rshare

risk sharing program

Medical Mutual Insurance Company of MAINE®

Cost pressures continue to mount. Risk sharing could provide some relief.

Introducing rShare: Alternative insurance coverage. Same Medical Mutual service and value.

With all the pressures hospitals and physician practices are facing to cut costs today, it's likely that you've considered numerous ideas for trimming expenses. In doing so, you may well have wondered about ways to reduce the premiums you pay for medical professional liability insurance.

As a medical professional liability insurance carrier born of — and to this day directed by — practicing healthcare professionals, Medical Mutual Insurance Company of Maine understands. And it's always been our philosophy to support our member-insureds, and the industry in general, in addressing important challenges. That's why we're proud to introduce the new rShare risk sharing program.

rShare allows hospitals and large group practices to lower their medical professional liability insurance premiums by sharing a portion of the financial risk of covering the costs associated with claims. It's a flexible program that allows you to weigh various discounts and associated degrees of risk sharing that best fit your organization, as well as its ability to pay a greater portion of losses on claims.

Best of all, unlike joining a risk retention group or entering into a captive insurance arrangement, you get all the benefits associated with being a member-policyholder of Medical Mutual — complimentary, best-in-class risk management services and a historical track record of excellence in claims management and defense, in addition to local client services that allow you to focus on your core business with worry-free confidence that your insurance program is in good hands.

With rShare, as with many care plans, you have options.

Flexible program design means customized coverage and cost savings

With rShare, you, as a practice or hospital administrator, can choose the risk sharing options that make the most sense for your organization.

Deductibles — choices beyond just limits

Deductibles are common in many kinds of insurance coverage. But beyond the financial limit, the kinds of expenses that count toward the practice or hospital's deductible determine the amount of risk that is shared under this option.

Traditionally, deductibles apply to indemnity payments only. This leaves the responsibility for defense expenses — which are more common and predictable than indemnity expenses — with the insurance carrier. Under the rShare program, Medical Mutual can structure the deductible to include defense expenses, and in turn provide greater cost savings on your premium. Whatever the deductible limit or structure, it will typically apply per incident, with a maximum aggregate of three times the deductible for the policy year.

Co-Participation — bigger risk, potentially bigger reward

Another option for saving on your Medical Mutual premium is Co-Participation, in which you carry a bigger share of the risk in the event of a claim or claims, but qualify for the reward of greater savings on your base premium. For instance, you can share equally with Medical Mutual in the responsibility for claims payments in the coverage layer above your combined indemnity and defense expense deductible — up to the policy's per-incident limit.

Let's look at an example where you choose a $200,000 combined deductible on a policy with a $2 million per-incident limit and you further choose a 50/50 Co-Participation Option for the layer above the deductible. If a claim against your organization resolves for the full $2 million, whether by settlement or judgment, you will be responsible for $900,000 of the indemnity payment above and beyond your deductible payment — that is, half of the remaining $1.8 million liability after the $200,000 deductible.

When a hospital or practice chooses a Co-Participation Agreement to cover **both** the organization and its physicians, they will also share the per-incident and aggregate liability limits. This means settlements of judgments that involve two or more persons in the same claim will be paid from the one set of shared limits. In addition, the hospital or practice may also be required to substantiate its ability to pay its share of liability, in the event of one or more large claims settlements or judgments.

Depending on your organization's size, financial position and track record with claims, the significant premium savings this option provides may or may not be worth the risk you share. There are no guarantees either way. That's simply the nature of risk. But as groups and hospitals become larger in today's healthcare environment, co-participation may well become an attractive option for some.

How much savings can you afford? It's a matter of risk vs. reward.

The chart on the right depicts costs associated with a claim under three different deductible scenarios:

- **Combined** — legal defense costs and indemnity both count toward the deductible
- **Expense Only** — only legal defense costs count toward the deductible
- **Indemnity Only** — only indemnity costs count toward the deductible

Case details

$500,000 judgment or settlement

$40,000 in legal expenses incurred for defense of the case

$100,000 deductible

The key questions

What are the risk and reward factors to the insured organization under each kind of deductible? And what is the distribution of costs between Medical Mutual and the insured organization? The following table sheds some light on these important questions.

Deductibles and Aggregate Limits

It is important to note that all deductibles are per incident, but can be issued with or without an aggregate limit for the policy year. A larger discount can be applied if you choose not to have an Aggregate Limit, but the potential exposure for the hospital or group can be significant as you could be subjected to an unlimited number of deductible incidents.

The aggregate limit yields a smaller discount, but caps your exposure.

rShare savings scenarios

	Combined Deductible	Expense Only Deductible	Indemnity Only Deductible
Risk Factor	Highest Risk	Moderate Risk	Lowest Risk
Reward Factor	Biggest Premium Savings	Moderate Premium Savings	Smallest Premium Savings
Risk/Reward Rationale	The hospital/group has exposure to both legal expenses and indemnity	All claims have defense costs associated with them, regardless of merit. Therefore, the group/hospital will incur defense costs for every alleged claim up to the deductible limit.	Since most claims settle without any indemnity payment, this option carries the smallest potential premium savings.
Cost Distribution Hospital/Group pays	$40,000 toward deductible for legal defense costs $60,000 toward indemnity **Hospital/Group Total:** $100,000	$40,000 toward deductible for legal defense costs **Hospital/Group Total:** $40,000	$100,000 toward deductible for indemnity **Hospital/Group Total:** $100,000
MMIC pays	$440,000 toward indemnity **MMIC Net Total:** $440,000	$500,000 toward indemnity **MMIC Total:** $500,000	$40,000 in legal defense costs plus $400,000 toward indemnity **MMIC Total:** $440,000

rShare vs. RRGs and Captives: Better equipped to handle the inevitable spike in claims.

The idea of taking on additional risk as a means of reducing medical professional liability insurance costs is not new. Some organizations have applied this strategy by self-insuring under the structure of a risk retention group or captive. But make no mistake about it, self-insuring under such arrangements is exactly that — insuring yourself.

In other words, you and your group are responsible for every facet of insurance operations: regulatory reporting, actuarial analysis, reserve management, underwriting, and day-to-day administration, as well as defending and paying claims. Plus, the exit strategy is complex. Generally, once you've made the investment in self-insuring, you're in it for the long haul, whether you're saving money or not.

Being small in an industry that inherently favors large numbers

Aside from assuming these costs, the biggest risk you take on when you choose to insure through an RRG or captive arrangement is a significantly greater exposure to claims volatility.

The Law of Large Numbers, a fundamental principle of all insurance, states that claims volatility is inversely related to the size of the risk pool: bigger pool, less volatility and vice-versa. With fewer hospitals and physicians contributing premium dollars to cover the group's insurance costs in an RRG or captive, claims results are less predictable and volatility is higher. A single large claim can significantly increase the group's overall costs. On the other hand, carriers like Medical Mutual spread costs among many hospitals and physicians, making claims results more predictable and less volatile.

When claims become more than actuarial data

Just as important as how the risk pool affects claims volatility is the way actual claims are managed and defended. Medical Mutual has a track record of tens of thousands of cases handled successfully over the past 30-plus years. With a Committee of practicing physicians guiding every significant claim, the recommendation to settle or defend is always made based on the medicine, not business expedience or a cost-benefit analysis. When your reputation is on the line, this is arguably the most important advantage you get with Medical Mutual.

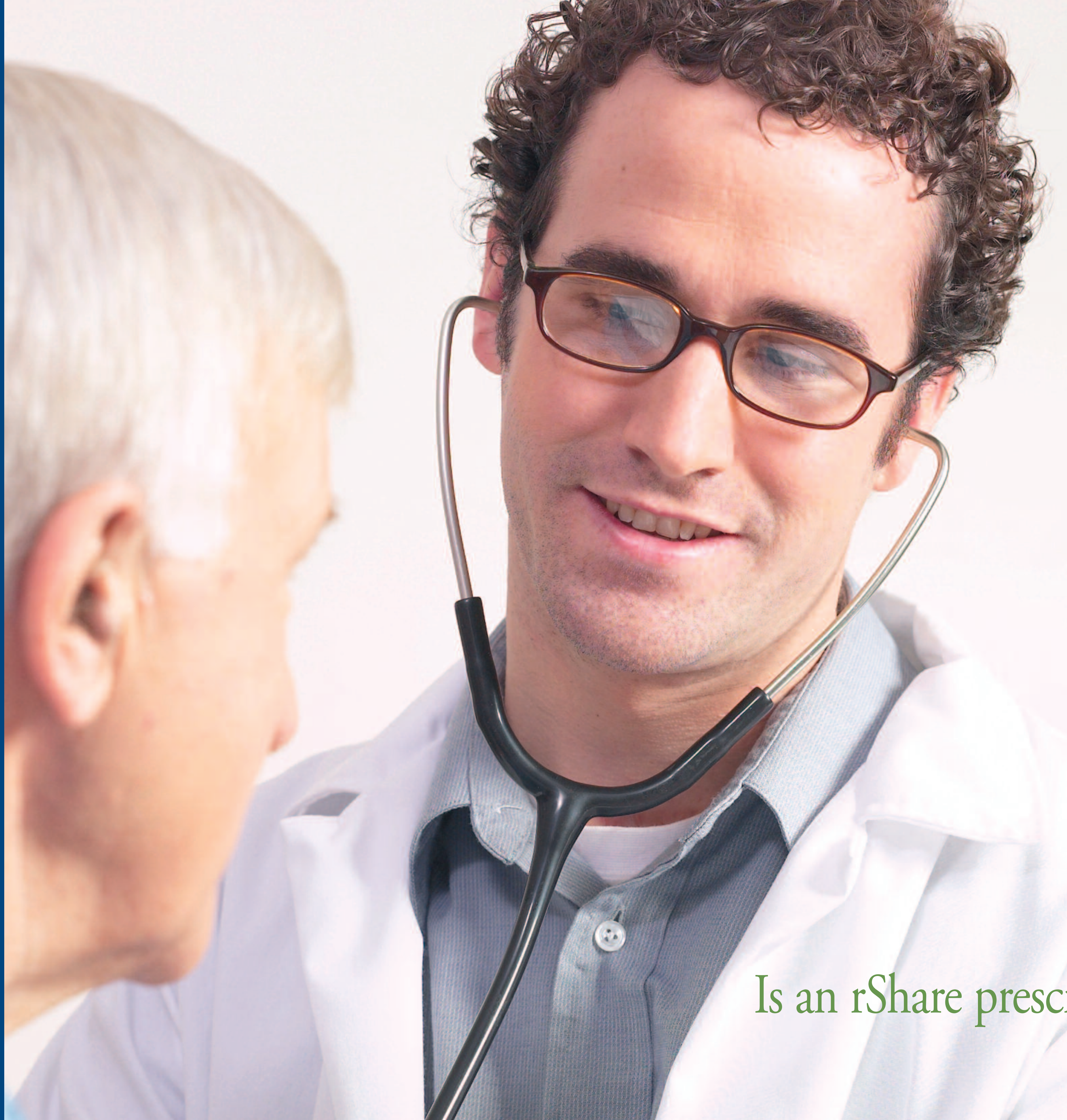
Medical Mutual's hidden savings

While the idea of saving money by insuring through an RRG or captive is a gamble, one thing is sure: the incidence of such-self-insurers receiving a dividend is rare at best. And the group will pay more in the reinsurance market for comparable coverage, especially when the group is new, because not only is it smaller, but it has no claims experience on which the reinsurers can rely for pricing purposes.

Which is to say that reinsurers offer better pricing to carriers like Medical Mutual because of their scale, reputation and track record. This savings with Medical Mutual offsets the potential savings you would theoretically gain through an RRG or captive program. Plus, should claims experience be better than anticipated, Medical Mutual has shown that it can provide additional hidden savings through dividend declarations.

If you're going to share risk, whom you share with matters

Finally, when you share risk under Medical Mutual's rShare program, you have access to Medical Mutual's complimentary and best-in-class risk management services. In other words, exactly the kind of support you need to minimize claims and achieve the savings you seek. Not to mention that you benefit from the day-to-day support, knowledge and responsiveness of a staff that has been dedicated to serving Northern New England's healthcare community for over 30 years.



Is an rShare prescription right for your organization?

Everyone, of course, would prefer more savings over less. But the rewards of sharing risk are relative and cannot be guaranteed. Risk is risk, after all.

So how much risk can you share — comfortably and with confidence? This is the fundamental question to consider before selecting a medical professional liability insurance policy that offers anything other than standard first-dollar coverage.

Even when you know the savings and understand the limits of your deductible and/or co-participation options, the answer may not be easy. And keep in mind that qualification for rShare, as with any Medical Mutual insurance plan, is subject to underwriting.

Get a free assessment

The good news is that we are happy to help you take advantage of your historical performance. That's why, in the spirit of partnership, we offer a free assessment that helps you better assess whether the financial rewards of various premium saving measures outweigh the risk for your hospital or group.

By reviewing your organization's claims history, our underwriters can provide you with an initial picture of what risk sharing at various levels could mean to your practice or hospital under different scenarios. Of course, enrollment in the rShare program, as with any Medical Mutual insurance program, is subject to underwriting. But with the free assessment, you'll at least be able to make a truly informed decision on whether pursuing rShare is right for you and, if so, at what level.

To take advantage of this free assessment, talk to your authorized agent of Medical Mutual, your Medical Mutual underwriter, or simply contact John Doyle, Vice President of Marketing & Corporate Communications, at (800) 942-2791 or via email at jdoyle@medicalmutual.com.

Medical Mutual Insurance Company of MAINE®

Serving healthcare providers in Maine, New Hampshire & Vermont

One City Center • PO Box 15275 • Portland, Maine 04112-5275
Tel 207-775-2791 • 1-800-942-2791 • *Fax* 207-523-8300
www.medicalmutual.com