All in the balance

Jeanne Braun, executive vice-president with Physicians' Reciprocal Insurers in New York, talks to *Captive Review* about the future of healthcare insurance in the US

The healthcare insurance landscape is rapidly changing, and nowhere are these shifts more strongly felt than in New York.

The Affordable Care Act was signed into law in March 2010, bringing with it increased regulation. The far reaching reforms have already affected many aspects of healthcare insurance. Doctors groups are rising to meet the challenges of increasing overheads and the issues of medical malpractice. The relationship between doctors and hospitals is also in flux, posing new questions for risk management and compliance. Doctors are increasingly adopting or participating in captives and the commitments that come with such a move. The ever-evolving malpractice industry puts the balance between patient-care and cost increasingly to the test.

Jeanne Braun, executive vice-president with Physicians' Reciprocal Insurers in New York, speaks to *Captive Review* about emerging practices among doctor groups and how she sees the healthcare insurance industry developing in the future.

Captive Review (CR): Do you think there is a trend in New York for small doctor groups to merge into larger group practices? What effect do you see this having on the industry?

Jeanne Braun (JB): The merging of solo practices into larger group practices is a trend we have been seeing for a while now. There are a number of reasons why this is happening but the two most important ones are costs and reimbursement. The overheads associated with running a private practice these days are very high and, by joining together, doctors can experience some efficiencies. I believe this will ultimately create a more demanding client base with regards to service and value.

CR: How well will doctors be able to commit to risk management? What will be the results of a shift away from the individual policy for an individual doctor rule?

JB: There are a host of well developed risk management programmes available to doctors, many of which are anchored to malpractice programmes and incentive discounts. As doctors form large groups I expect they will build in a risk management programme headed up by an administrator and a medical director. There will likely be some growing pains but we have seen it work well in a number of groups with which we are familiar. Peer pressure will become a dominant theme as doctors assess their overall performance as a group, not as individuals. It will be a powerful change agent but it will take time.

CR: Would you encourage doctors to engage in claims discussions? In what way do you feel doctors could benefit from identifying the root causes of malpractice claims?

JB: The malpractice industry is much more transparent than it was years ago and doctors understand this. Hospitals are committing a lot of resources toward transparency, root cause analysis and education and the doctor's participation is crucial. Their commitment is of paramount importance, so learning more about why patients sue has to become part of the culture of safety.

CR: What should be the main motivation for doctors when establishing or participating in captives?

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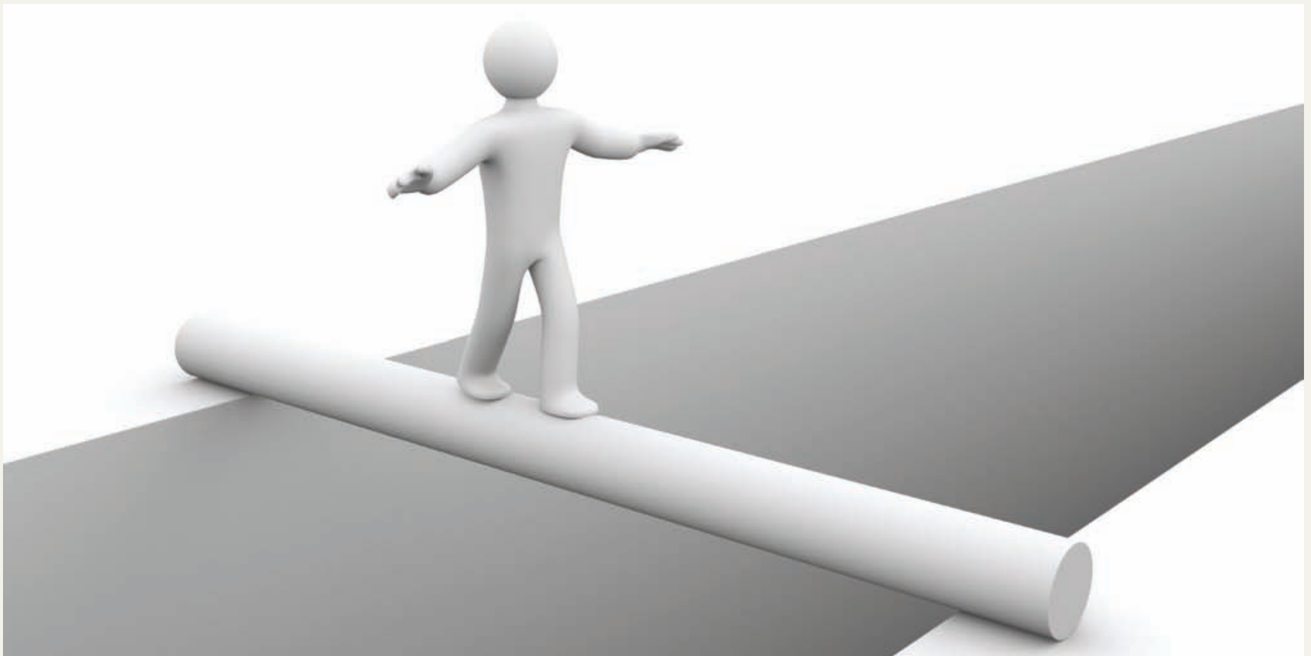

> "The gold standard, in my view, will be those who can balance superb patient care and revenue growth"

JB: Captives will always be an attractive vehicle for large doctor groups. It is one of the more efficient ways to create a private label programme. I only recommend captives to groups that are prepared to make the financial commitment necessary to reduce claims and monitor performance. You cannot extract cost savings unless you are disciplined. Similarly, the captive should be well funded and supported by experts in the field of medical malpractice. It can be costly if not managed properly.

CR: How do you expect the financial landscape of healthcare to evolve in the future? In the experience of Physicians' Reciprocal Insurers, what can be done to ensure success?

JB: The broader picture on healthcare is attempting to do more with less. The good news is technology continues to evolve and we all get to benefit from it. The bad news is that the cost of doing business continues to swell. How this will play out for medical malpractice in the doctor's practice will be closely watched. I suspect the more sophisticated groups will make the investment of time and money and build up an efficient and patient-friendly practice. The gold standard, in my view, will be those who can balance superb patient care and revenue growth. By embracing two simple principles, the road ahead may not be as precarious as it looks now, but it will be challenging.

CR: In your opinion, do you see the relationships between hospitals and doctors changing in the future, as a result of larger groups?

JB: The relationship between hospitals and doctors has always presented challenges, but if well structured the partnership can be a good one. From a malpractice perspective there are still some gaps between the efforts undertaken by the hospital risk managers and the practice administrator. Is it easier to manage when the doctor group is owned by the hospital? Yes, it is. It is also easier to monitor compliance with quality standards and risk protocols when doctors are employees of the hospital. It is expensive to buy doctor practices, so the trend toward staff models may move slower than expected.

I would also like to see some more discussion about the paradigm of buying individual policies, buying individual limits and the entire credentialing process built around this paradigm. This is probably a good time to develop new products that speak to the evolving nature of our health care delivery system. We have had dialogue with brokers about the future and how we can step up to spearhead some progressive solutions. Attention is also focused on the actuarial support for defining premium, defining exposure. Furthermore, we're spending time with our clients brainstorming for new ideas. I think 2011 will be an exciting one for innovation.

Jeanne Braun is executive vice president for hospitals and special programmes at Physicians' Reciprocal Insurers in New York. A former hospital administrator and risk manager, she has extensive experience in developing specialty malpractice programs for facilities and captive insurance companies. She is the former chair of the Spencer Educational Programme, a non-profit foundation that supports risk management education for students across the country.