Healthcare Captives – An Important Risk Management Vehicle
Part 2: The Development of RQS Management Programs

Introduction

The healthcare industry continues to evolve under the Affordable Care Act (ACA). The Act has led to many significant changes including a growing number of physician practices being purchased and operated by hospitals. These new employment trends add new exposures for potential claims related to the negligent acts of employed physicians. In addition, we have seen more and more hospitals entering operational agreements with other healthcare institutions. With all of these changes occurring, now is the time for healthcare providers to look for more effective ways to manage expanding risk exposures.

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Integral to these recent trends is the fact that professional liability insurance remains one of the most significant costs that healthcare providers and organizations face. One way to control this cost is through an alternative risk financing vehicle, such as a captive insurance company. A captive insurance company can be cost effective as it provides a good deal of control to the healthcare provider. For a captive insurance company to be successful, though, it requires a confluence of performing several functions well: underwriting, risk-quality-safety management and aggressive claims management. These three areas create a risk management triad that sustains a stable environment for the management of the professional liability risks of the healthcare organization, and forges a successful operation to protect the assets of the insurance company as well as the provider organization.

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Clarity Group, Inc. is pleased to present this series of White Papers on the successful management of a healthcare captive insurance company in the professional liability arena. This White Paper focuses on the development of a

Clarity Group, Inc. · 8725 West Higgins Road, Suite 810 · Chicago, IL 60631
T: 773.864.8280 · F: 773.864.8281 · www.claritygrp.com

successful Risk-Quality-Safety (RQS) program, which is a crucial part of any effective captive management strategy.

The Role and Mission of RQS Management

The role of risk management at any health system is complicated, and very important. Historically, this job has been mistakenly characterized with only the reactive management of risk exposures happening on a day-to-day basis. In this scenario, the risk manager plays a large role in the management of existing claims as opposed to preventing them. Unfortunately, risk managers can be so busy reacting and putting out fires, that little attention and resources are allocated to developing proactive patient safety and quality improvement strategies. This separation of strategic responsibilities is to some extent a vestige of the past where the departments of risk management and quality improvement were often independent, and it is further complicated by the relatively new area of patient safety.

In modern healthcare settings, with increased focus on efficiency and integration, the areas of risk management, quality improvement and patient safety are banding together around their shared interest in patient safety and quality of care. The approaches that we once understood as siloed departmental functions are now characterized by the much more integrated, cooperative and forward-looking "risk-quality-safety management."

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The mission behind RQS management is to integrate the functions of risk, quality and safety around improved patient safety, decreased errors and incidents, and hence reduced claims exposure. A successful RQS program aims to improve internal processes, increase internal communication and knowledge sharing about known and anticipated safety-related events, support an environment of learning, and ultimately foster a climate of improved patient safety.

In terms of aligning strong RQS management with the goals of a captive, it is necessary to discern how a number of functions coalesce into a strong overall risk management strategy for the insurance company.

The Basics of a Successful RQS Program

>> Incident Reporting and Management

Trends toward electronic medical records and a new-found focus on system-wide integration and organizational efficiency dictate that any successful RQS program must begin with a robust incident reporting and management tool. An effective incident reporting and management tool should mesh seamlessly with and improve all existing internal communication efforts. It should enable the trending of near misses and known events, gather and share data, and advance communications and workflow management. In addition, it is important that the incident reporting and workflow management tool includes functions for assigning follow-up responsibilities and tracking communications from start to finish per a given incident. An incident reporting and management tool serves as the early warning system for the healthcare organization and the captive insurance company and is the basis of a successful RQS program.

>> Education and Awareness

RQS is more than just putting the proper tools in place and watching them work. In-person consulting and training sessions are crucial in getting staff up to speed and eager to report. Often, core concepts such as what to report, how to report, and how to follow up, can be clarified and reinforced through such specialized visits with staff. For the staff, sometimes just knowing that they have a voice and an outlet for their questions or concerns is enough to foster an environment of accountability that encourages not only reactive, but proactive reporting. In short, an effective incident reporting tool will empower your organization to collect, manage and communicate information, but it takes active RQS management education and awareness to encourage your staff to make the right decisions, which leads to increased reporting, and thus a spiral of positive change.

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As your reporting increases, there are more data to analyze and more opportunities to use the data. So, what should be done with all of this information? The capturing of data alone is useful in the management of claims, but unless those data are translated into strategies for addressing the issues that led to the claim, the opportunity to prevent future claims might be lost. An effective RQS program will have the proper training, education programs and workflow processes in place to help ensure that all data gathered are translated into useful strategies and are communicated throughout the organization.

>> Communication and Action

Once you have implemented all of the proper tools and your staff are empowered to use those tools, how do you turn this increased awareness into action? As you foster a climate of increased accountability and proactive reporting, you begin to paint a picture of overall patient safety across your organization. As the picture comes into focus, you see what potential known and anticipated hazards will require the most attention, and what resources will be needed to address these issues. An excellent RQS program, therefore, will include many ways of disseminating safety information throughout your organization, and it will hold the necessary parties accountable for enacting positive change.

There are many tactics you can employ to engage the organization in the pursuit of positive change. These tactics include: Patient Safety Committees that drive interventions based on a review of data from multiple perspectives; educational programs designed to educate staff on needed changes and to reinforce the need for all staff to report issues so they can be addressed; individual projects around the organization that can incorporate staff insight to create the changes needed; and the posting of "lessons learned" via electronic or physical patient safety news boards. It is important to close the loop on data collection through intervention and monitoring change, and to support the culture of safety on a continuous basis by keeping awareness of potential risk heightened.

The Impact of RQS on Captive Success

When it comes to evaluating the success of your RQS strategy on captive operations, you first look at the bottom line. Risk mitigation and decreased exposures at organizations associated with the captive can lead to decreased claims for the captive overall. But beyond this, RQS is what forms the bridge between the captive board and the organization(s) the captive insures. An RQS manager might find it useful to hold regular roundtables and educational seminars with the captive board and all appropriate affiliated insureds. These meetings are valuable educational opportunities because the attendees can discuss potential exposures and ways to mitigate these exposures. The captive client and partners are also given a voice in these meetings and have the opportunity to ask questions and express their thoughts and concerns.

Proactive engagement between the board and the captive's insured entities and providers can lead to increased opportunities to mitigate potential patient safety issues before they become claims.

Proactive engagement between the board and the captive's insured entities and providers means increased opportunities to mitigate potential patient safety issues before they become claims. In other words, a known issue in one part of the organization or captive partner can potentially be communicated throughout the captive insureds, which ultimately improves the climate of safety throughout the entire captive.

Claims Management and Underwriting – The Rest of the Equation

RQS works hand-in-hand with claims management to understand known safety trends and risk issues that were involved with past claims. Oftentimes, the primary allegation isn't the only safety-related issue in a given claim, and cooperation between RQS and claims means that any knowledge gained from the claim process can be translated into recommendations and strategies for safety and quality improvement.

To truly develop a successful captive insurance company, though, you must also consider the role of underwriting. Underwriting is a science and an art that requires as much information as possible in determining appropriate premiums and funding levels for the captive. To this end, underwriting will look to RQS for

any and all patient safety and quality data that helps them to evaluate the risk exposures of the captive.

Heather Annolino, RN, MBA, CPHRM

Director, RQS Consulting Services

Clarity Group, Inc.

Be sure to read Part One of Clarity's Captive Management Series, *Foundations of Successful Claims Management*, and look for Part Three, *Underwriting: The Science…and the Art*.

For more information on Clarity's Captive Management Services, please visit www.claritygrp.com