

## **School of Public Health at Johns Hopkins Concludes Cost of Defending Malpractice Claims 0.46 Percent of Total Healthcare Spending**

According to Gerard Anderson, a Professor in the Department of Health Policy and Management at the Johns Hopkins Bloomberg School of Public Health, U.S. citizens spent \$5,267 per capita for health care in 2002, 53 percent more than any other country. The cost of defending U.S. malpractice claims is estimated at only 0.46 percent of total health care spending. The health care study conducted by health care professionals concludes that the two most important reasons for higher U.S. spending are higher incomes and higher medical care prices.

The United States pays higher prices in other countries for pharmaceuticals, hospital stays, and physician visits. The average cost of a hospital day in the United States in 2002 was \$2,434, compared with \$870 in Canada and even less in other industrialized countries.

Part of the difference, according to the researchers, can be explained by higher U.S. incomes and cost of living. However, even after adjusting for each country's per capita gross domestic product, United States health care spending is still \$2,037 higher than the predicted value.

The Johns Hopkins paper concluded that neither population, aging, nor administrative complexity explains the higher levels of U.S. health spending.

Other industrialized countries rely on supply constraints to control health spending. In contrast, the United States relies on demand-side policies. Supply constraints include limiting the number of hospital beds that can be built, controls on the diffusion of medical technology, limits on the number of physicians, limits on what specialties physicians could enter, and drug formularies. The United States has none of these limitations.

Medical malpractice litigation is frequently cited as a reason for higher U.S. health care spending. Average payment per settlement or judgment among similar countries showed that only Australia had a lower figure than the United States. In Canada and the United Kingdom, payouts are higher. Perhaps most interesting was the average annual real growth in total payments between 1997 and 2001. In the United States, that growth rate was 5 percent, but in Canada it was 20 percent, in Australia 28 percent, and in the United Kingdom 10 percent.

The report stated: "While U.S. media and public contention are focused on multi-million dollar awards at the upper end of the range, the average was actually smaller than in Canada and the United Kingdom in 2001."

The researchers at Johns Hopkins could not support the contention that so-called "defensive medicine" had anything to do with high health care costs in the United States.

"Insurance market dynamics and investment return rates also affect malpractice insurance premiums." The authors of the Johns Hopkins paper looked at insurance markets in different countries.

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