# REFORM THE MEDICAL LIABILITY SYSTEM

*Multi-Agency*

The Budget proposes to reform medical liability beginning in 2018. The reforms are expected to reduce healthcare costs and health insurance premiums by reducing medical liability insurance premiums and defensive medicine. Under this proposal, Federal health program costs would decrease (including in Medicare, Medicaid, Exchange subsidies, and the Federal Employee Health Benefits Program) and taxable income and payroll tax receipts would increase.

**Funding Summary**
(In millions of dollars)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2018-22 | 2018-27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Proposed Change from Current Law | -179 | -1,097 | -1,928 | -3,308 | -4,827 | -6,541 | -8,082 | -9,114 | -9,642 | -10,295 | -11,339 | -55,013 |

**Justification**

The current medical liability system does not work for patients or providers, nor does it promote high quality, evidence-based care. Providers practice with a threat of potentially frivolous lawsuits, and injured patients often do not receive just compensation for their injuries. The Budget proposes to reform medical liability and reduce defensive medicine beginning in 2018 by implementing a set of provisions to reduce the number of high dollar awards, limit liability, reduce provider burden, promote evidence-based practices, and strengthen the physician-patient relationship. Specifically, the Budget's proposals include, among others: a cap on non-economic damage awards of $250,000 (increasing with inflation over time); a three-year statute of limitations, allowing courts to modify attorney's fee arrangements, allowing evidence of a claimant's income from other sources (e.g., workers' compensation, auto insurance) to be introduced at trial, creating a safe harbor for clinicians following evidence-based clinical practice guidelines; and authorizing the Secretary to provide guidance to States to create expert panels and administrative health care tribunals to review medical liability cases. These proposals align with the Administration's priorities for reforming the health system.