

CBO: Medical Malpractice Reforms Could Save Up to \$54 Billion **Washington Post**

By Lori Montgomery
October 9, 2009

Lawmakers could save as much as \$54 billion over the next decade by imposing an array of new limits on medical malpractice lawsuits, congressional budget analysts said today -- a substantial sum that could help cover the cost of President Obama's overhaul of the nation's health system.

New research shows that legal reforms would not only lower malpractice insurance premiums for medical providers, but would also spur providers to save money by ordering fewer tests and procedures aimed primarily at defending their decisions in court, Douglas Elmendorf, director of the nonpartisan Congressional Budget Office, wrote in a letter to Sen. Orrin Hatch (R-Utah).

The CBO report gives a political boost to Republican arguments that any health care package should include substantive limits on malpractice lawsuits, rather than the ill-defined state pilot projects Obama has championed.

"These numbers show that this problem deserves more than lip service from policy-makers," Hatch said in a written statement. "Unfortunately, up to now, that has been all the president and his Democratic allies in Congress have been willing to provide."

The CBO had previously concluded that legal reforms would have a less significant impact on health spending. But "on the basis of newly available research," Elmendorf wrote, "CBO has updated its analysis of the effects of tort reform to include not only direct savings from lower premiums for medical liability insurance but also indirect savings from reduced utilization of health care services...."

"CBO now estimates, on the basis of an analysis incorporating the results of recent research, that if a package of proposals ... was enacted, it would reduce total national health care spending by about 0.5 percent (about \$11 billion in 2009)."

The federal government would reap a substantial portion of those savings, primarily in reduced Medicare spending, the letter says. Meanwhile, the government would also stand to collect more taxes as money previously directed to health care shifted into workers' wages.

Savings would depend on the shape of reforms enacted, Elmendorf wrote. For today's report, the CBO examined several recent proposals, including a \$250,000 cap on damages for pain and suffering, a \$500,000 cap on punitive damages and deadline of one year for adults and three years for children to file suit after a medical injury.