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*For immediate release*

## Physician employment and legislative trends top issues for hospital risk managers, according to annual Aon/ASHRM report

**CHICAGO (Oct. 16, 2012)** – The health care field is undergoing a fundamental change in the way care is delivered and financed, reshaping the risks organizations face on a daily basis. According to the 13<sup>th</sup> annual Aon/ASHRM Hospital and Physician Professional Liability Benchmark report, released today by [Aon Risk Solutions](#), the global risk management business of [Aon](#) plc (NYSE: AON), hospital risk managers are grappling with greater physician integration and changes in state legislation that influence professional liability costs.

### State Legislation

New types of state legislation are emerging as the [Affordable Care Act](#) is implemented. Two states recently enacted laws that address professional liability, or medical malpractice, and are focused on delivering quick and fair compensation to patients suffering a medical injury.

- **Massachusetts** enacted a law that adopts a mandatory 180-day cooling off period, where providers are given the opportunity to disclose the event, offer an apology and negotiate compensation.
- **New Hampshire** lawmakers passed an act establishing an early offer alternative in medical injury claims. The program provides patients the option to settle medical liability claims within 90 days of injury.

“These states are at the forefront in changing the environment for health care providers as the laws move away from traditional tort reforms, such as caps on non-economic damages, and move toward restructuring the patient/provider relationship,” said Erik Johnson, health care practice leader for Aon’s Actuarial and Analytics Practice and author of the analysis. “This legislative trend shares a synergy with the health care reform legislation in that they are focused on innovations that would promote efficiencies and unlock savings that are currently ingrained within the system.”

### Physician Employment Trends

Hospitals are employing more physicians and using their own self-insurance facilities to provide medical malpractice insurance coverage. Hospitals point to cost savings, streamlined claim defense and uniformity of risk management practices as important benefits of such a strategy. The self-insurance of employed physicians also involves unique challenges, such as consideration of physician tail and prior acts coverage. According to survey respondents, the majority of health care systems provide tail coverage for physicians leaving the organization, but most (67 percent) do not respond to claims related to prior acts occurring before the physician’s employment.

“The ability to mitigate, transfer and/or manage the current traditional risks facing health care providers should be considered an assumptive core competency of health care providers and their business partners,” said [Ron Calhoun](#), managing director of Aon Risk Solutions’ Health Care Practice. “The new health care landscape will be impacted by a range of developments, such as new alignments across all providers and care settings, and among multi-hospital and multi-physician groups; payer-provider links for risk sharing; data integration and patient management; and financial and data transparency. IT infrastructure and process improvement will be critical to success.”

Dominic Colaizzo, chairman of Aon Risk Solutions’ Health Care Practice adds, “This challenging environment increases the pressure on health care providers to seek the most appropriate and cost-effective insurance programs.”

### Aon Risk Maturity Index Insight

Data from [Aon’s Risk Maturity Index](#), a risk management capabilities diagnostic tool, indicates that hospital systems are at a more advanced level of risk maturity than other industries. These systems score higher than the global average on several components of risk maturity such as casualty/liability risk management strategy and employee engagement.

Hospital systems on the leading edge of the risk maturity scale also incorporate operational and financial risk information in decision making and governance processes. This includes on-going strategic planning and the evaluation of significant opportunities, such as new product development and new market entry. These organizations set themselves apart through their ability to revisit key decisions and strategic outcomes and leverage lessons learned.

[Theresa Bourdon](#), group managing director of Aon Global Risk Consulting added, "We see that the integration of risk management issues with the broader strategic direction of the organization differentiates top-performing hospitals from others. This integration is especially important considering the magnitude of changes health care systems are dealing with in the current environment."

### **Noteworthy Statistics from the 2012 Aon/ASHRM Hospital Professional Liability Benchmark**

- Projected loss rate for hospital professional liability is \$3,030 per occupied bed equivalent for events occurring in 2013. The frequency of claims is projected to be 1.93 percent per OBE and the severity of claims is expected to be \$157,000 per claim.
- Projected loss rate for physician professional liability is \$7,510 per class 1 physician for events occurring in 2013. The frequency of claims is projected to be 3.81 percent per class 1 physician and severity of claims is expected to be \$197,000 per claim.
- Projected loss rate for obstetrics is \$193 per birth; surgery is \$124 per in-patient surgery; emergency department is \$7.04 per visit.
- Health-care-acquired conditions such as infections, injuries, medication errors, objects left in surgery and pressure ulcers account for 29 percent of total hospital professional liability costs.
- The hospital professional liability benchmark database includes claims from 48 states. Florida (\$7,660), Pennsylvania (\$5,150), New York (\$4,080) and New Mexico (\$4,050) have the highest projected loss rate for 2013; Indiana, (\$950), Minnesota and New Jersey (\$1,100) and Texas (\$1,660) have the lowest projected loss rate for 2013.
- Analysis provided by [The Beazley Group](#) shows the pediatric and academic health care systems exhibit lower frequency but significantly higher severity compared to other systems.

To purchase a copy of the 2012 Hospital Professional Liability and Physician Liability Benchmark Analysis, visit <http://www.aon.com/hplreport> or at the ASHRM online store: <http://www.ashrm.org>.

Risk managers interested in calculating their facility's loss cost visit <http://www.aon.com/hplreport>. The Loss Cost Calculator generates 2012 prospective loss costs based on exposures inputted into the calculator.

### **About the HPL Report**

The database includes 125 U.S. health care systems, representing 25 percent of the total U.S. hospital industry. Data collected includes 93,363 non-zero claims, representing more than \$13.3 billion of incurred losses. The database contains historical claim information for 10 accident years (2002 to 2011). All ASHRM members were invited to participate in the study, which is designed as a hands-on tool to provide health care risk managers with a better understanding of their cost of risk compared to an industry benchmark. Through measurement, analysis and comparison of the claim and exposure data, risk managers develop proactive strategies to reduce risk related costs and ultimately improve outcomes.

### **About Risk Maturity Index**

The award winning Aon Risk Maturity Index tool was developed by Aon in partnership with the Wharton School at the University of Pennsylvania. It is designed to empower risk and finance leaders to assess the maturity of their organization's risk management structure and provide insight to support its continued development and implementation. The index measures 40 components of 'risk maturity' that are grouped into ten overarching characteristics or statements of best practices. The Index is a web-based survey containing approximately 125 multiple-choice questions focused on observable practices and structures related to corporate governance, management decision making and risk management. More information visit <http://www.aon.com/riskmaturityindex/>

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### **About Aon**

[Aon plc](#) (NYSE:AON) is the leading global provider of [risk management](#), insurance and [reinsurance](#) brokerage, and [human resources](#) solutions and [outsourcing](#) services. Through its more than 62,000 colleagues worldwide, [Aon](#) unites to empower results for clients in over 120 countries via [innovative](#) and effective [risk](#) and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world's best [broker](#), best insurance intermediary, reinsurance intermediary, captives manager and best [employee benefits](#) consulting firm by multiple industry sources. Visit [www.aon.com](http://www.aon.com) for more information on Aon and [www.aon.com/manchesterunited](http://www.aon.com/manchesterunited) to learn about Aon's global partnership and shirt sponsorship with [Manchester United](#).

### **About ASHRM**

The [American Society for Healthcare Risk Management](#) (ASHRM) is a personal membership group of the [American Hospital Association](#) with more than 6,000 members representing clinical care, insurance, law and other related professions. ASHRM initiatives focus on developing and implementing safe and effective patient care practices, the preservation of financial resources and the maintenance of safe working environments.

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