Ahead of the Curve: Identifying and Mitigating New Exposures
AHEAD OF THE CURVE: IDENTIFYING & MITIGATING NEW EXPOSURES

MODERATOR:
Kevin W. Kelly, President, Medical Risk Management, LLC

PANELISTS:
Stephan Christiansen, FCAS, MAAA, Managing Director, Conning
Rocco Orlando, III, MD, Chief Medical Officer, Hartford Healthcare
Barbara A. Sinclair, ARM, Senior Vice President, OneBeacon Professional Insurance
Staying Ahead of the Curve: Identifying and Mitigating the New Wave of Exposures

1. **Looming Threats to Solid Performance**
   Stephan Christiansen, Managing Director of Insurance Research, Conning

2. **MedPL Carriers Role in Proactive Mitigation of Emerging Exposures**
   Barbara Sinclair, Senior Vice President and Product Manager, OneBeacon Professional Insurance

3. **HealthCare System Solutions – Implementing Practical Strategies**
   Rocco Orlando MD, Senior Vice President and Chief Medical Officer, Hartford Healthcare

4. **Physician Organizations – Implementing Practical Strategies**
   Kevin Kelly, CEO, Medical Risk Management, LLC
DISCLAIMERS

• This presentation has been prepared for and distributed exclusively to specific clients of Conning. Further distribution, sale, or reproduction, in whole or in part, and by any means, is prohibited. Statements and information in this report were compiled from sources that we consider to be reliable or are expressions of our opinion. The presentation is not intended to be complete, and we do not guarantee its accuracy. It does not constitute and must not be considered investment advice. With offices in Hartford, Purchase, London, Cologne, and Hong Kong, Conning is a portfolio company of the funds managed by Aquiline Capital Partners LLC (“Aquiline”), a New York-based private equity firm.

• The diverse views expressed are those solely of the respective presenters and are not those of PLUS or any one company or their affiliates.

• The information contained in this document is for general information purposes only and is not intended to take the place of legal or risk management advice. Parties should contact their own personal counsel for any such advice.
Looming Threats to Solid Performance
Conning’s Baseline Shows Weakening Profitability

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Growth</th>
<th>Combined Ratio</th>
<th>Return on Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>(2.6%)</td>
<td>92.9%</td>
<td>9.1%</td>
</tr>
<tr>
<td>2013E</td>
<td>(3.5%)</td>
<td>87.5%</td>
<td>10.6%</td>
</tr>
<tr>
<td>2014F</td>
<td>(3.0%)</td>
<td>91.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>2015F</td>
<td>(3.0%)</td>
<td>97.0%</td>
<td>6.4%</td>
</tr>
<tr>
<td>2016F</td>
<td>(2.0%)</td>
<td>101.0%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Data source: © A.M. Best Company—used by permission. Analysis and forecast: Conning
Four Threats May Accelerate Decline

- Market Cycle May be Worse—Premiums, Losses
- Investment Income May Further Drag Performance
- Effect of Affordable Care and Accountable Care
- Effect of Shifting Health Care Provider Base
Reserve Challenges Contribute to Market Cycle

Medical Professional Liability Reserve Development by Calendar Year ($ in millions, % of net premiums earned)

Data source: © A.M. Best Company—used by permission, Conning analysis
Affordable Care Act Potential Impact on MedPL

• Individual mandate increases volume—system stress
• Electronic health records—discoverable
• Accountable care organizations spread exposure
Challenge of Shifting Provider Base

• Physicians consolidating to larger groups, joining hospitals and accountable care organizations
  - Excess coverage, RRGs and captives

• Specialists, some multi-lines have a physician focus
  - Expanding coverage to hospitals

• Expand coverage to new provider types
  - Including clinics, physician extenders
Compound Effect of Scenarios Leads to Emerging Losses

Forecast Scenarios, Base versus Alternative Underwriting Ratios, 2016

Source: Conning AFFIRM®
MedPL Industry Increasingly Dominated by Specialists—How Will They Respond?

Distribution of Reported Industry Medical Professional Liability Premium by Segment

Data source: © A.M. Best Company—used by permission, Conning analysis
What Else Might Insurers Need to Do?

• Monitor loss trends—Get in front of change
  – Claims frequency and severity development patterns
  – Procedural sources of claims,
  – Tort trends, provider trends
  – Focus more on risk management, mitigation services

• Monitor competitive developments

• Review investment strategies
MPL Carriers Role in Proactive Mitigation of Emerging Exposures
Effect of the Affordable Care Act

• Pressures relating to:
  – Electronic health records
  – Regulatory requirements
    • RAC Audits
    • Reimbursement based on medical outcomes
    • ERISA preemption?
  – Fraud and abuse
  – Transparency rules
Effect of the Shifting Provider Base

- Physician integration
- Mergers and acquisitions
- New organizational structures
- Blending of exposures
  - Directors and officers liability
  - Medical/provider excess
  - Managed care errors and omissions
  - Cyber/privacy and security
  - Medical professional liability
What Does This Mean for the Insurance Carrier?

• Market Dynamics
  – Soft market
  – Investment income

• Standard of care

• Blending of exposures and new theories of liability
What Can Insurance Carriers Do?

• Proactive risk mitigation techniques

• Education

Under Health Care Reform, risk mitigation strategies should be aligned with providers’ quality initiatives.
Successful Risk Mitigation Strategies in a Large Healthcare System
Hartford HealthCare Vision

To be nationally recognized for excellence in patient care and most trusted for personalized coordinated care
Hartford HealthCare

- 5 general acute care hospital locations
- 2 psychiatric hospitals
- 80 ambulatory sites
- 17 behavioral health locations
- Outpatient physical rehabilitation locations
- Visiting Nurse Association
- 7 skilled nursing and assisted living
- 500 Employed Physicians
- 500 Insured Physicians through HHCIS
- Revenue: 2.5 billion
- Inpatient discharges: 87,000
- ER visits: 382,000
Quality and safety risk management at Hartford HealthCare: Two sides of the same coin

Clinical risk management and quality and safety both report to the CMO
Accountability for Quality Begins with the Board and Cascades through the Organization

- Board of Directors
- Board Quality Committee
- Executive Leadership
- HHC Quality Council
HHC Quality, Safety and Risk Management

HHC Quality Council
Focus on Hospitals

Ambulatory Quality
• Supports Clinical Integration
• Closely aligned with HHC Quality Council

Behavioral Health Quality Council
• Part of Behavioral Health Network

HHC Office of Clinical Quality
Risk Management Program
Clinical Integration Organization/Ambulatory Quality
Our Approach to Risk Management Focuses on Risk Management and Risk Reduction

• Risk management education process
  – Structured 3 year curriculum
  – Specialty-specific

• Risk reduction strategies
Risk Education Targets MDs, APRNs, PAs, RNs and Clinical Leadership

<table>
<thead>
<tr>
<th>Institution/Entity</th>
<th># of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospitals</strong></td>
<td></td>
</tr>
<tr>
<td>CT Children’s Medical Center</td>
<td></td>
</tr>
<tr>
<td>Hartford Hospital</td>
<td></td>
</tr>
<tr>
<td>Hartford Hospital Residency</td>
<td></td>
</tr>
<tr>
<td>MidState Medical Center</td>
<td></td>
</tr>
<tr>
<td>Natchaug Hospital</td>
<td></td>
</tr>
<tr>
<td>The Hospital of Central CT</td>
<td>5,102</td>
</tr>
<tr>
<td>Windham Hospital</td>
<td></td>
</tr>
<tr>
<td><strong>Physicians</strong></td>
<td></td>
</tr>
<tr>
<td>Employed and Insured</td>
<td>900</td>
</tr>
<tr>
<td><strong>Community Organizations</strong></td>
<td></td>
</tr>
<tr>
<td>Rushford, ERN, VNA, CLP</td>
<td>550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,552</td>
</tr>
</tbody>
</table>
Risk Management Education Curriculum

Risk Management Themes
- Informed Consent
- Documentation
- Standard of Care
- Patient Relations
- Electronic Medical Record
- Inter-Provider Communication
- Failure to Diagnose
- Continuity of Care

Program Structure
- Quarter 1 Web Module
- Quarter 2 Risk Management Rounds
- Quarter 3 Web Module
- Quarter 4 2 e-Learning Risk Alerts
- CME Approved
An Example of Behavior Change Measures: Self-Assessment Surveys

### Risk Management Theme: Electronic Health Record

**To what degree HAVE YOU changed your practice relating to...**

<table>
<thead>
<tr>
<th>Action</th>
<th>No Change</th>
<th>Somewhat</th>
<th>Mostly</th>
<th>Completely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization of free text to improve completeness of chart entries so others will understand my thought process.</td>
<td>9.6%</td>
<td>18.3%</td>
<td>38.2%</td>
<td>33.9%</td>
</tr>
<tr>
<td>Including original time and date of patient interactions and telephone communications in my notes if I am documenting “after the fact.”</td>
<td>11.4%</td>
<td>15.5%</td>
<td>37.8%</td>
<td>35.3%</td>
</tr>
<tr>
<td>Being more careful in use of the “all normal”, “carry forward” or the “copy and paste” features of the EHR.</td>
<td>12.6%</td>
<td>11.8%</td>
<td>34.7%</td>
<td>40.8%</td>
</tr>
<tr>
<td>Utilize the EHR tracking and follow up system to validate that the patient completed referral visits, diagnostic tests, preventative screenings, etc.</td>
<td>12.1%</td>
<td>14.5%</td>
<td>41.9%</td>
<td>31.5%</td>
</tr>
<tr>
<td>Utilizing “tickers”, “follow up protocols”, “reminder flags” for following up on diagnostic results to ensure that results are conveyed to PCP, specialists and patient.</td>
<td>12.1%</td>
<td>21.1%</td>
<td>39.6%</td>
<td>27.2%</td>
</tr>
</tbody>
</table>

N=331 participants across HH, THOCC, MMC
Risk Education is Followed by Risk Reduction: Practice Change with Measurement of Compliance

Percent of HHCMG Specialties Passing Providers by Audited Item 2009-2012

- Informed Consent
  - 2009: 44%
  - 2010: 90%
  - 2011: 93%
  - 2012: 98%

- After-Hour Telephone Documentation
  - 2009: 47%
  - 2010: 78%
  - 2011: 93%
  - 2012: 98%
This approach is associated with claims reduction and ROI

Connecticut Children’s: Total Valuation of Claims/Suits by Incident Date (2002-2012)

98% reduction in average severity of RM Program Began
Risk Reduction Initiatives

1. Hospitalist Medicine
2. OB/GYN Project
3. Emergency Department Risk Assessment
4. Anesthesiology Risk Assessment (Hartford Hospital only)
5. Robotic Surgery Quality Improvement Program
Hospitalist Practice Change Audit and Guideline Development

- Risk Assessment
  - Identify the Risk exposed
  - Baseline assessment

- Areas of Risk
  - Incidental Findings
  - Transition to Primary Care
  - Inter-Provider Communication
  - Discharge Process

- Educate and Implement Solutions
  - Educate administration, providers, and staff on exposures and document compliance.

- Measure Compliance
  - Re-audit following improved documentation
OB Project

- $68M  1997-2012 (total claims valuation)
- >50%  Avoided or improved disposition via better documentation and patient communication

2012 assessment revealed: Significant variability and gaps in patient information across all Hartford Healthcare partners.

Source - CT Med Mal Defense Attorneys
# Practice Change Initiatives: OB/GYN Project

<table>
<thead>
<tr>
<th>Pre-Pregnancy</th>
<th>1st Trimester</th>
<th>2nd Trimester</th>
<th>3rd Trimester</th>
<th>Labor and Delivery</th>
<th>Postpartum</th>
</tr>
</thead>
</table>

1. Critical topics/protocols that need to be covered with patients/providers

2. Optimal way to transmit and document information
   - Best modalities to deliver content (pamphlet, EHR, email, video, etc.)

3. Tools – checklists, workflows, etc.

4. Education curriculum for patients

5. Execute and monitor compliance
• Robotics
• Obstetrics
• Communication
Conclusions

A comprehensive approach to risk management in an integrated delivery system is part of the overall approach to quality and safety.

This approach—risk education and risk reduction—has had very positive financial results.
Physician Organizations: Implementing Practical Risk Mitigation Strategies

“The success stories of two of the largest Physician Groups in NE and the Mid Atlantic”
Six Step Challenge

1. Identify the existing and emerging malpractice exposures
2. Develop and implement “group-wide” systematic education and practice change initiatives
3. Establish baseline performance measures
4. Incentivize sustained behavior modification
5. Measure ongoing compliance with education and practice change requirements
6. Quantify results
Identify High Exposure Areas

1. Existing
   a. Failure to Diagnose (failure to track and follow up)
      i. Colon, Breast and Lung Cancer
      ii. Pediatric depression (suicidal ideation)
   b. After hours telephone communications

2. Emerging
   a. Electronic health record exposures
   b. Inter-provider communications
   c. Medication management (i.e. Opioids)
Build-Risk Management Education Structure

Priority Themes
1. Patient tracking and follow-up
2. Electronic medical record
3. Inter-provider communication
4. Transitions of care
5. Medication management

RM Themes
- Q2 Web-Based Module Theme 1 (1 hour)
- Q3 Risk Management Rounds © (Live/Webcast) (1.5 hours)
- Q4 Web-Based Module Theme 2 (1 hour)
- Annual RM Lecture (Live/Webcast) (1 hour)
- E-Learning Risk Alert (Theme 1)
Establish Practice Change Initiatives

• Utilize tracking and follow up protocol/tool (paper/2010 EHR*) for high exposure areas

• Document after-hours telephone communications
Audit Compliance - ABC Physicians (CT)

Risk Management Audit Results Trend

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorectal Screening</td>
<td>40%</td>
<td>88%</td>
<td>83%</td>
<td>99%</td>
</tr>
<tr>
<td>Pediatric Depression</td>
<td>50%</td>
<td>87%</td>
<td>94%</td>
<td>100%</td>
</tr>
<tr>
<td>After-hours Telephone</td>
<td>58%</td>
<td>97%</td>
<td>94%</td>
<td>96%</td>
</tr>
</tbody>
</table>

n= 192 MDs in 2010
Audit Compliance – XYZ Physicians (NJ/PA)

Risk Management Audit Results Trend

- Pediatric Malignancy Referrals: 68% (2008), 99% (2009), 100% (2010)
- After-Hours Telephone Documentation: 65% (2008), 99% (2009), 99% (2010)
- Medication / Allergy Updates: 55% (2008), 93% (2009), 96% (2010)

n= 226 MDs in 2010
Emerging Exposures:
The Unintended Consequences of EHR Implementation
# ABC Physicians Audit Results - EHR Exposure

## AUDIT RESULTS 2008-CURRENT

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined Provider Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>88%</td>
</tr>
<tr>
<td>2009</td>
<td>83%</td>
</tr>
<tr>
<td>2010</td>
<td>99%</td>
</tr>
<tr>
<td>2011</td>
<td>33%</td>
</tr>
<tr>
<td>2012</td>
<td>53%</td>
</tr>
<tr>
<td>2013</td>
<td>83%</td>
</tr>
</tbody>
</table>

- **PRE-EHR Implementation**
- **POST-EHR Implementation**

**EHR Transition 2010-2011**

*Colorectal Screening during HM Visits*

n= 192 MDs in 2010, 217 MDs in 2013
Quantifying Results

Key Performance Metrics
ABC Physicians – Claims Trends

Claims* Frequency per Physician by Incident Year (1997-Current)
Data as of January 2014

*Claim frequency excludes corp claims

Claims Severity per Physician by Incident Year (1997-Current)
Data as of January 2014

*82% Reduction

*RM Interventions Began

$0.00 $10,000.00 $20,000.00 $30,000.00 $40,000.00 $50,000.00 $60,000.00

$25,198 $5,724 $6,181 $13,775 $7,871 $3,567 $8,236 $3,052 $4,848 $6,937 $181 $5,510 $2,841 $292 $0 $0

97-98 98-99 99-00 00-01 01-02 02-03 03-04 04-05 05-06 06-07 07-08 08-09 09-10 10-11 11-12 12-13 13-14

$0.00 $0.01 $0.02 $0.03 $0.04 $0.05 $0.06 $0.07 $0.08 $0.09 $0.1 $0.11 $0.12

97-98 98-99 99-00 00-01 01-02 02-03 03-04 04-05 05-06 06-07 07-08 08-09 09-10 10-11 11-12 12-13 13-14

82% Reduction

Data as of January 2014

RM Interventions Began

82% Reduction
ABC Physicians - Premium Reduction by Specialty

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IM/FP Premium</td>
<td>$19,424</td>
<td>$17,543</td>
<td>$15,069</td>
<td>$13,799</td>
<td>$12,749</td>
<td>$10,904</td>
<td>$10,032</td>
<td>$7,827</td>
<td>$6,448</td>
<td>$6,331</td>
</tr>
<tr>
<td>Pediatrics Premium</td>
<td>$17,851</td>
<td>$16,122</td>
<td>$13,849</td>
<td>$12,681</td>
<td>$11,717</td>
<td>$10,021</td>
<td>$9,219</td>
<td>$7,193</td>
<td>$5,926</td>
<td>$5,818</td>
</tr>
</tbody>
</table>

2013: Lowest med mal premium in the state

67% Premium Reduction
ABC Physicians Loss Ratio 2001-Current

- Introduction of MRM’s comprehensive risk management program
- Over $2M returned to the physicians based on reduced losses.

*No open claims
ABC Physicians Underwriting Profit by Year (2002-Current)

- $3,878,851
- $253,258
- $2,230,428
- $1,033,529
- $1,117,282
- $2,583,464
- $2,230,991
- $1,940,837
- $12,797,598
- $16,423,191
XYZ Physicians – Claims Trends

Claims Per Physician by Policy Year (2005-2012)
Data as of January 2013

Severity per Physician by Policy Year (2005-2012)
Data as of January 2013

98% reduction in average number of claims per physician

Claims Per Physician by Policy Year (2005-2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>11.9%</td>
</tr>
<tr>
<td>2009</td>
<td>19%</td>
</tr>
<tr>
<td>2010</td>
<td>25%</td>
</tr>
<tr>
<td>2011</td>
<td>30%</td>
</tr>
<tr>
<td>2012</td>
<td>31.5%</td>
</tr>
<tr>
<td>2013</td>
<td>38%</td>
</tr>
</tbody>
</table>
Panel Discussion and Questions from the Floor
Well...it FINALLY happened

WELL IT HAPPENED
JUST AS
ABBOT & COSTELLO
PREDICTED

It Took 70 Years...

If you don't get it, ask an adult...