

**Pinnacle Actuarial Resources, Inc.
Apex Discussion Series**

**The Impact of Healthcare Reforms on
Liability Insurance**

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Introduction

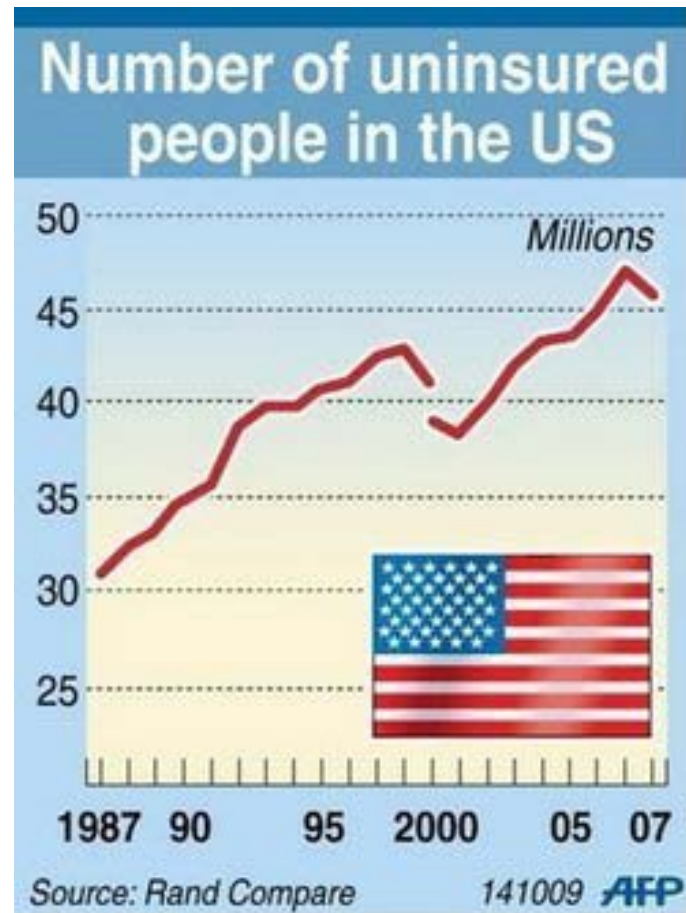


At the cross roads of change in the access and delivery of healthcare in the United States



Healthcare in the US

- 50ML Uninsured
- 110% increase in medical costs since 2002
- Nearly 100,000 “medical error” deaths annually
- 47ML current medicare participants; 87ML by 2040
- Group vs Individual health plan disparities
- US ranks 1st in HC spend
- US ranks 38th in life expectancy
- US ranks 37th in overall efficiency



What's Different This Time?

Old Managed Care

- Cost Containment
- Consumer-Focused
- Utilization Control

New Managed Care

- Quality & Safety
- Provider-Focused
- More Carrot, More Stick

Healthcare Reform: How?

Three Primary Goals:

- Increased Access
- Improve Quality
- Control Costs



Increased Access

- “Individual Mandate”
- Dependent Coverage
- Pre-Existing Condition Exclusions
- State Health Insurance Exchanges
- Medicaid Expansions



Quality of Care

- Evidence-Based Medicine
- Reporting Requirements
 - Effective Case Management
 - Hospital Readmissions
- Accountable Care Organization (ACO)
- “Medical Home” Concept



Control Costs

- Payment Bundling Pilot Project
- Pay-for-Performance (P4P)
- Minimum Medical Loss Ratio



Paradigm Shift in U.S. Healthcare

Current System

- Fee-For-Service
- Silos of Care
- 50ML Uninsured
- Disparate Coverage

Post-Reform System

- Pay-For-Performance
- Coordinated Care
- Universal Coverage
- Standardized Coverage

PPACA Impact on Liability Insurance

- Provider Supply-Demand
- Shift to Enterprise Liability
- Definition of Standard of Care
- Medicare Reporting Requirements
- Cyber Liability Risks

*SIDE
EFFECTS
OF PPACA*

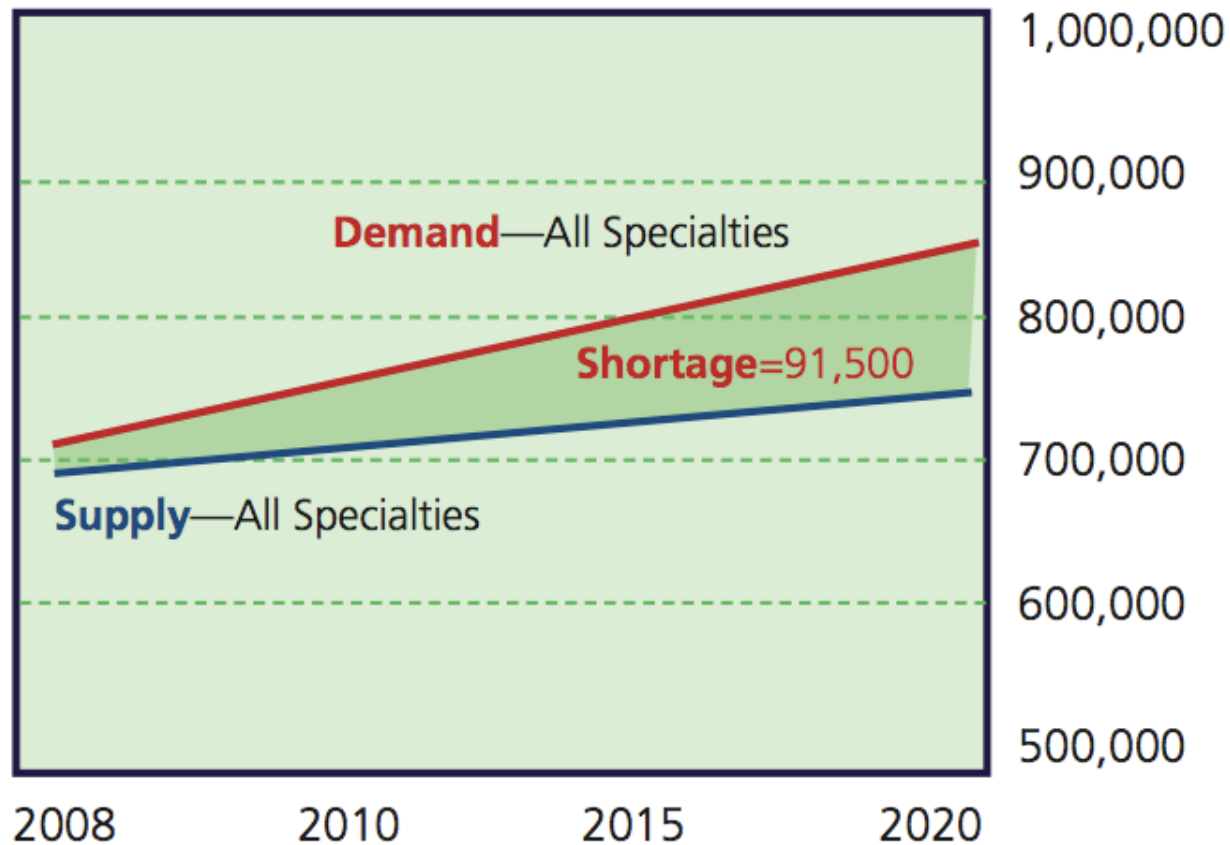
Provider Supply-Demand

- 30ML-35ML more covered lives
- Aging population
- Decreasing trend in med school grads



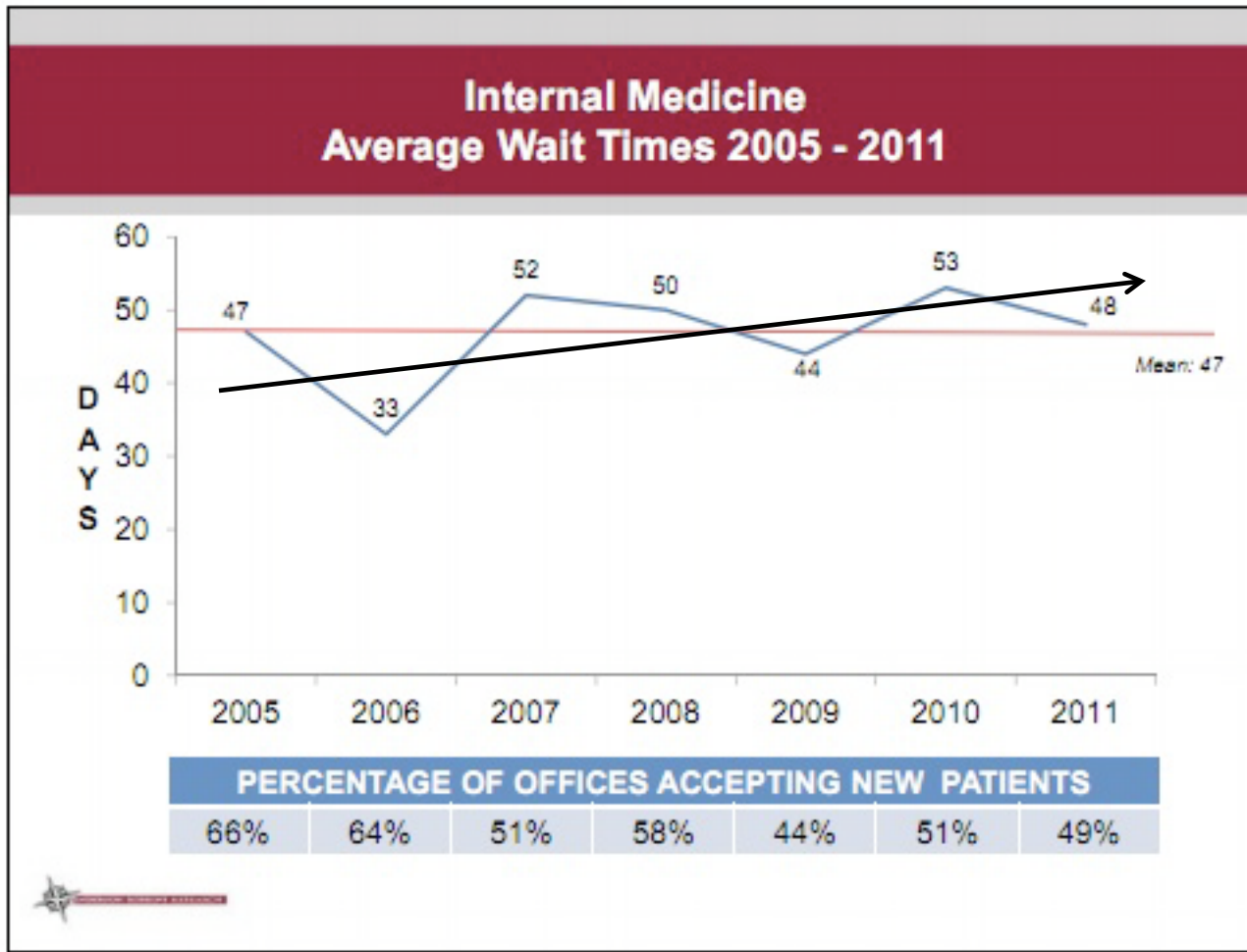
Provider Supply-Demand

Projected Supply and Demand, Physicians, 2008–2020



Source: AAMC Center for Workforce Studies

Provider Supply-Demand



Shift to Enterprise Liability

- New Generation of Physicians
- Hospitals Acquiring Medical Practices
- Accountable Care Organizations (ACOs)
- Creation of the “Medical Home”



Standard of Care

- Historically “Local Rule”
- Shift to National Standard
- ACOs: 65 Quality Measures



Medicare Reporting Requirements

- MMSEA Reporting
- Medicare Liens
- Medicare Set-Asides (MSA)



MMSEA Reporting Costs

- Programming and Infrastructure
- Loss of Productivity
- Potential Fines for Non-Compliance

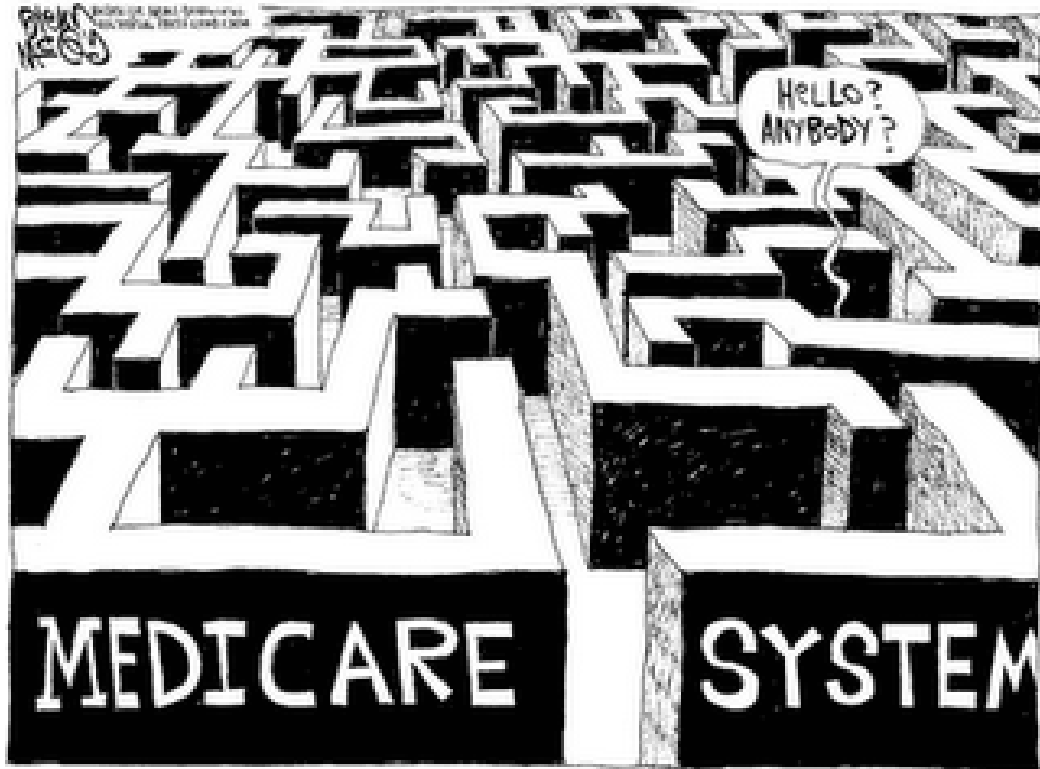


Medicare Liens

- Complicates Settlement Negotiations
- Increase Settlement Lags
- Increase Litigation Expenses
- Upward Pressure on Settlement Demands

Medicare Set-Asides (MSA)

- Applicability?
- Amount?



Cyber Liability Risk

- Increasing Exposure
- Coverage Limitations
- Next EPL?



Cyber Liability Risk

Costs associated with data breach:

- Avg \$2.7ML per event
- Affected Party Notification Expenses (\$73/record)
- HPIAA Fines, Penalties
- 3rd Party Claims
- Reputational Damage



The Impact of Healthcare Reforms on Liability Insurance

Questions?

Next Month

September 15, 2011

Apex Discussion Series

Unique Professionalism Considerations for Self-Insured Public Entities

Presented by

Robert J. Walling, III

Thank You!

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