

The Oregon Defensive Medicine Study

Policy Brief

OVERVIEW

This brief summarizes results from a study of defensive medicine in Oregon commissioned by the Oregon Health Authority (OHA), pursuant to a legislative mandate in Section 16 of House Bill 3650 (2011), also known as the Health Care Transformation bill. The study's purpose was to estimate the costs of defensive medicine in Oregon, and to estimate the prevalence and costs associated with overutilization and unnecessary care. Two independent researchers -- Bill J Wright, PhD from the *Center for Outcomes Research & Education* at Providence Health & Services and Katherine Baicker, PhD from the *Harvard School of Public Health* -- conducted the study.

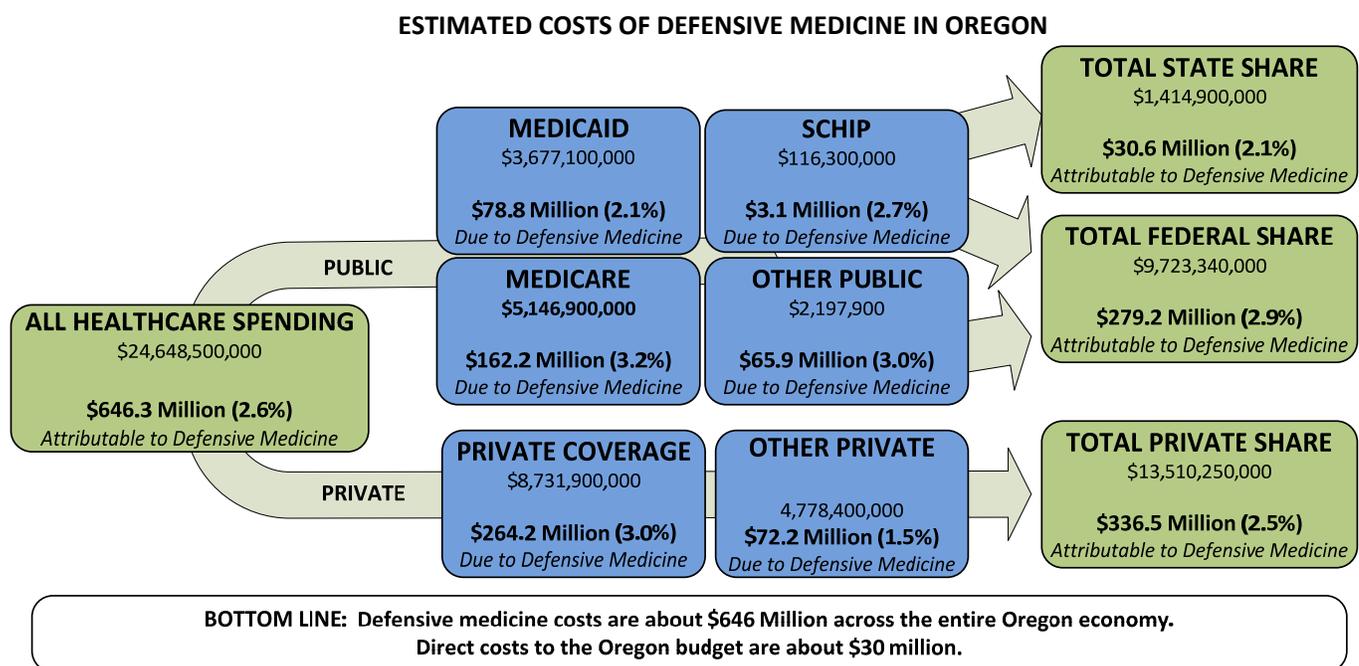
APPROACH

Two distinct approaches were taken to meet the project's objectives.

- **MEDICAL EXPENDITURES DATA:** To estimate total defensive medicine costs, we took the best estimates from the health economics literature about how much of different types of healthcare spending might be attributable to defensive medicine and applied them to Oregon healthcare expenditures data.
- **PHYSICIAN SURVEYS:** We fielded a statewide survey of 2,600 actively practicing physicians in Oregon. We used survey results to produce estimates on the prevalence of unnecessary care within different types of healthcare services, then generated estimates of the cost associated with each type of care.

KEY FINDING #1: COSTS OF DEFENSIVE MEDICINE IN OREGON

Our analysis of Oregon health expenditures data suggests that annually, approximately **\$650 million** in healthcare spending – or about 2.6% of total healthcare spending in Oregon – may be attributable to defensive medicine. Just under half (\$310 million) is through public programs, with most of that accounted for by Federal spending through Medicare and the Federal share of CHIP and Medicaid. The direct impact on Oregon's budget is about **\$31 million**.



LIKELY IMPACTS OF REFORM: We also estimated the potential savings to Oregon's budget of "direct reform" options, such as caps on non-economic damages. We estimate that such reforms might save the Oregon budget about **\$20 million**.

KEY FINDING #2: PREVALENCE & COST DRIVERS OF DEFENSIVE MEDICINE

Our analysis of the prevalence of defensive medicine in Oregon relied on a survey of 2,600 active Oregon physicians. We used a “count based” approach to assessing prevalence – physicians were given a list of procedures often associated with defensive practice and asked to count how many had they ordered in their last full month of work, then estimate how many of the orders were for medically unnecessary care. We used those results to estimate the total annual number of “unnecessary” orders for each type of care, and then multiplied the result by the average cost of each procedure to estimate the total costs associated with each type of overutilization. We combined similar procedures into broad categories and produced the following overutilization estimates:

Type of Service	Overutilization Rate	Associated Costs	Percent of Associated Costs
Imaging (X-Rays, CT scans, MRI, Ultrasounds)	16.2%	\$141.0 M	19%
Laboratory Tests (CBC, Chem profile, etc)	13.9%	\$24.5 M	3%
Specialist referrals or consults	17.2%	\$27.3 M	4%
Hospital admissions	8.2%	\$552.7 M	74%
TOTAL OVERUTILIZATION & COSTS	13.9%	\$745.6 M	100%

The total cost estimates we produced using our survey data differed slightly from our estimates based on health expenditures data (\$745 million vs. 646 million). The two approaches are not directly comparable because they use fundamentally different methodologies; however, they actually yield quite complementary results: as a percentage of total healthcare spending, the estimates fall within less than .05% of each other (2.6% vs. 3.0% of total spending).

ASSESSING THE SUBJECTIVITY OF DATA

Our analysis of the total costs of defensive medicine used objective data on Oregon healthcare expenditures. However, we used surveys to produce our overutilization estimates, and survey responses can be notoriously subjective depending on the context within which questions are asked. We wanted to ensure our estimates of overutilization were as scientifically valid as possible, so we embedded an experimental design into our assessment of overutilization rates in Oregon. This experiment, described in our report, allowed us to essentially assess the degree of subjectivity present in the estimates of overutilization drawn from our survey results. We ultimately found that our approach yielded highly reliable results.

KEY TAKEAWAYS

Our surveys of Oregon physicians suggest that, within the most common categories of care usually associated with defensive practice, as many as **14% of physician orders may be medically unnecessary**. Our analysis of expenditures data suggests that an estimated **\$650 million** in total costs of care may be attributable to defensive medicine statewide, though most of these costs flow through private insurers or federal payments; the Oregon state budget’s share is about **\$31 million**. Both analyses agree that **unnecessary care in hospital settings** is the most important driver of defensive medicine costs, accounting for 74% of costs associated with overutilization.

The costs of defensive medicine should not be seen as entirely “recapturable.” Not all unnecessary care can be attributed to the malpractice environment, and no known malpractice reform scenario would reduce defensive medicine to zero. Applying the best available estimates on the likely savings of direct malpractice reforms (such as damage caps) to Oregon expenditures data suggests that such reforms might reduce total healthcare expenditures by **\$345 million** across the entire Oregon economy. However, most of that reduction would fall under federal or private expenditures – **direct savings to Oregon’s budget would be an estimated \$20 million**.

CONTACT

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