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# Risk Retention Reporter

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## **Risk Retention Group Offers Incentives to Reduce Claims Frequency**

*An RRR interview with Jack McCarthy, President of Risk Management Foundation of the Harvard Medical Institutions, the administrative organization for Controlled Risk Insurance Co. of Vermont (A Risk Retention Group) (CRICO Vermont)*

**RRR: Could you describe CRICO Vermont?**

**McCarthy:** CRICO Vermont is the RRG owned by the Harvard Teaching Hospitals. This RRG insures 10,000 physicians and 18 hospitals for professional liability.

**RRR: When did you begin using incentives for RRG physicians?**

**McCarthy:** Several years ago we began a premium discount program for anesthesiologists who completed simulator training. This initiative paid out a 10% premium discount to any insured anesthesiologist who trained on a mannequin-based simulator. The actual cases were simulations of recent anesthesia related claims. Our data, post training, shows a 20% premium rate differential for anesthesiologists with training versus those without the training.

**RRR: Those are impressive results. Did you think about applying it to other practice areas?**

**McCarthy:** Yes. This experience led us to ask the strategic question: "What other specialties had specialized training and, with the proper incentives, could improve claims experience? The prime target turned out to be obstetrics (OB). We had developed simulator-based scenarios for OB and had made a grant to an insured OB to develop team training. In 2003, we announced a 10% premium discount, each year for three years, for any insured OB who completed and maintained the following program:

- Safety climate survey
- Simulation-based or didactic team training
- Online course: Electronic Fetal Monitoring
- Online course: Shoulder Dystocia
- OB clinical guidelines test
- Provider satisfaction survey

**RRR: Why did you select OB rather than other practice areas?**

**McCarthy:** As a captive/RRG program we have a strong built-in incentive to reduce claims and reduce severity. Obstetrics was an obvious choice for several reasons: claims severity is very high; teamwork training has the potential to address patient monitoring issues; and obstetrics exposure is a real driver of reinsurance cost.

**RRR: What did your claims analysis indicate?**

**McCarthy:** Our OB claims analysis indicates that patient monitoring during the second stage of labor is the most difficult period to defend. When a plaintiff lawyer points to a drop in the fetal heart rate and alleges that is the point where lack of provider reaction caused CP, the defense is in a much better position to counter if the care team has consistently monitored the patient, the clinical record documents the decision and monitoring process, and a C-section is accomplished at the appropriate, even optimal, time.

**RRR: How did this affect your decisions to offer financial incentives?**

**McCarthy:** These factors led us to consider incentives for team training and simulation training in obstetrics. We had provided a grant to Dr. Benjamin Sachs at Beth Israel Deaconess Medical Center (BIDMC) in Boston. The grant was used to develop an OB team training program. At the same time, we had also developed an OB simulator training program with Dr. Jeff Cooper (PhD) at the Center for Medical Simulation. The simulation scenarios were based on a composite of the clinical events in several serious malpractice claims.

**RRR: What results have you seen from the discount program?**

**McCarthy:** The OB discount program has been in place for three years. Because of the time commitment necessary to train OB teams, it will take several more years to train all of the insured OBs — residents and nurses are being trained now too — and to evaluate the actual impact on claims. Our preliminary results at

BIDMC, the location for the first team training, are very encouraging. In the three years prior to team training, BI had 7 OB claims and suits with 5 (71%) being high severity. In the three years post training, claims and suits dropped to 2 and high severity to 1. Another measure, the Adverse Outcomes Index — a quality indicator database of adverse maternal/neonatal outcomes — shows a 55% drop over the same period of study. This would tend to validate the claims experience.

**RRR: What's next?**

**McCarthy:** Office practice evaluations (OPE) are done by CRICO/RMF staff. These OPEs focus on test result handling, referral management, and quality of office records. We are piloting a discount program and providers will receive a 10% discount for a score of 85% or better on a range of evaluation factors.

These are early, three-to-five year results in a long tail line of businesses. Our assessment is that positive incentives can accelerate adoption of patient safety and risk management programs. These incentives have had a positive payback for our program in the short run and we are interested in adding specialties and continuing to measure the impact on premium and bottom line results.

**RRR: Could tort reform impact results?**

**McCarthy:** Tort reform, while necessary, is not sufficient in the long run. Making healthcare safer for patients is the most important thing for long-term stability of the healthcare system and its support organizations.

By making care safer, we also improve our exposure to reinsurance costs through reduction in high severity claims frequency and by increasing the defensibility of those that do occur. All in all a win for the patient, the provider, and the insurer.

*Jack McCarthy is President of Risk Management Foundation of the Harvard Medical Institutions. This organization consists of a Vermont Risk Retention Group and a Cayman Captive. It insures 10,000 physicians, 18 hospitals and more than 200 other healthcare organizations. Liability coverage includes policies for professional, general, association, environmental, and intellectual property exposures.*

*The Risk Management Foundation is the administrative organization for the RRG. RMF is located in Cambridge Massachusetts. Its 120 employees manage claims and provide loss prevention services to the sponsoring organizations.*

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