

Risk Management Mentor Program

Program Disclaimer

► Modules

1. Risk Management Fundamentals
2. Enterprise Risk Management
3. Applications
4. Healthcare Providers
5. Clinical and Patient Safety
6. Legal and Regulatory
7. Claims and Litigation
8. Risk Financing

► Topics

- Web links
 - Primary sources
 - Templates
 - Questions
 - Responses



Module 8

Risk Financing

► Objectives

Discuss the basics of risk financing concepts

Assess the organizational risks

Compare risk transfer versus risk retention

Examine policy structure and language

Identify required insurance coverages in the healthcare sector

Explore the aspects of premium development

Describe the role of the broker

► History

► Insurance as a product



► Key terms and concepts defined

Risk control techniques

- Risk avoidance
- Loss prevention
- Loss reduction/mitigation
- Risk transfer (non-insurance)
- Risk segregation (separation/duplication)

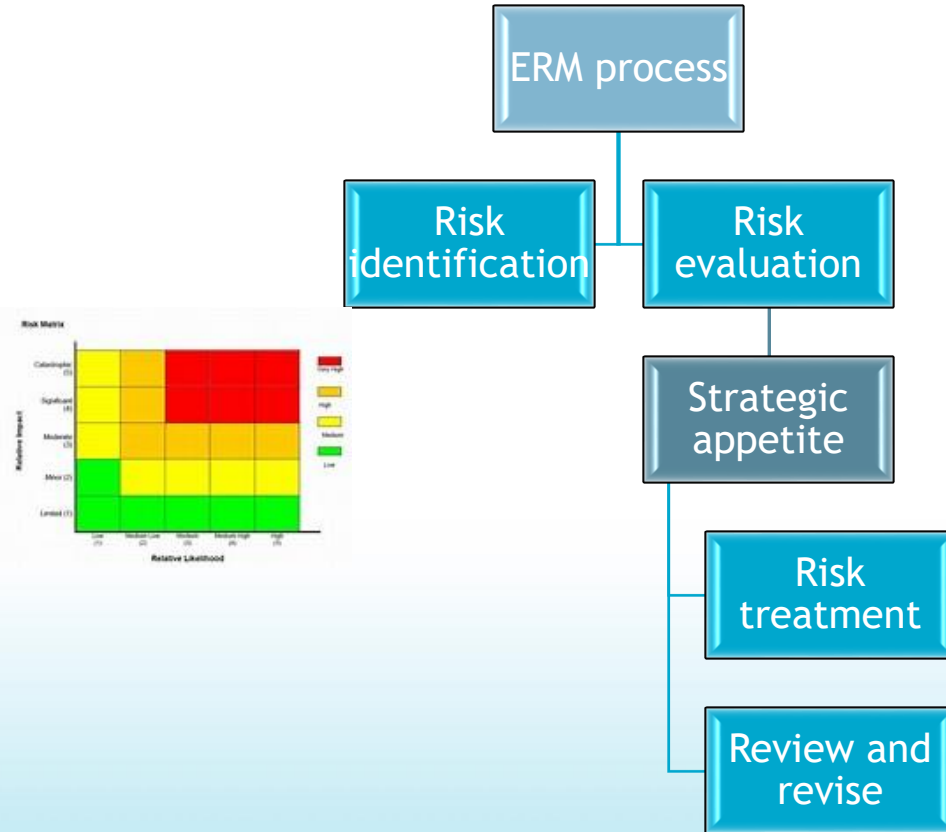
Risk financing techniques

- Risk transfer
- Risk retention

Risk appetite

Risk tolerance

► Enterprise risk management (ERM) process structure



► Risk financing – Medical professional liability

Exposures

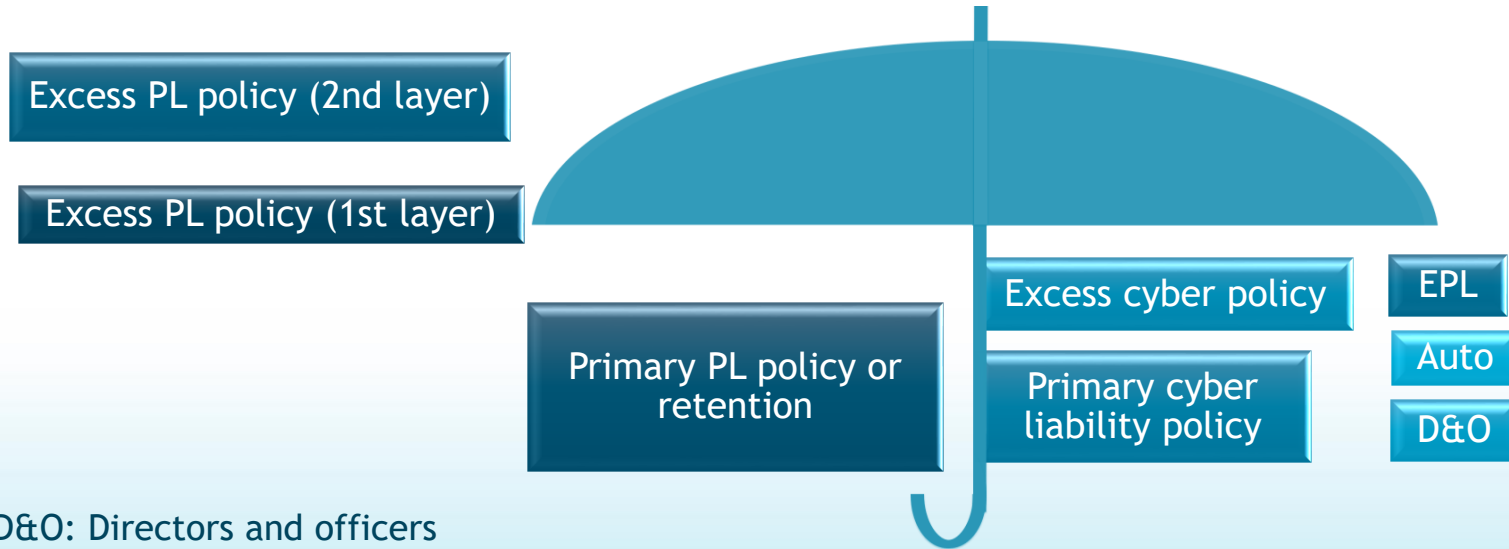
- Employees (physicians, nurses, aides, assistants, etc.)
- Contractors (physicians, nurses, aides, assistants, etc.)
- Corporate (administrative personnel, receptionists, coders, credentialers, etc.)

Risk transfer and/or retain

- None
- Deductible
- Self-insured

► Risk financing – Medical professional liability (MPL)

- Excess
- Umbrella



D&O: Directors and officers
EPL: Excess professional liability
PL: Professional liability

► Risk financing – Medical professional liability

Self-insurance further unpacked

- Self-insured trust
- Captives
- Reinsurance

► Medical professional liability insurance policy

Occurrence

Claims made

- Nose
- Tail/Extended reporting period

Our claims scenario

- Injury occurred in 2010
- Demand for compensation/ lawsuit filed in 2019

Claims across multiple carriers

- Carrier A 2010 to 2015
- Carrier B 2016 to 2019

► Elements of an insurance policy

Insurance contracts usually contain five standard elements:

Declarations
page

Definitions

Insuring
agreement

Conditions
of the policy

Exclusions

► Risk financing – Policy premium

Loss runs

Case reserves

Actuarial
evaluations

Underwriting - The
mysterious black
box

► Risk financing – Policy premium



Loss runs

Claimant name

- Location of the loss
- Type of loss
- Allegation
- Status
- Value
- Important dates

► Risk financing – Policy premium



Case reserves

► Risk financing – Policy premium

Actuarial evaluation -
Loss forecasting

- Data analytics
- Exposures
 - Acute care bed equivalent (ACBE)
 - Incurred but not reported (IBNR)
- How much money?

► Risk financing – Policy premium

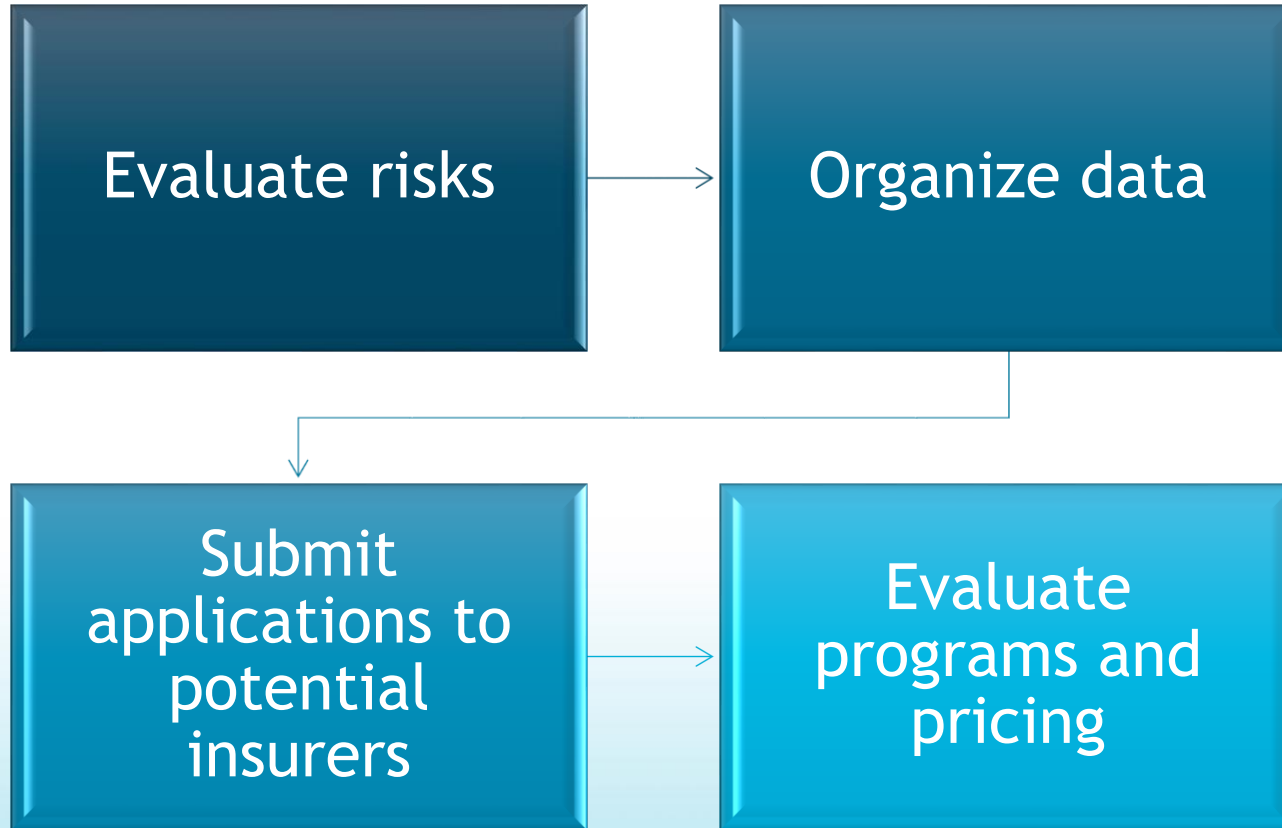
- Underwriting - The mysterious black box
 - Evaluate exposures
 - Debits
 - Credits
 - Profitability



▶ Other types of coverages

- ▶ Automobile
 - ▶ Ambulance
 - ▶ Garage Keeper
- ▶ Cyber
- ▶ Crime
- ▶ Property
 - ▶ Fire
 - ▶ Flood
 - ▶ Boiler and Machinery
 - ▶ Business Interruption
- ▶ Employment Practices (EPL)
- ▶ General Liability (GL)
- ▶ Managed Care Liability
- ▶ Worker's Comp
- ▶ Director's and Officer's (D&O)
- ▶ Aviation/Heliport
- ▶ Environmental/Pollution

► Broker's role as a specialist in insurance programs



► Quiz question

In what city did insurance as we know it today begin?

- A. Berlin
- B. London
- C. Omaha
- D. San Francisco



▶ Response

In what city did insurance as we know it today begin?

B. London, England at a coffee shop named Lloyds of London

▶ Quiz question

A policy deductible is an example of which risk financing technique?

- A. Risk appetite
- B. Risk retention
- C. Risk tolerance
- D. Risk transfer



▶ Response

A policy deductible is an example of which risk financing technique?

B. Risk retention

Rationale: Remember: a retention is the amount of risk you will retain. In the case of insurance policies, it is the amount you will pay toward each claim. Deductibles are a common method used to reduce the price of the policy by an organization assuming some of the risk.

In this context:

- Risk tolerance is the amount of the deductible for that specific insurance line
- Risk appetite is the total of all your deductibles across all insurance lines
- Risk transfer is the purchase of the insurance policies

► Resources

- American Society for Healthcare Risk Management. (2017). Health care risk financing playbook. Retrieved from https://ams.aha.org/eweb/DynamicPage.aspx?WebCode=ProdDetailAdd&ivd_prc_prd_key=ec698e78-2b93-41d7-a4ee-084836e9df56&_ga=2.265044365.304945179.1542295466-2016126409.1532956719
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► Disclaimer

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