



Risk Intelligence

for the

Healthcare Organization Insurance Rating

Project for the assessment of a healthcare facility's specific risk and insurance cover suitability



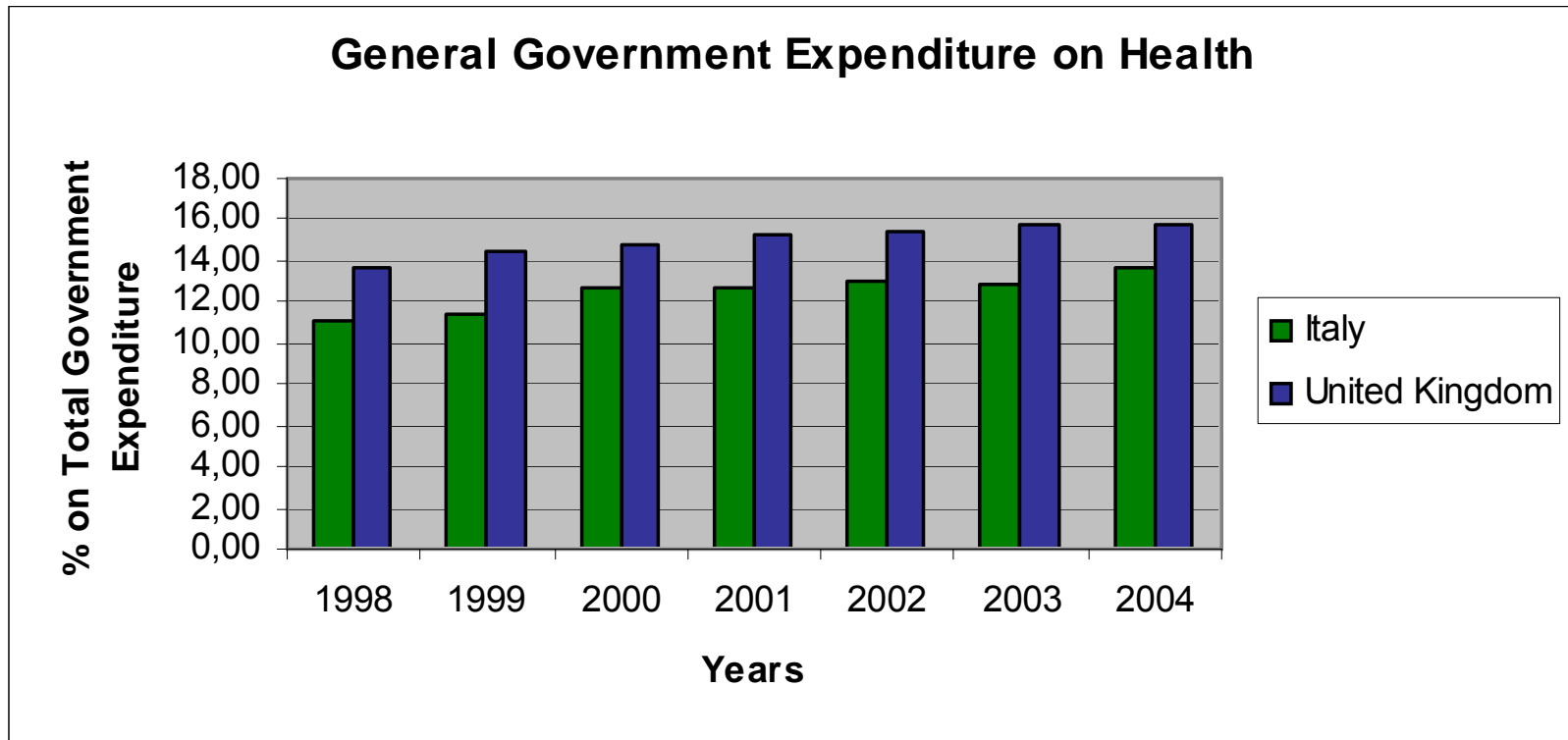
English version for UK England – Ver. January 2007
Translation by Fiona Tarsia, SOGET S.r.l. - <http://www.soget.com>

Context

Healthcare systems & facilities now

- growth in service **demand**
- adjustment in service **offer**
- **shortage** of financial resources
 - costs **rationalisation**

Health service expenditure

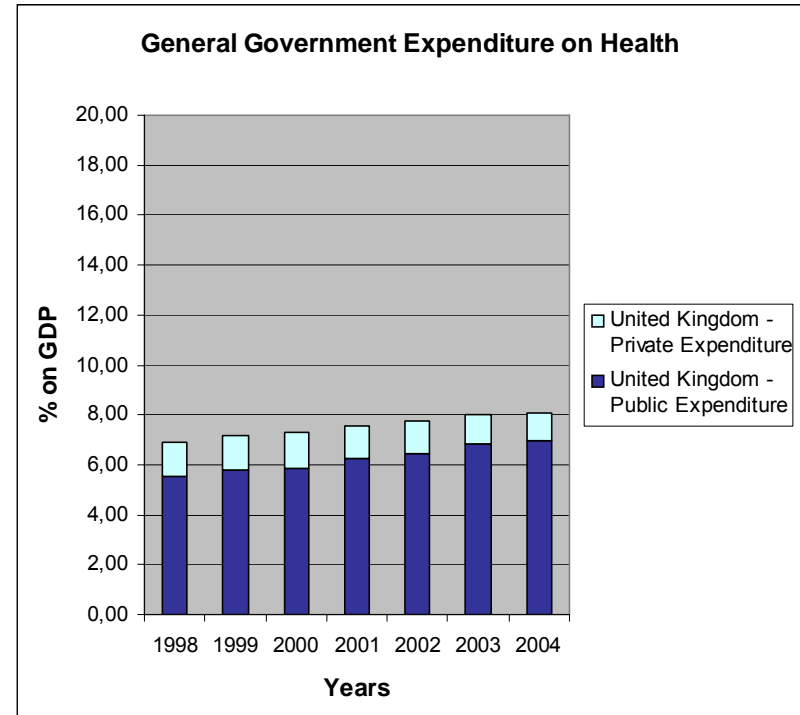
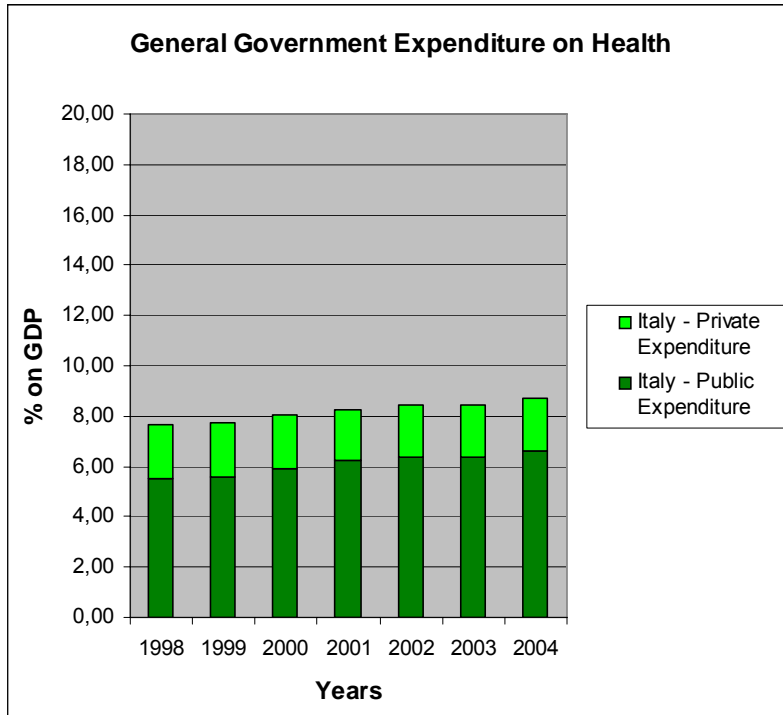


Data source: WHO - Country National Health Accounts

<http://www.who.int/entity/nha/country/ITA.xls>

<http://www.who.int/entity/nha/country/GBR.xls>

Health service expenditure



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Risk management and value creation

The *global added value* brought about by risk management projects generates considerable *economic, social* and *civil* benefits:

COSTS

LOCAL AND CENTRAL INSTITUTIONAL AGENCIES

Abatement of health expenses; creation of cost savings for new investments.

INSURANCE COMPANIES

Limitation of costs due to the transferral/undertaking of risks for damage compensation.

STAFF

Gain in control, self-confidence and performance; fall in overcompensation caused by civil/criminal liability.

PATIENTS & PUBLIC OPINION

Safeguarding life and health (primary goals); increase in levels of security, confidence and cooperation.

ORGANISATION

Optimisation of operating costs (direct & indirect); litigation reduction, image promotion.

RIHOIR's "vision": the starting point

How can we finance a **powerful** risk management project?
We need a lot of money!! Where can we get it?

COSTS

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ORGANISATION

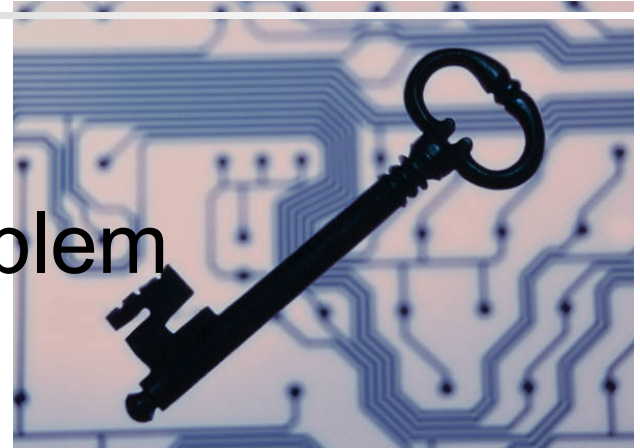
Optimisation of operating costs (direct & **indirect**); litigation reduction, image promotion.

e.g. PREMIUMS

RIHOIR's "vision": the starting point

Often...

...a crucial problem
can be
the key to a brilliant solution...



as confirmed by our Italian experience.

Civil liability: the Italian figures

Increase in insurance litigation for events connected to **civil liability** concerning

- **healthcare organisations;**
- **medical / paramedical staff** (so-called “malpractice”).

1994-2002: doubling in the number of accidents
(from > 8,000 to < 15,000).

Causes:

- greater public **sensitivity and information;**
- **increase in the expectations** of patients and their relatives;
- **extension of the concepts of “patient”, “obligation default” and “refundable damages”;**
- greater legal **clarity on the connection between cause and effect** (fault and damage).



Civil liability: the Italian figures

Increase in insurance litigation for events connected to **civil liability** concerning

- **healthcare organisations;**
- **medical / paramedical staff** (so-called “malpractice”).

1994-2002: rise in the average cost of accidents.




Reason: considerable increase in certain components of the damage to be refunded, such as

- **biological** damage;
- **moral** damage;
- **“existential”** damage.

Forecast: further increase in compensation levels and rights.

Statistical trend in accidents

|  | 1994 | 2002 | Var. % |
|---|----------|----------|--------|
| <u>Healthcare professionals' Civil liability</u> | | | |
| - number of accidents reported | 3,150 | 7,800 | 148% |
| - average cost per accident | € 14,500 | € 17,550 | 21% |
| <u>Healthcare Organisations' Civil liability</u> | | | |
| - number of accidents reported | 5,100 | 6,700 | 31% |
| - average cost per accident | € 16,000 | € 26,750 | 67% |

Source: ANIA estimation

Breakdown in the insurance trade-off

Rise in **compensations** → Rise in **premiums**.

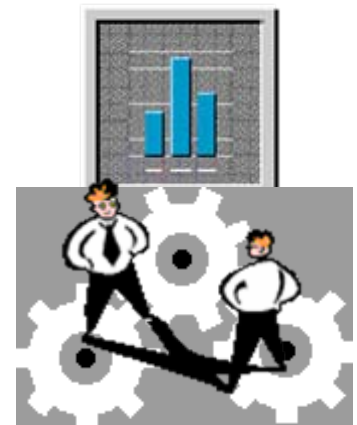
2002 data*:

For every 100 euro of premium collected

- 180 euro refunded (Healthcare professionals' C.L.);
- 240 euro refunded (Healthcare Organizations' C.L.).

Concrete **risk** of:

- *insurance companies withdrawing cover*;
- *scrupulous healthcare organizations paying **premiums too high** compared to the actual risk class.*



* *SOURCE: ANIA - L'assicurazione italiana 2003/20004, p. 125.*

Defensive strategies

- 1. Understand your risk position;**
- 2. Reduce your risk of exposure to accidents;**
- 3. Assert your merits, to obtain a premium reduction.**

Points 2 and 3 are dependant on point 1.

Forward-looking national models

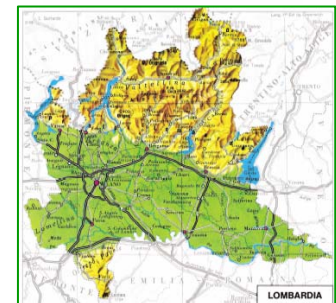
The “Lombard way”: **Memorandum n. 46/SAN** (and subsequent) dated 27/12/2004.

This is a method based on a devolution approach to risk management policies.

This begins with strategy nr. 1 (acknowledgment), and proceeds with strategies nr. 2 and 3 (reaction).



Regione Lombardia



RIHOIR: beyond the Lombard model

SUBJECT:

Healthcare organisation insurance data

ACTIVITY:

Data exploring

AIM:

Risk intelligence

From “analysis” to “learning” models

Risk evaluations can be based on different hypotheses and make use of various operating and control methods.

The Lombard program sets a series of **indicators** and **standards**; it's a well-tested system that offers wide-ranging, accurate risk statistics; nevertheless it has all the rigidity and limitations of a predetermined approach (one size fits all).

Our exploration and **fact finding** must be less constrained. We must hunt out whatever information lies hidden underneath the wealth of data belonging to the particular organisation under observation; our system sets out to support the decision-making process, and as such is characterised by a marked **executive vocation** aimed at developing the effectiveness of the entire strategic course.

Accident analysis - internal benefits

Why should we carry out a particularly thorough accident analysis?

INHERENCE

Accidents are without doubt *adverse events*, not just as regards form but substance

RELEVANCE

Of all adverse events, accidents are *the most adverse*

AVAILABILITY

Easy, internal access to data, in a well-structured & flexible form (e-dataset)

RELIABILITY

The large sample size available generates *trustworthy conclusions* regarding the population

ACCURACY

Accidents are defined in terms of value (accident loss)

EFFICACY

The project can soon proceed to the operative phase (corrective actions)



Accident analysis - external benefits

Why should we carry out a particularly thorough accident analysis?

AWARENESS OF ONE'S OWN RISK STATUS

Relying upon insurance brokers isn't enough; self-evaluation enables self-protection

CORPORATE IMAGE

Being self-conscious is an appreciable characteristic for the insurance market

COMPETITIVE ADVANTAGE

Demonstrating oneself in control of one's own accident rate provides greater guarantees concerning risk control and increases attractiveness to insurance companies

CONTRACTUAL POWER

Being aware of one's own position can result in a greater ability to manage and lead the insurance negotiation, especially in the case of multi-participant tenders

PERSPECTIVE

A risk management system based on performance history is the best and most widely acknowledged way to generate a truly virtuous cycle of continuous improvement, i.e. further added value towards third parties



What is the probability of success?

Why should we try?

This project has been implemented in Hospital Trusts in *Crema* and *Mantua*, offering proven and outstanding added value to the overwhelming majority of projects complying with the “Lombard program” requirements.

In the case of Mantua, a prudent estimate of the premium savings generated has been calculated at over 318,000 euro/year (almost one million euro over the three-year contract period), for a standardized gross rate (inclusive of excess charges) of 17.013‰.

The project has been acclaimed by the Lombard General Healthcare Director with an institutional benchmark note (Circ. DGS Prot. H1.2005.0037648 dated 03/08/2005) addressed to Lombardy’s remaining 29 Hospital Trusts and 15 Local Health Units.