

Texas Hospitals Reinvesting Savings from Medical Liability Reform

THA survey shows patients benefit from more specialists, expanded services

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AUSTIN (Sept. 10, 2008) – Five years after the implementation of sweeping medical liability reforms, Texas hospitals continue to experience major reductions in their liability costs and to reinvest their savings in programs that benefit patients and their communities.

“Patients are the ultimate beneficiaries of the tort reform measures passed in 2003,” said Dan Stultz, M.D., FACP, FACHE, president/CEO of the Texas Hospital Association. “It’s clear that hospitals are able to attract more specialty physicians and offer new or expanded services that have enhanced patients’ access to care and saved lives.”

A survey conducted by THA in July found that 85 percent of hospitals are finding it easier to recruit medical specialists and subspecialists, and 69 percent of respondents had maintained or expanded services because of declining hospital liability costs. THA’s survey found numerous examples of how hospitals are reinvesting in programs that benefit patients:

- A hospital in Victoria was able to enhance its emergency room coverage and maintain its designation as a Level III trauma center.
- A children’s hospital in Houston implemented a new high-risk obstetrics program, recruiting several key specialists from out-of-state. This same facility has invested millions of dollars from its liability premium savings to expand patient safety programs and quality improvement initiatives.
- In College Station, a hospital opened the first neonatal intensive care unit within 100 miles. Fragile newborns and their parents – who once had to travel to Houston to receive such care – now can receive highly specialized services close to home. This same hospital also recruited several pulmonologists to the community.
- A major referral center in Abilene recruited a neurosurgeon, enabling West Texas residents to receive urgent, life-saving treatment in the region – a major plus in trauma cases, where timely treatment can mean the difference between life or death.
- A health system in Central Texas expanded its children’s hospital, adding a number of specialists, and enhancing the capacity of its emergency room and clinics that serve the uninsured.

On average, hospital professional liability insurance premiums and reserves have dropped significantly – especially for those facilities affiliated with a larger hospital system. The 109 hospitals that provided premium information on THA’s survey cited a total decrease in annual hospital liability premiums of more than \$100 million between 2003 and the most recent year reported (2008-2009). In several instances, these savings were realized at the same time coverage limits doubled or even tripled. According to THA’s survey, hospitals are using the savings for a variety of initiatives:

- 58 percent of hospitals have used their reduced liability insurance coverage costs to expand patient safety programs.

- 51 percent of hospitals have used the savings to maintain/expand coverage or services for uninsured/underinsured patients.
- 46 percent of hospitals have used the savings to subsidize various governmental payment shortfalls (e.g., Medicaid).
- 41 percent of hospitals have used their reduced liability insurance coverage costs to meet monthly obligations, improve salaries for nursing personnel, maintain/increase nurse staffing levels, or maintain/expand staff educational opportunities.
- 39 percent of hospitals have used their savings to maintain, update or add new medical equipment in radiology, the laboratory or pharmacy.
- 37 percent of hospitals have used their reduced liability coverage costs to establish/increase payments to on-call physicians or expand/update the facility's physical plant.

“The 2003 reforms passed by the Texas Legislature were in response to an increasingly litigious environment that caused hospital and physician professional liability premiums to skyrocket,” said Stultz, a physician and former health system administrator. “Many doctors were leaving the state or cutting back on services, and hospitals had difficulty recruiting specialists and providing adequate coverage in emergency rooms.”

The Legislature imposed a \$750,000 cap (\$250,000 for physicians, \$250,000 for the first hospital/health care facility and \$250,000 for any additional facilities) on judgments for noneconomic damages – such as emotional distress – in health care liability cases. There is no cap on actual damages such as loss of income or medical expenses. The cap was effective Sept. 1, 2003, and Texas voters approved Proposition 12 in a statewide constitutional election held Sept. 13 of that year, ratifying the Texas Legislature's authority to adopt the caps.

“The current caps place a reasonable limit on the amount of noneconomic or subjective damages that can be awarded in health care lawsuits, while still ensuring that plaintiffs can be fully compensated for their economic losses and medical care,” said Stultz. “Texas voters approved these measures for one key reason – to improve access to health care services. THA's survey results prove that medical liability reform is working...and that Texans are reaping the benefits.”

Survey Details

In July 2008, the Texas Hospital Association requested hospitals and health systems to complete a survey designed to measure the impact of medical liability reform. Responses came from 10 health care systems and 10 independent hospitals, representing 176 facilities and more than 31,000 licensed beds – approximately 55 percent of the private medical-surgical hospitals in Texas.

Editor's note: Two charts are available for your reference. Please contact Amanda Engler (512/465-1026 or 512/517-1133) for regional information or to arrange interviews with hospitals in your area.

About the Texas Hospital Association

Founded in 1930, the Texas Hospital Association is the leadership organization and principal advocate for the state's hospitals and health care systems. Based in Austin, THA enhances its members' abilities to improve accessibility, quality and cost-effectiveness of health care for all Texans. One of the largest hospital associations in the country, THA represents more than 85 percent of the state's hospitals and health care systems, which employ some 340,000 health care professionals statewide. To learn more, visit www.texashospitalsonline.org.