March 23 marks the third anniversary of the passage of the most controversial legislation in a generation, the Affordable Care Act, better known as ObamaCare. As the federal law moves toward a more thorough implementation next year, states are grappling with the costs and obligations imposed on them, such as the need to establish health-insurance "exchanges" where low-income workers can obtain coverage.

Some states are also searching for ways, outside the scope of ObamaCare, to improve health care and lower costs. A promising idea that is gaining traction is to completely overhaul medical malpractice by kicking it out of courtrooms. Two states leading the way are Georgia and Florida, where lawmakers are considering repealing their medical tort system and replacing it with a medical-compensation board similar to those used for workers' compensation. Bills for the Patients' Compensation System have been introduced in both states.

Getting rid of the entrenched malpractice system could have a major impact on health-care spending because one of the biggest cost drivers is "defensive medicine." Doctors tend to prescribe more tests and medicines and specialist referrals than necessary, all in an effort to protect themselves against malpractice accusations in the event that something goes wrong.

Defensive medicine occurs every day in doctors' offices and hospitals. We all pay for it with higher insurance premiums and larger out-of-pocket expenses.

Gallup surveyed doctors in 2010 just as President Obama was pushing the Affordable Care Act. The survey found that one in four health-care dollars spent in the U.S. can be attributed to the routine practice of defensive medicine. According to the independent health-care-economics firm BioScience Valuation, the annual cost of defensive medicine in America today exceeds $480 billion.

The Patients' Compensation System, or PCS, being studied in Georgia and Florida is a no-fault, administrative model for addressing medical injuries. Patients unhappy with their care would file a claim to a panel of health-care experts. If the panel found that a medical injury had occurred, the injured person would be compensated. Without the involvement of the current adversarial legal system—in which cases often drag on for years, only to be settled out of court—payments to the injured would come much faster, mostly likely in a matter of months.

The benefits of this system to taxpayers and patients would be enormous. According to BioScience Valuation, if the compensation system were adopted in Georgia, over the course of a decade with
physicians stopping the practice of defensive medicine, the savings in Medicaid to state taxpayers would be $3.1 billion. In Florida, the estimated Medicaid savings would be $16.8 over the same period. The savings in private health plans would be considerable as well.

Patients who may have been harmed by a doctor would also have greater access to justice. Joanna Shepherd Bailey, an associate law professor at Emory University, has found that about half of trial attorneys in the United States refuse to take malpractice cases unless the potential damage awards are $500,000 or greater. Under the PCS, any patient who was found to have been harmed would be fairly compensated at a rate determined by the board.

Where would the money come from? Not from taxpayers. Instead, a fund would be created from malpractice premiums paid by medical providers. With no more litigation—and no more legal costs driving up the quest for big awards—large savings would inevitably result. The premiums paid by doctors would be substantially lower than the ones they currently pay.

No one can be surprised to learn that trial lawyers and malpractice-insurance carriers, who both profit handsomely from the current system, oppose the compensation concept.

As governors and state lawmakers have been demonstrating since President Obama signed the Affordable Care Act, innovative solutions to the nation's health-care crisis are going to be found in the states. According to BioScience, the proposed Patients' Compensation System, if adopted in 50 states, could save the American health-care system $2.6 trillion over 10 years.

Patients would know that they have access to quick redress if they are harmed. Doctors no doubt would be relieved to be able to stop practicing defensive medicine and focus all of their attention on taking the offensive against disease and illness.

Mr. Oliver is executive director of the nonprofit organization Patients for Fair Compensation.

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