A PRAXISONE PERSPECTIVE

The Hardening Market

The rising price of risk in behavioral healthcare — and why the durable answer is operational, not just an insurance line item.

Executive summary

The cost of risk in behavioral healthcare is rising on every front at once. Liability insurance premiums have climbed for seven consecutive years. Litigation severity is escalating — the average of the nation's fifty largest malpractice verdicts rose from $32 million to $56 million in just two years, and a single behavioral-health negligence case produced a $535 million verdict in 2024. And federal enforcement is intensifying, with the Department of Justice recovering more than $2.9 billion under the False Claims Act in fiscal year 2024 and a coordinated national action targeting $2.75 billion in health care fraud — including addiction-treatment and telehealth schemes. Individually, each is a headwind. Together, they are a *hardening market*: a structural, compounding cost that most organizations underestimate because it arrives disguised as separate line items. This paper maps the three forces — and argues that the durable response is operational: reducing the conditions that generate claims, findings, and losses, not simply buying more coverage to transfer them.

1 Three forces, one direction

A hardening insurance market is one in which the price of transferring risk rises faster than the risk itself: coverage costs more, covers less, and comes with more scrutiny. Behavioral healthcare is now squarely in one — and it is being driven by three forces that happen to be pushing in the same direction at the same time.

The first is **insurance**, where premiums have risen year after year. The second is **litigation**, where the size of the largest verdicts is climbing far faster than inflation. The third is **enforcement**, where federal recoveries and whistleblower filings are at or near record highs. Each is significant alone. What makes this moment different is that they are compounding — and that behavioral health sits at the intersection of all three.

2 Insurance: a seven-year climb

Medical professional liability premiums rose for the seventh consecutive year in 2025 — the longest sustained run of increases since 2005, according to the American Medical Association. In 2024, nearly half of all premiums rose.

49.8%

of medical liability premiums increased year-over-year in 2024 — the highest share since the early 2000s, part of a seven-year run of consecutive annual increases through 2025.

American Medical Association, medical liability premium analysis, 2025

The revealing detail is *why* premiums are climbing. It is not that more people are suing — physician lawsuit frequency actually fell, to 1.8% in 2024 from 2.3% in 2016. Premiums are rising because each claim now costs dramatically more to resolve. This is the signature of a severity-driven market, and it points directly to the second force.

3 Litigation: severity, not frequency

The era of the "nuclear verdict" — a jury award of $10 million or more — has arrived in healthcare, and it is escalating quickly.

$32M → $56M

The average of the nation's top 50 medical malpractice verdicts rose from $32 million (2022) to $48 million (2023) to $56 million (2024). Claims exceeding $2 million have increased more than tenfold since 1990.

The Doctors Company, 2025

Analysts attribute much of this to "social inflation" — shifting juror attitudes, aggressive plaintiff strategies, and third-party litigation financing, the last of which is projected to cost insurers between $13 billion and $25 billion over the next five years. One insurer estimates that inflation alone added roughly $4 billion to medical malpractice losses over the decade ending 2024.

For behavioral health specifically, the exposure is not abstract. In March 2024, an Illinois jury returned a **$535 million verdict** — $60 million in compensatory and $475 million in punitive damages — against a behavioral-health operator after a 13-year-old patient was assaulted at an inpatient facility. What the jury found the facility had failed to do is the part every operator should read closely: *failing to safely house patients*, *provide adequate staffing*, *and properly monitor* an adolescent unit.

Those are not exotic clinical failures. They are operational-visibility failures — the kind that live in the gaps between systems, shifts, and staff, and that are typically assembled, as with any sentinel event, only after the harm is done.

4 Enforcement: behavioral health in the crosshairs

The third force is the federal government. In fiscal year 2024, the Department of Justice recovered more than $2.9 billion through False Claims Act settlements and judgments — roughly $1.68 billion of it from the health care sector. Just as telling as the dollars is the pipeline behind them: close to 1,000 new whistleblower (*qui tam*) lawsuits were filed — the most in history, dwarfing the prior record of 757.

$2.75 billion

> in intended losses was targeted by the June 2024 National Health Care Fraud Enforcement Action, which charged 193 defendants — including $146 million in fraudulent addiction-treatment schemes and telehealth-based prescribing of controlled substances.
>
> *U.S. Department of Justice / HHS-OIG, June 2024*

The signal for behavioral health is unmistakable. Addiction treatment, telehealth prescribing, and medical-necessity documentation are named priorities — and the record volume of whistleblower filings means the people most likely to trigger an investigation are often an organization's own current or former employees. In this environment, the integrity and completeness of documentation is no longer only a quality concern; it carries federal stakes.

5 Why behavioral health is especially exposed

Behavioral health does not merely participate in these trends — it concentrates them. Its patients are high-acuity and often vulnerable. Its environments are safety-sensitive, with elevated rates of self-harm and violence. Its documentation and consent obligations are unusually complex, layering 42 CFR Part 2 on top of HIPAA. Its telehealth footprint expanded rapidly and is now under direct scrutiny. And it is doing all of this amid a severe workforce shortage that thins the very oversight these risks demand.

The result is that the same conditions which create *clinical* risk — fragmented information, thin staffing, missed monitoring — are precisely the conditions that create *litigation* and *compliance* risk. They are one problem wearing three costumes.

6 You cannot insure your way out of a structural problem

Faced with a hardening market, the instinct is to manage the insurance line: shop the policy, adjust the retention, absorb the increase. That is necessary — and insufficient. Insurance *transfers* cost; it does not *reduce* it. In a hardening market, the price of that transfer rises every year, and the coverage behind it narrows.

The durable lever is operational: reduce the conditions that generate claims, findings, and losses in the first place. In practice that means real-time visibility into the safety conditions on a unit; documentation that is complete, timely, and defensible; continuous monitoring rather than periodic audit; and governance and quality improvement (QAPI) an organization can actually demonstrate, not just point to in a binder. The failures that produced the verdict in Section 3 — housing, staffing, monitoring — are exactly the operational gaps this kind of visibility is built to close, while a human remains in control of every decision.

7 Questions every board should be asking

A hardening market is ultimately a governance question. Boards and owners can pressure-test their exposure with a short set of operational questions:

- Do we have **real-time visibility** into the safety conditions on our units — or do we learn about gaps only after an incident report?
- Is our **documentation** complete, timely, and defensible enough to withstand both litigation discovery and a federal audit?

- Can we **demonstrate** active governance and QAPI as a continuous discipline — not a periodic scramble before a survey?
- Do we know where our **staffing and monitoring gaps** are *before* they become the facts of a lawsuit?
- Are we treating risk as an **operational discipline**, or only as an insurance renewal?

8 The market will not soften on its own

The forces driving this are structural, not cyclical. Social inflation, record enforcement, and a strained workforce are not going to reverse on their own, and coverage will keep costing more. The organizations that protect their patients and their staff — and, for those accountable to owners and investors, protect their enterprise value — will be the ones that stop treating risk as something to be transferred at renewal and start treating it as something to be reduced at the source.

In a hardening market, every dollar of risk avoided is a dollar that stays inside the organization. That is not a promise of a particular outcome; it is simply where the math leads.

About PraxisOne

PraxisOne is the operating intelligence layer for behavioral healthcare. We connect the clinical, operational, and behavioral signals that already exist across an organization's environment, identify what requires attention, and turn intelligence into accountable, auditable action — with human oversight at every step. Our platform, Haleux, is delivered through Haleux Care, which brings governance to the front line of patient care and documentation, and Haleux Assure, which operationalizes QAPI as a continuous, evidence-backed discipline.

To discuss how operational risk reduction could work in your environment, visit **praxisoneinc.com** or request a demonstration.

References

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