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PIAA Praises Study from Health Affairs on Impact of Medical Liability Damage Caps

New Data Analysis Shows Noneconomic Damage Caps Reduce Costs

Rockville, MD (October 24, 2014) – PIAA, the nation’s leading association representing the medical professional liability (MPL) insurance community with a commitment to the quality delivery of healthcare, commented today on a new study supported by the RAND Institute for Civil Justice, the National Institute on Aging, and the National Institutes of Health and released by Health Affairs. The study examined the impact of medical liability reforms—specifically, noneconomic damage caps—on the average size of MPL claim payments, and also compared how the impact differs according to the dollar amount of the cap.

“This study sheds critical light on the fact that MPL reforms work well in keeping costs down and promoting greater access to healthcare,” stated Brian K. Atchinson, president and CEO, PIAA. “In states without medical liability reform, the healthcare system is excessively expensive. Sensible reforms like a $250,000 cap on noneconomic damages are necessary to ensure that our healthcare resources are directed toward providing care to patients.”

“We found that, overall, noneconomic damage caps reduced average payments by $42,980 (15 percent), compared to having no cap at all,” stated the study authors. “A $250,000 cap reduced average payments by $59,331 (20 percent), and a $500,000 cap had no significant effect, compared to no cap at all.”

Among the researcher’s conclusions:

- The moderation in nationwide MPL claim payments coincided with the implementation of MPL reforms. “The national average payment stabilization appears to coincide with increases in the number of states with noneconomic damage caps in 2003,” said the study authors.
- The findings are relevant to ongoing policy debates about the size of noneconomic damage caps. According to the study authors, “A proposed ballot initiative in California would raise the noneconomic damages cap from $250,000 to $1.1 million. This would exceed the typical policy limit… and would effectively eliminate the cap for the majority of cases.”
- Noneconomic damage caps are particularly effective for medical specialties with high average-payment sizes, such as pediatrics and obstetrics.

Data for the study were obtained from the PIAA Data Sharing Project (DSP), the largest ongoing, independent, MPL claims database. The DSP was essential to this new, more focused, and detailed analysis. Researchers analyzed more than 200,000 claims, which represent approximately one-fourth of medical liability claims in the United States.

“We need to continue our work in supporting an environment that allows physicians and other healthcare providers to practice the best possible medicine in the interests of their patients,” said Atchinson. “Noneconomic damage caps of $250,000, such as those contained in the landmark California MICRA reforms, are critical to improving the liability climate for those who provide healthcare.”

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PIAA is the nation’s leading association representing medical professional liability insurance companies, risk retention groups, captives, trusts, and other entities with a commitment to the quality delivery of healthcare. 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.