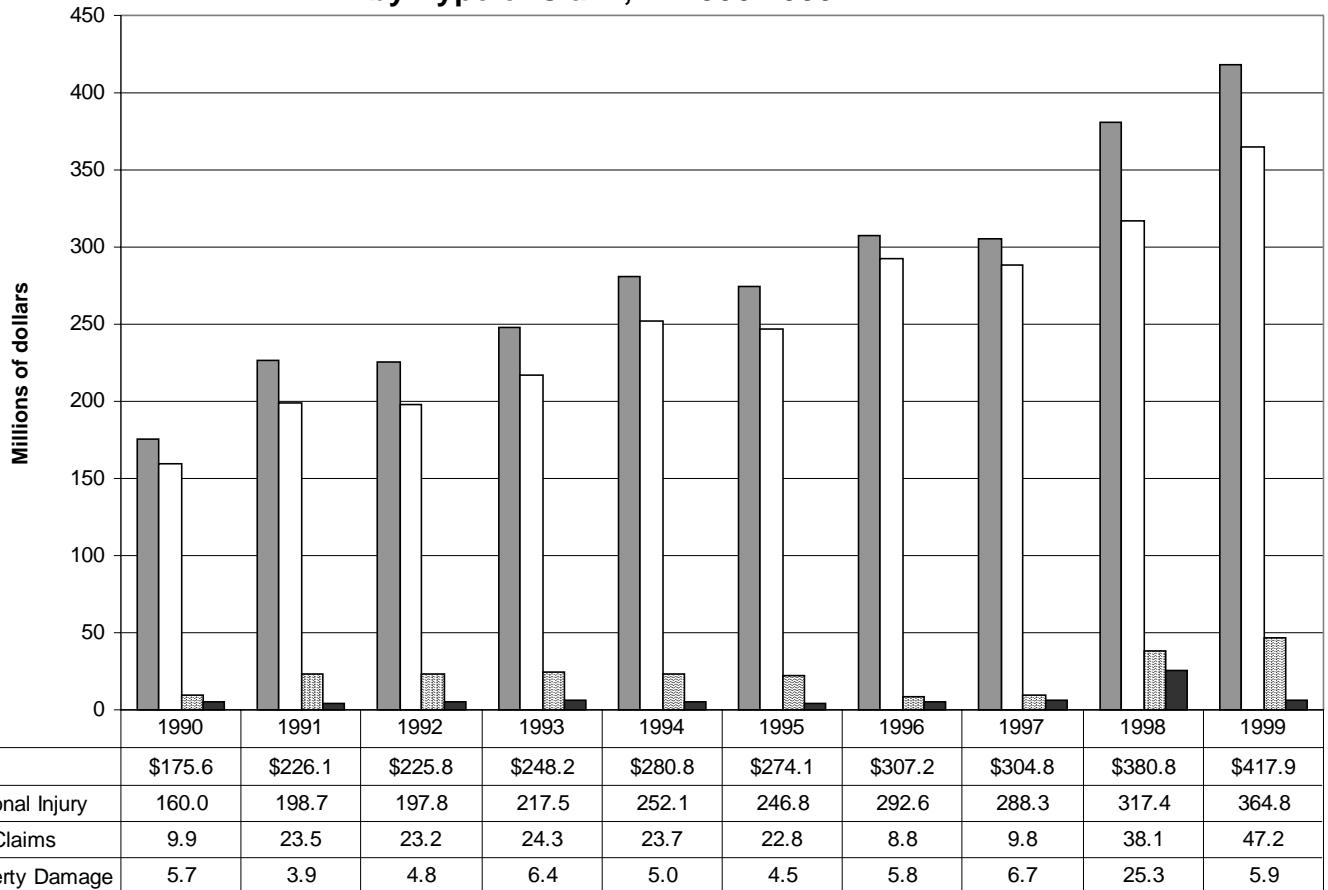
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claims of medical malpractice against the city's Health and Hospitals Corporation (HHC), injuries caused by defective city sidewalks (such as trips and falls), and injuries resulting from police actions. This article provides an overview of expenditure trends for a growing area of city budgetary spending—commonly referred to as "judgments and claims". While this report focuses largely on budgetary

from available budget resources rather than by a third party insurer.

For what types of claims can be the city be held liable? Claims are divided into three main categories—personal injury, property damage, and other legal claims—that are further divided by the specific type of claim.

**NYC Expenditures for Settlements and Judgments
by Type of Claim, FY1990-1999**



SOURCE: IBO; Comptroller's Annual Claims Report

Note: 1999 is the last year for which detailed data is available at the time of this printing.

trends, IBO will continue to analyze these trends in an attempt to gain a broader understanding of the factors driving the spending increases.

Why does the city incur these expenses? Judgment and settlement expenditures reflect costs to the city from personal injury and property damage tort claims—for example, tripping on a broken sidewalk or property damage from a leaky water main—as well as claims resulting from contractual liabilities between city agencies and their contractors or employees. The city incurs these costs because it is self-insured, meaning that claims are paid

Personal injury claims include, for example, medical malpractice, sidewalk trip and fall accidents, motor vehicle accidents, and police actions due primarily to police misconduct. Property damage claims include, for example, vehicles damaged by defective roadways, personal property damage from pedestrian accidents on defective roadways, and personal property damage from leaking or broken water mains or fire hydrants. Other legal claims include contract liabilities relating to city employment, as well as disputes between the city and private contractors.

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What claims are the costliest to the city? Personal injury claims made against the city account for most of the city's expenses for judgments and settlements. In 1999, four categories of personal injury claims accounted for 60 percent of these expenditures: medical malpractice (28 percent), sidewalk trips and falls (14 percent), police actions (10 percent), and motor vehicle accidents (9 percent).

Medical Malpractice. Medical malpractice claims are the costliest to the city. Although the number of medical malpractice claims was less than 5 percent of all personal injury settlement and judgment claims paid during the 1990s, they accounted for over one-third of all personal injury expenditures. While the number of medical malpractice cases that result in payment has increased by almost 50 percent (from 204 claims in 1990 to 297 in 1999), the total cost for these cases has more than doubled over the decade—from \$47 million in 1990 to \$118 million in 1999—an average of nearly \$400,000 per claim. Large medical malpractice settlements and individual judgments of over \$1 million against the Health and Hospitals Corporation (HHC) have had a significant impact on the city's personal injury costs. In 1999, for example, 29 medical malpractice cases were resolved at over \$1 million per claim, for a total of \$71.5 million.

Defective Sidewalks. Fully one-third of all personal injury judgments and settlements against the city are for injuries resulting from defective sidewalks—i.e., trips and falls. Costs related to claims resulting from sidewalk-related injury have nearly doubled over the decade—growing from \$30 million in 1990 to \$57 million in 1999. This increase is generally on par with the number of claims paid, which have more than doubled over the decade (1,249 in 1990 to 2,800 in 1999).

Police Actions. For personal injuries related to police actions, both the number of claims and the costs related to those claims have about tripled over the decade. The number of claims paid increased from 272 in 1990 to 744 in 1999, with associated judgments and settlements of about \$14 million in 1990, growing to \$41 million in 1999. Resolved claims for police action jumped by one-third in 1999, increasing to 744 settlements from 554 in 1998. Associated costs to the city grew from \$28 million to \$41 million.

Motor Vehicles. Similarly, personal injury settlements and judgments and related city costs under the category of motor vehicles have also tripled over the decade. The number of claims paid increased from 317 in 1990 to 1,092 in 1999, with a corresponding increase in the city's costs from about \$13 million in 1990 to \$38 million in 1999.

Tables with more detailed information on the annual cost for judgments and settlements and the number of claims resolved are available on IBO's website. A version in MS Excel is available at <http://www.ibo.nyc.ny.us/iboreports/judgeclaims.xls>. A version in Adobe PDF is available at <http://www.ibo.nyc.ny.us/iboreports/judgeclaims.pdf>.

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