

CALIFORNIA'S MICRA REFORMS:
INCREASING THE CAP ON NON-ECONOMIC DAMAGES WOULD INCREASE
THE COST OF, AND REDUCE ACCESS TO, HEALTHCARE

SUMMARY OF FINDINGS

The evidence shows that California's landmark healthcare liability reform law, the Medical Injury Compensation Reform Act (MICRA), has been successful in carrying out the Legislature's goal: **to improve Californians' access to high-quality healthcare by holding down costs, while preserving access to the courts for those who may have experienced medical malpractice.**

MICRA does not limit in any way awards for economic damages. The law's success stems from its \$250,000 ceiling on awards for *non-economic* damages. This ceiling has successfully:

- **controlled and stabilized medical malpractice insurance costs** by reducing the incentive to litigate non-meritorious claims, and by limiting awards to plaintiffs seeking multi-million dollar judgments;
- **discouraged unnecessary medical procedures** that inflate the cost of healthcare without improving outcomes;
- **improved access to high-quality care** by holding down the rate of increase in medical costs and health insurance premiums; and
- **maintained Californians' ability to obtain care** from well-qualified specialists and community hospitals by moderating the incentive for providers to leave the state, cease operations, or refuse to accept high-risk patients.

Some groups are seeking an increase to MICRA's \$250,000 cap on non-economic damages. When considering their proposals, the Legislature should take into account the likely impact of a higher cap on four groups of Californians:

- Workers**, who will have to pay more for healthcare coverage, as employers share the increased cost of health insurance with their employees.
- Lower-income families**, who will have greater difficulty affording health insurance and medical care as the costs associated with the medical malpractice tort system increase.
- Taxpayers**, who will have to bear the rising cost of providing for the healthcare needs of uninsured families and individuals.
- Patients** seeking medical treatment where the risk of unfavorable outcomes is significant (for example, obstetrics), because physicians and hospitals will be less willing to assume the risks that accompany such procedures.

This analysis concludes that an increase in the MICRA cap to \$500,000 would increase healthcare costs in California by at least \$6.5 billion a year. Such an increase would exacerbate the problem of inadequate health insurance coverage for California residents.

The analysis finds no evidence that the MICRA cap has prevented individuals with valid malpractice claims from retaining lawyers to represent them in their efforts to obtain compensation for their losses.

- The average number of malpractice lawsuits filed per 1,000 Californians during the past seven years is 22% *higher* than the average number filed during the seven years preceding MICRA's enactment.
- During the past 10 years, the number of malpractice suits filed per insured doctor is 39% *higher* in California than in all other states.

Accordingly, the benefits yielded by MICRA, in terms of lower costs and greater access to health care, have been secured without reducing access to the legal system for individuals with malpractice claims.