

Column

Hospital liability insurance – an insolvable problem?

Liability insurance in the healthcare industry is an intensely discussed issue at the moment. Recent developments with soaring premiums for policy holders and less insurers are unsatisfying for both sides. Instead of placing hope in state intervention, stakeholders should and could become active themselves in changing the situation.

Clinics and healthcare professionals such as doctors and midwives currently complain publicly about soaring premiums in the liability insurance despite constant claims rates. Insurers counter and blame it on social insurance carriers burdening the insurer's reserves with recourse claims and making the business of medical malpractice liability unprofitable. However, mutual accusations are out of place here: Insurers have to calculate with reasonable premiums. And social carriers are bound, vis-à-vis their members, to assert possible recourse claims.

More complex medical procedures, expensive treatments and long-standing expenses increase the costs additionally and thus indirectly the insurance premiums. This issue concerns not only the birth assisting professions in focus but is especially relevant everywhere where doctors can make costly mistakes. Especially hospitals performing complicated medical interventions by a large number of doctors are therefore at high risk.

Patients and politicians consider the security of comprehensive healthcare services to be at risk if this development continues. However, in contrast to midwives liability no policy interventions are expected in the area of hospital liability until further notice. In particular hospitals and their owners should therefore actively try to interrupt the vicious circle of increasing risks, costs and premiums.

Hospital companies have to take an additional step forward that many risk-intensive industries have already completed: They have to set up a professional risk management system. It is important to identify and to mitigate risks better with new methods, to optimize consequential measures to prevent damages and to intensify the communication with insures. Without such risk management systems, all considerations concerning retention concepts (e.g. through hospital captives or higher deductibles) are premature.

Only if the policy holding economy in the healthcare sector is ready to manage their risks better and to work with insures, a solution can be found for liability problems. The quality and thus also the hospital's risk sensitivity is nowadays measurable. Ultimately, a clear risk identification with a resulting risk profile does not only lead to a better risk selection by insures but also to a better quality of hospitals in favor of the patient. A race to the top could be initiated.

Still, insurers must also be ready and willing. They should assess risks of certain hospitals in a differentiated way and should offer more flexible insurance models. Therefore, innovative methods and new approaches are needed. Perhaps the distribution of leading providers and marketers will suffer at short notice. They would select risks and initially thin out the collective. According to laws regulating the market, so-called "bad" risks need to improve their quality while adapting to the market. Some stakeholders, however, can live quite well with their "mediocrity in the market".

Well-managed hospitals will then benefit from lower premiums and less frequent claims. The liability market in health care systems will be of interest again for highly innovative insurers due to better risk calculability and less frequent claims ratio.

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