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Do You Deserve the Best Protection When it Comes to Your Reputation and Livelihood?

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President & CEO



Do you deserve the best protection? Admittedly, “deserved” is a loaded word. But think about it. If you’ve never been sued for malpractice, maybe you can rationalize a “No, I don’t need the best protection,” answer. But do so at your peril. Because if you’re a physician who has paid your dues in medical school, in residency and finally in either private practice, as an employee or both, wouldn’t you want the best protection?

Assuming you would, indeed, want the best protection if you were sued, then you can’t afford to make a decision on professional liability insurance without looking at what you give up if you choose a carrier solely on price.

Best vs. The Rest

So what exactly does it mean to have the best protection?

First, consider who will represent you in the case of a claim. Would you rather have a carrier and a law firm “from away” as we say here in Maine, or an insurance company and specialty law firm that operate and practice in your state in front of local screening panels and courts? With 31 years of experience in the Maine market, 17 years in New Hampshire and 14 years in Vermont, Medical Mutual knows the value of cases in the local legal environment, a fact that can’t be overstated when it comes to evaluating all aspects of a claim. From my vantage point as a physician, I’ll take 14, 17 and 31 years of local legal experience over 100 years of experience from anywhere else.

Aside from experience, the manner in which other companies approach your case can differ — dramatically. Will decisions on whether to settle or defend — which have a direct and lasting impact on your career — be made by business people or by a Claims Committee, like Medical Mutual’s, comprised of practicing physicians who know both the care environment and the standards of care?

Leave the fight or settle question to business people and you’re

likely to get an answer based on a cost-benefit analysis as it pertains to the company’s bottom line. It may make the quarterly financials look better, but you could end up living with a successful claim against you for the rest of your career. Explain that to your next prospective employer. On the other hand, when you are covered by a company like Medical Mutual, you have the commitment from the physicians on the Claims Committee that if the care was appropriate, we’ll fight your case to uphold your reputation.

Dispelling The Commodity Myth

How can some medical professional liability insurers charge rates that are in some instances 20–25 percent below others in the market? The answer is one that, for anyone who takes the time to actually examine policies, clearly dispels the myth that medical professional liability insurance is a commodity. The essential definition of a commodity is that competitive products are the same. But the reality in medical professional liability insurance is that policies and coverages are anything but the same. They all differ — often in very significant ways.

For example, some competitors’ policies make doctors in a group or at a hospital share coverage limits, while with Medical Mutual, each physician has his or her own limit. With shared

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limits, one significant claim could put your whole group or hospital in serious jeopardy.

Consider, too, that many of these insurers in essence charge you for your defense by applying defense costs — not just damages, but also lawyer and expert witness fees and the like — to your coverage limits. So your true coverage limits are reduced. Not so with Medical Mutual. Medical Mutual policies are specifically written with defense costs outside the limits of liability. So unlike others, if your per-occurrence liability limit is \$1 million, you get the full million dollars of coverage.

And these are but two of the many differences in policies that can lead to differences in premium prices — and substantial gaps in coverage.

The Underwriting-Dividend Connection

Some would have you think that dividends are a gimmick. But in reality, they are a benefit of sound underwriting. The payment of dividends is in large part a function of a company like Medical Mutual having charged actuarially-indicated rates, then experiencing lower than expected losses over a finite time period. In such cases, Medical Mutual, as it has in recent years, declares a dividend and shares its success with its policyholders. But don't expect other companies to share such success with you after a good year. Because the fact is, no other medical professional liability insurer in Maine, New Hampshire or Vermont has ever paid a dividend in Northern New England.

That's in good times. So what if you experience a claim? According to the Duke University *Journal of Health, Politics and Law*, almost 1 in 5 physicians will be sued in any given year. And *Young Physician* magazine states if you perform any type of surgery, the probability that you will be sued at some point in your career is almost 100 percent. Then what? There's a good chance you will lose your protection altogether, as many carriers have shown a propensity to drop individuals, practice locations or even entire specialties when a claim or claims threaten profitability. Does that sound like good protection?

When the Market Shifts, Who Will Your Carrier Protect?

Finally, market shifts — dramatic turning points that are common in the volatile medical professional liability insurance business — are another important factor when it comes to your protection. It's common for regulations to change, claims in general to rise sharply or financial markets to suffer in a way that hurts the economics of writing insurance coverage. In such cases, there are many examples

of companies simply closing shop and leaving a state. That's the ultimate protection — of corporate profits. In the meantime, you're left without protection of any kind and must try to secure coverage under difficult market conditions.

In short, for some carriers, serving a market is a question of opportunity and protecting profitability. For a company like Medical Mutual, on the other hand, it's about protecting the care environment, as well as your assets and reputation, year in, year out.

Getting The Protection You Deserve

So, do you deserve the best protection? If you believe you do, say so — to your partners, to your practice or business manager, or to your administrators. The policy may or may not belong to you. But in the event of a claim, it's your reputation and your livelihood that are put at risk. And that's not when you want to answer the question of what kind of protection you deserve.

Littleton Regional Hospital Selects Medical Mutual

Littleton Regional Hospital of Littleton, NH informed Medical Mutual on September 25, 2009 that it had been chosen as its new medical professional liability insurer over two other carriers. Medical Mutual Senior Vice President of Insurance Operations, Mick McCall, announced the news with a company-wide email late that Friday afternoon after a call from the Hackett Valine & MacDonald insurance agency informing the Company of its successful bid.

In an email to the Medical Mutual Board of Directors announcing the new contract, Company President and CEO, Terrance J. Sheehan, MD, reported that, "Warren West, the CEO of the hospital, stated that our superior services were the deciding factor. That is, how we manage claims, how we underwrite and the risk management services we provide to hospitals and physicians are seen by Warren as critical to the long-term success of our relationship with Littleton Regional."

Littleton Regional Hospital employs 20 physicians. Coverage began October 1, 2009.

Company Shares Insight on Team Training and Claims Trends at Hospital Education Program

Program to Expand in 2010

Executives, VPMAs and quality assurance professionals from 15 Northern New England hospitals gathered for Medical Mutual's 2009 Hospital Education Program on August 18, 2009 to learn about the benefits and processes involved in interdisciplinary team training in the hospital environment, as well as gain risk management insight from a special presentation on emerging patterns in hospital claims.

Representatives from 11 hospitals insured by Medical Mutual and, notably, four hospitals currently self-insured or covered by other carriers, took part in the morning program held at the Woodlands Club in Falmouth, Maine.

Doug Salvador, MD, MPH, Associate Chief Medical Officer and Patient Safety Officer of Maine Medical Center in Portland, Maine presented the team training portion of the seminar, which focused on the structures, processes and behaviors necessary to implement an interdisciplinary team training model in a hospital environment. Salvador said with proper training, the team approach has proven to be an effective means of preventing adverse events.

"We've received terrific feedback on the program over the past three years and we're now planning on expanding it to recognize the diversity of the participants we have been drawing."

**— Cheryl Peaslee,
Assistant Vice President of Risk Management**

Fostering mutual respect among all members of the clinical team and developing consistent, effective communications behaviors, he said, are the central tenets of the collaborative model and he outlined practical guidelines for implementing such strategies.

Attendees called the presentation "timely" and cited the value of hearing local examples of successful process improvements through team training and the collaborative model.

Rounding out the program was a presentation on recent trends in hospital claims by Medical Mutual Assistant Vice President - Claims, Mary Elizabeth Knox. Ms. Knox analyzed the Company's claims data for the past ten years and presented evidence that indi-



L to R: Dick Willett, President and CEO of Redington-Fairview General Hospital, Ted Westerfield, Medical Mutual Sr. Claims Representative and Shawn Anderson, Chief Operating Officer at Cary Medical Center took in a round of golf following Medical Mutual's Hospital Education Program at the Woodlands in Falmouth on August 18, 2009.

cates a possible waning of claims related to vaginal births after cesareans, bariatric surgery and retained sponges and other surgical items. Other types of claims such as medication errors, patient falls, myocardial infarctions in emergency departments, failure to diagnose cancer and unrecognized post-operative complications, were previously identified as trends which persist today. Finally, she identified a handful of claims

types that bear watching as potential trends, according to recent data: anticoagulation, negligent hiring and credentialing, computer access issues, telemedicine and electronic medical records.

Given the intense and focused energy of hospital clinicians and administrators on a day-to-day basis, attendees said the trends data proved invaluable in highlighting information they would not normally be exposed to. As a practical matter, one attendee cited the usefulness of the information saying, "We need to know the emerging trends. This will be helpful to take back to my office when identifying our case reports."

Medical Mutual Assistant Vice President of Risk Management, Cheryl Peaslee, commenting on the Hospital Education Program said, "We've received terrific feedback on the program over the past three years and we're now planning on expanding it to recognize the diversity of the participants we have been drawing. So next year we'll offer a Hospital Education Program specifically for hospital VPs of Medical Affairs and Quality, Risk Management and Performance Improvement personnel in the spring of 2010, as well as a program for hospital CEOs and CFOs in the summer or fall."

"It's really a matter of practicing what we preach," she said. "The success of the series has been great, but we're always looking to improve. And by focusing presentations on narrower audiences from within the hospital environment, we think it will be even better."

Medical Mutual Reports First-Half Operating Results

Medical Mutual's operating performance for the Six Months Ended June 30, 2009, was in line with management's expectations. The Company realized net income of \$3,082,000. A comparison of operating results for the first half of 2009 and 2008 adjusted to eliminate the impact of changes on prior years' reserves, capital gains/losses and to reflect investment income on a full tax equivalent basis indicates that the Company continues to strengthen its solid financial position. The comparison shows that adjusted operating income improved \$1,893,000 in first half of 2009 to \$2,208,000 from the \$315,000 in 2008, indicating that the insurance portion of the Company's business significantly improved over last year.

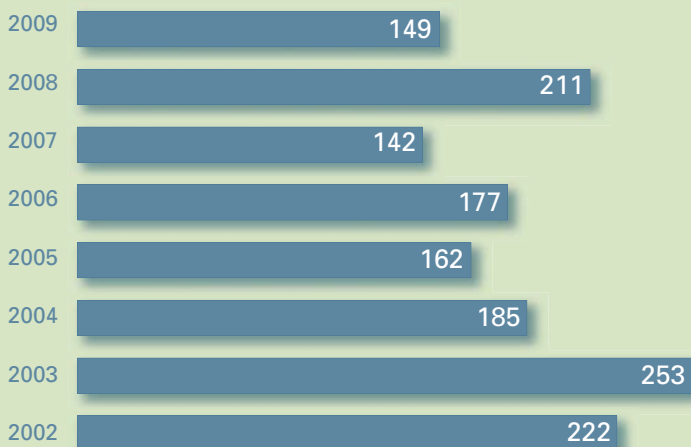
Medical Mutual's Executive Vice President and CFO, Dom Restuccia, said, "The number of new professional liability cases brought against our physicians and hospitals this year compared to five or six years ago has decreased remarkably. It's hard to imagine that in an industry as volatile as ours this favorable trend

has persisted. We firmly believe that our excellent operating performance reflects efforts to improve patient safety and quality of care, the results of which have been good for everyone in the healthcare equation — the Company, our policyholders, the greater medical community and, of course, patients."

Restuccia also noted that new actuarial studies will begin early next year to make certain that rates in all three states continue to be in alignment with actual results and expectations. Other highlights and significant results for the first half of 2009 include:

- **Income Before Taxes and Dividends:** Income before taxes and dividends was \$3,957,000. This compares to \$10,281,000 for the same period in 2008.
- **Pre-Tax Operating Income:** Pre-tax operating income (ignoring capital gains/losses) was \$3,877,000, a decrease of \$2,542,000 from the \$6,419,000 reported in 2008.
- **Net Earned Premiums:** Net earned premiums decreased 4.45% to \$19,846,000 from the \$20,771,000 reported in the same period in 2008. The reduction in net earned premiums is primarily due to changes in class relativities and rate reductions filed and approved in last year.
- **Losses On Claims:** Net losses were \$7,316,000, a decrease of 24.84% from the \$9,734,000 reported in the same period in 2008.
- **Insurance Operations:** The Company reported an Underwriting gain of \$349,000, \$2,573,000 lower than the \$2,922,000 reported in the same period in 2008 because of lower earned premiums and higher loss adjustment expenses.
- **Investment Income:** Investment income was \$3,495,000, a slight increase over the \$3,452,000 reported in the same period in 2008.
- **Surplus:** Surplus increased \$4,149,000 to \$83,611,000 since year-end 2008 primarily because of favorable operating results.

New Claims Filed (first six months)



New Claims reported in the first half of 2009 totaled 149 (second lowest since 2004) compared to 211 in 2008. Although claims activity is not consistent year-to-year, the Company has now experienced over five years with new claims activity significantly below levels seen in the first half of 2003 and 2002.

Good News on Rates. Better News Ahead?

Medical Mutual President & CEO Terrance Sheehan, MD, recently announced that rates for both physicians and hospitals across all three states the Company serves will remain flat for the coming renewal year. Sheehan added that, “As the recession eases, and economic growth returns, we’ll have a clearer picture of the Company’s ability to declare a dividend or modify rates in 2010.

For many policyholders, the announcement marks at least three years in a row that rates overall have remained steady or declined. This favorable rate trend has been a reflection largely of a moderating claims experience.

Delay on Dividend Decision a Matter of Doing The Right Thing

Given the continued uncertainty in the economy, the Company has delayed a previously anticipated decision on whether to declare a dividend in favor of further monitoring of the medical professional liability insurance market and the economy in general. Sheehan said, “The recession that crippled the financial markets last fall

and dispelled the myth of a recession-proof healthcare industry casts a different light on the Company’s financial forecasting.”

“As always, our focus is on maintaining a strong financial position to maintain the best-in-class protection that makes Medical Mutual the clear market leader in Northern New England. At the same time, we have always been committed to returning to policyholders of Medical Mutual, surpluses in excess of the need to pay projected claims and run the Company — a decision we’ve made eight times since the Company’s founding in 1978, including a total of almost \$8 million in the last two years (2007 and 2008),” he said.

Sheehan said that while the Company’s financial position remains as strong as ever, “Given the state of the economy and our philosophy of doing the right thing, it is prudent to delay any decision on a dividend declaration until the Company gets a more definitive picture of the broader outlook for 2010.” He said the year-end operating results, along with final claims counts and the financial markets’ performance will ultimately determine the feasibility of declaring a dividend.

Official Launch of New Tufts/MMC and UNE Programs to Address Critical Shortages

With inaugural classes beginning at the Tufts/Maine Medical Center School of Medicine and the University of New England’s College of Pharmacy this September, Maine — and more generally Northern New England — soon stand to benefit in their efforts to address anticipated shortages in primary care physicians and pharmacists.

Students in the Tufts/MMC program will study for two years at Tufts, then transition to one or a combination of four teaching sites in Maine for their third and fourth years. In addition to Maine Medical Center, the following three hospitals have also become partners in this prestigious program: Franklin Memorial Hospital, Mid Coast Hospital and Stephens Memorial Hospital. Twenty-two of the program’s first 32 students were Mainers. The school’s unique curriculum dubbed the “Maine track” will emphasize rural practice.

Across the country, the number of students going into primary care has dropped 51.8% since 1997, according to the American Academy of Family Physicians. Which is why this new program is so important to the region as the curriculum is specifically designed to encourage participants to establish medical practices in the area.

Meanwhile, the University of New England welcomed its first class of 100 students this September with a traditional White Coat Ceremony, which included the students pledging the oath of a pharmacist. When these students earn their Doctor of Pharmacy degrees beginning in 2013, they will represent the fruits of a concerted effort to address a shortage of pharmacists in the state similar to that seen for primary care physicians.

Pharmacist shortages both locally and nationwide have been an issue for a number of years with some pharmacies limiting hours or temporarily closing “on short notice” according to reports by the Boston Globe and The Kaiser Health Policy Report.

“We congratulate Tufts University, Maine Medical Center and the University of New England for leading these important efforts to improve the care environment here in Maine and beyond,” said Terrance J. Sheehan, MD, President and CEO of Medical Mutual. “Hopefully these programs can establish the necessary momentum and interest among our region’s young people to pursue careers as primary care physicians and pharmacists, as the need for bright, talented and well-trained individuals in these fields has been steadily increasing.”

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You can also feel free to contact John Doyle, Vice President of Marketing and Corporate Communications by phone, email or letter. John will bring the feedback to management for review and discussion. All correspondence will be responded to if requested or deemed appropriate. Here's how to reach him:

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