

R!SK

PERSPECTIVES



Healthcare trends bring uncertainties

Expert knowledge, long-term focus reduce the risks

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Risk and uncertainty pervade the U.S. healthcare industry. Healthcare organizations ranging from large, integrated delivery systems to senior care facilities to managed care companies operate in highly challenging times.

As Congress moves to replace the Affordable Care Act, amid the ongoing industrywide transformation of the reimbursement system, the business of providing and paying for healthcare is under tremendous pressure. Organizations across the healthcare sector are facing complex operational and regulatory challenges. At the same time, these organizations have other exposures and need to protect their people and assets.

Healthcare executives can alleviate some of the burden of these complexities and challenges through insurance and risk management. The appropriate coverage, coupled with risk management support, can not only provide healthcare facilities and clinicians with valuable financial protection, but also peace of mind.

Risks Within the Trends

Let's consider some of the trends in healthcare today and the risks they can create:

Consolidation. Mergers and acquisitions have been a long-term trend as healthcare systems increasingly look for economies of scale, greater efficiency and leverage with payers. Data from the American Hospital Association shows that between 1998 and 2012, more than 1,100 multi-hospital system M&A deals occurred, an average of 74 consolidations per year. The market forces that drove consolidation in this period remain in play, continuing to motivate M&A deals among many different types of facilities. When systems merge, their property and liability exposures scale with them; therefore, they must consider how best to address the increased risks that such integrations can create.

Outpatient facilities. More organizations are delivering care in outpatient settings. Health Facilities Management's 2016 Hospital Construction study found that the number of new facilities in several areas doubled from the prior year, led by

medical offices, health system-branded general medicine and family care centers, immediate care facilities and ambulatory surgery centers. As health systems expand their reach into communities through outpatient facilities, they must provide consistent patient safety and care quality.

Financial uncertainty. The transformation of the healthcare reimbursement system, initiated by the Centers for Medicare and Medicaid Services, creates uncertainty in revenue streams for healthcare organizations. This, in turn, pressures organizations to adapt operations from the traditional fee-for-service model and toward population health. In short, organizations' financial risk is growing.

Technology adoption. Advances in technology and pressure by payers pushes clinicians in independent practice as well as those employed in hospital-owned groups to increasingly embrace electronic health records. Learning new processes and applying them consistently takes time and training. Should errors or omissions occur and result in patient harm, the liability risk can be high.

Non-physician providers. From nurse practitioners to physician assistants, a growing amount of healthcare is delivered by providers other than physicians. While this trend increases access to care for many people who are unable or unwilling to wait to book appointments with a physician, a likely outgrowth is an increase in medical professional liability exposure related to alternate providers.

Social media usage. Consumers frequently consult the Internet and social media for information on healthcare conditions and providers, and more providers are themselves reaching out to communicate with patients via these tools. This is a growing area, as patients seek non-traditional ways of connecting with providers, such as through telehealth consultations. Patient/provider communications outside official channels create risks such as: privacy concerns and missed diagnoses among other issues. Such risks can increase providers' liability exposure.

Increased life spans. Senior care facilities are on the front lines of this trend, providing a range

of healthcare services across extended periods as people live longer. Higher utilization of healthcare, particularly by patients with co-morbidities, makes long-term care even more challenging.

Benefits of knowledge

As the above-referenced trends in the industry demonstrate, healthcare is an increasingly complex industry. Risk officers have a more difficult job than ever, having to manage patient safety, while protecting their organizations' reputations by ensuring patients have a positive experience with the provider. The right insurance partner can help reduce that complexity by helping to provide stability in a dynamic and volatile environment.

Navigating uncertainty in the healthcare marketplace is best achieved with guidance from a partner like Berkshire Hathaway Specialty Insurance. We focus on the long-term, allowing us to know our customers and provide tailored solutions to specific problems faced by a particular operation. We value simplicity over complexity — a core company value. We seek to eliminate, reduce and avoid unnecessary complexity putting forward solutions based on the individual needs of the customers.

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