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PIAA Comments on Benefits of Medical Liability Reforms

States See Greater Access to Care, Lower Healthcare Costs and MPL Insurance Rates from Reforms

Rockville, MD (October 23, 2014) – PIAA, the trade association representing the medical professional liability (MPL) insurance community, commented today on the benefits of medical liability reforms for patients and the healthcare system in light of a study recently published in the New England Journal of Medicine, which concluded that a specific reform measure implemented in three states had little impact on the practices of emergency physicians.

“There is compelling evidence that many state reforms have successfully lowered healthcare expenses and increased the number of practicing healthcare professionals—both primary care and much needed specialists—while reducing litigation and lowering MPL premiums” stated Brian K. Atchinson, president and CEO, PIAA. “Laws such as those in Texas and California that include unlimited payment for past, present, and future lost wages and medical care and establish limits on non-economic damages, help improve the liability climate for those who provide healthcare to the nation’s patients.”

In 2003, Texas voters approved Proposition 12, a constitutional amendment that affirmed the Legislature’s authority to set damage caps in healthcare lawsuits. “Since the passage of Proposition 12, the Texas Medical Board reported that 50 Texas counties (40 rural) gained their first emergency medicine physician,” Atchinson said. “The Austin American Statesman reported that Texas Department of Insurance data shows MPL claims, including lawsuits, resolved in a year were reduced by nearly two-thirds between 2003 and 2011. And the Texas Medical Association reported that since 2003, the state has licensed more than 28,000 new physicians—approximately 770 more than the yearly average in the nine years prior to the law capping damages. Texas is a good example of the benefits of meaningful reform to a liability system.”

In 1975, California enacted the Medical Injury Compensation Reform Act (MICRA) in response to rising medical liability payouts and an exodus of healthcare providers from the state. “The result of the 1975 California legislative agreement signed into law by Governor Jerry Brown has been stable insurance rates, faster resolution of claims, and ongoing access to quality healthcare,” stated Atchinson. “The facts are clear: In California, effective MPL reforms have kept down costs, saving consumers and taxpayers money. The independent, non-partisan California Legislative Analyst’s Office estimates that undoing long-standing reforms in California would increase healthcare costs for state and local governments by ‘tens of millions of dollars to several hundred million dollars annually.’ And a study by a former Legislative Analyst indicates the total cost of undoing these reforms would be $9.9 billion annually or more than $1,000 each year for a family of four.”

This is just one of the reasons that a coalition of organizations including the California Chapters of the ACLU, NAACP, Planned Parenthood, the California Teachers Association, and many others has united to defeat a proposal which would, among other things, undo MICRA’s cap on non-economic damages.

Atchinson further commented on the practice of defensive medicine: “Defensive medicine exhausts precious healthcare resources and drives up costs for all Americans. More than 90% of physicians say they have ordered
additional tests and procedures because of the fear of litigation. In addition, while estimates vary, the cost of defensive medicine has been reported to be between $46 billion—by the Harvard School of Public Health—and $260 billion—by PriceWaterhouseCoopers—annually.”

“Erskine Bowles, Co-Chair, National Commission of Fiscal Responsibility said it best in 2012 when discussing defensive medicine,” noted Atchinson. “Bowles said: ‘Anybody who doesn’t believe that doctors and hospitals practice defensive medicine, you’re crazy. And therefore we ought to have real tort reform, real malpractice reform. We can’t afford to have the doctors practicing defensive medicine.’”

“In states without medical liability reform, the system costs too much, takes too long, and threatens patient access to quality medical care,” stated Atchinson. “Medical liability reform can help cure these ills. There is a growing consensus that reform is necessary in order to ensure the nation’s resources are directed toward providing care to patients.”

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PIAA is the trade association representing medical professional liability insurance companies, risk retention groups, captives, trusts, and other entities. PIAA members insure more than two-thirds of America’s private practicing physicians and 3,000 hospitals, as well as dentists, nurses, nurse practitioners, and other healthcare professionals.