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INSIDE THIS ISSUE:

- UNSUNG HEROES AT THE FRONT LINES OF PATIENT CARE 2
- FUTURE IMPACT OF THE HEALTH INSURANCE REFORM ACT 4
- MDADVANTAGE REINSTATING SHAREHOLDER STATUS 7
- PA NEWS: NO LIMIT INCREASE FOR 2012 7

** REFERRAL ** ** REWARD ** ** PROGRAM **

You may have friends or colleagues who are in need of our assistance. If you refer a client to Cornerstone, and we are able to place coverage for them, you will receive a **\$50 American Express gift card**. For your convenience, we have attached a referral form to the end of this newsletter. Please contact your Account Executive if you would like to make a referral, or for more information.

PROMUTUAL GROUP REBRANDS AS COVERYS; LAUNCHES NEW NAME, LOGO, WEBSITE

BOSTON, MA – (Marketwire) – Effective July 25th, ProMutual Group, a leading provider of medical professional liability insurance, is proud to announce the launch of its new name and brand, Coverys. This change is part of the continued integration of the member companies within ProMutual Group, including recently acquired FinCor Holdings, Inc. and its subsidiaries, and is representative of the enterprise's now national reach. Accompanying the new name and logo is a new website, which will streamline communication between Coverys member companies and the public.

"We believe the new name, Coverys, will better position the member companies as an integrated whole and will better reflect the services we offer," said Richard W. Brewer, president and CEO of Coverys. "The enterprise is now strengthened with expanded geographic, product and policy diversity as well as an enhanced ability to share expertise and best practices – we feel it is important to communicate this via our brand. The Coverys organization will continue to be a strategic thought leader and forward-thinking partner for our policyholders, now and in the future. We thank our employees and policyholders for their continued support and dedication."



"This is an exciting and important change for the organization," said Gregg L. Hanson, chief operating officer of Coverys. "We feel privileged to have the opportunity to reach and maintain the trust of a broader range of healthcare professionals and organizations. Our unwavering dedication to financial stability, profitable growth and to protecting the livelihoods of our policyholders remains the foundation of our organization."

The name Coverys is loosely derived from the word "coverage," which encompasses the core of the organization's mission and value proposition. As the enterprise transitions into its new brand, it will continue to be aware of healthcare and medical professional liability reform and proactive in providing a broad range of the best possible products and coverages to its policyholders.

The enterprise will emphasize adaptation to the changing industry via relevant continuing medical education (CME) programs, its innovative disclosure and apology program, REACT® (Respond

(continued on Page 3)

DOCTOR AND PATIENT; UNSUNG HEROES AT THE FRONT LINES OF PATIENT CARE

BY PAULINE W. CHEN, MD

Not long ago, the receptionist on the hospital floor where I work went on a family leave. Calm and with a wisecracking wit that she attributes to her New Jersey roots, she had worked at the hospital for years and knew better than anyone how to make things happen in the system.

What doctors and nurses missed most when she was gone, though, was her ability to soothe emotional family members, intuit medical emergencies on the phone and cut off rude doctors – then tirelessly repeat that good work dozens of times over the course of a day.

When she got back from her leave, I told her how much all of us had missed her. “There are some doctors and nurses who don’t think much of what people like me do,” she laughed. “But we are the first ones to see and take care of everything.”

While much has been written about the role of doctors, nurses and other clinicians in the care of patients and their families, little attention has been paid to those individuals who make up the very front lines of health care. In almost every clinical practice, office receptionists and the professionals who do comparable work in hospitals, the ward clerks and unit secretaries, are the first people patients see. But serious research on their interactions with

patients has been sparse at best.

Now the journal *Social Science and Medicine* has published a new study on the work of this group of professionals. Despite the stereotype that many receptionists bear as mere “gatekeepers” or even “the dragon behind the desk,” the study found that their responsibilities extend far beyond administrative duties. Ward clerks and office receptionists are a vital part of patient care.

Over the course of three years, Jenna Ward, lead author of the study and a lecturer in organization studies at the York Management School of the University of York in England, embedded herself in general practice offices and observed and interviewed nearly 30 office receptionists. She found that in addition to their administrative work, receptionists had to deal directly with as many as 70 people during a single day. Their emotionally challenging work ranged from confirming a prescription with an angry patient, to congratulating a new mother, to consoling a man whose wife had just died, to helping a mentally ill patient make an appointment. The demands changed from minute to minute and were often unpredictable. But one thing was

In addition to their administrative work, receptionists deal directly with as many as 70 people during a single day.

certain: A significant portion of their work involved managing the emotions and care of patients and families.

“Receptionists are a key part of the relationship between patients and doctors,” Dr. Ward said. “We should be thinking of the relationship not as a two-way one between doctor and patient or nurse and patient, but as a three-way relationship among clinician, patient and receptionist.”

Dr. Ward observed that the most experienced and successful receptionists could rapidly change emotions to meet the patient’s needs. For example, seconds after one of the receptionists confided to another how sad she was about the accidental death of a young patient, the office telephone rang. The receptionist immediately collected herself, then answered the phone in a warm and cheery way. During a mix-up over appointment times, another receptionist responded calmly to an elderly patient who had begun shouting racial epithets, helping to defuse the situation.

“It’s not that the receptionists don’t feel anything; it’s just that they may be mirroring the kind of ‘objective’ behavior that doctors are taught in order to protect themselves,” Dr. Ward said.

But this detachment can also back

(continued on Page 3)

DOCTOR AND PATIENT CONTINUED FROM PAGE 2

fire. In an effort to protect doctors from being inundated with patient visits and requests, many of the receptionists relied on emotional distancing to deal with upset patients, a strategy that sometimes only angered patients further. "In a lot of people's minds, the receptionist is barring access to primary care," Dr. Ward said. "But the receptionists see themselves in the very difficult position of having to deal with all the emotions of the patients while remaining responsible for the practical and protecting their practitioners."

Dr. Ward believes that with more recognition and support for the emotional work receptionists do, such misunderstanding and antagonistic interactions could be avoided. Practices, for example, could make more explicit the fact that any requests to see a clinician would be fulfilled within 72 hours rather than 24. Moreover, those who become receptionists could receive training on handling not only the administrative but also the emotional aspects of their work.

"Right now, when you employ people as receptionists, it's kind of a Russian roulette as to how much emphasis they place on

the emotional work," Dr. Ward said. "If it were more integrated into the culture – health care as being doctors, nurses and administrative staff – we might encourage people to perform these emotional tasks well."

"Patient care is a holistic social process," Dr. Ward added. "And those on the front line can be a crucial part of that holistic treatment."

As found in The New York Times, July 5, 2011.



PROMUTUAL GROUP REBRANDS AS COVERYS CONTINUED FROM PAGE 1

Effectively And Communicate Timely), and the highest level of claims and risk management services. Coverys is committed to delivering on its vision of outstanding protection, education and patient safety.

In the last several years, ProMutual Group, now Coverys, expanded throughout New England as well as into New Jersey, North Carolina, Pennsylvania and Virginia via member company ProSelect Insurance Company. In September 2009, the company acquired FinCor Holdings, Inc., which provides medical professional liability insurance and services in the Midwest and Pacific Northwest through member companies MHA Insurance Company, Washington Casualty Company, FinCor Solutions and the Risk Management and Patient Safety Institute. As a whole, Coverys member companies insure more than 20,000 healthcare professionals as well as nearly 500 hospitals, health centers and clinics in 22 states from coast to coast. The legal names of the Coverys member companies will not be changing at this time.

For more information about Coverys, visit www.coverys.com. To schedule an interview with a Coverys representative, contact Katharine Gould, public relations specialist, at (617)946-8665 or kgould@coverys.com.

FUTURE IMPACT

HOW PROVISIONS OF THE HEALTH INSURANCE REFORM ACT WILL AFFECT THE MEDICAL PROFESSIONAL LIABILITY MARKET

BY JOHN F. GIBSON, DOROTHY A. WOODRUM, VICKI A. FENDLEY AND DAVID KAYE

WHAT'S TO COME: Two factors may increase the number of medical professional liability claims: aging baby boomers' demand for health care services and the health reform act that requires Americans to have health insurance coverage.

Since the 1970s, medical professional liability insurance costs have exhibited a pattern of crisis or near-crisis, followed by relative calm.

Over the past five years, costs have remained stable for health care providers in most practice and geographical areas, due to fewer and smaller claims being paid. However, many factors suggest that costs are likely to rise in the near future.

In addition to inflationary pressure, a number of factors, both internal and external to the health care system, are likely to contribute to a near-term increase in costs, including:

- Successful challenges to MPL tort reform at the state level.
- Recent trends in MPL insurance costs.
- Increased use of health care resulting from impending societal, demographic and health care reform changes.

Beyond the expected increase in health care utilization, other aspects of the new law are likely to impact MPL insurance costs. While the effects are difficult to predict, a brief review of key provisions and careful considera-

tion of the impact of potential changes affecting MPL costs will better prepare health care providers, liability insurers and medical professionals for changes before they actually occur.

Challenges to State Reforms

States have a strong influence on MPL insurance costs because this coverage is primarily regulated at the state level. Common law and laws applicable to medical professional liability vary significantly from state to state, leading to large variations in costs. State MPL tort reforms have helped control this line's cost inflation in recent years, leading to lower insurance and self-insurance costs.

Approximately 30 states limit damages in MPL cases through statute, and about 20 specifically limit noneconomic damages. However, many state tort reform laws passed over the last decade are being challenged; seven states already have had caps on noneconomic damages overturned.

The most recent challenges occurred in Georgia and Illinois, where the constitutionality of caps was at issue.

In May 2010, the Georgia Supreme Court, ruling that the existence of the caps interferes with a jury's right to determine damages, unanimously struck down the state's caps on noneconomic damages. This ruling followed a similar decision by the Illinois Supreme Court in February 2010, which struck down that state's noneconomic-damages cap.

Key Points

- **The Background:** The cost of medical professional liability insurance has remained stable over the past five years because of fewer and smaller claims being paid.
- **The Situation:** Prices may rise because of court challenges to MPL tort reform and increased use of health care due to demographic changes and health care reform.
- **Watch For:** Liability insurers to see a reduction in primary insurance coverage because health care providers will retain additional risk.



FUTURE IMPACT CONTINUED FROM PAGE 4

A review of MPL insurance rate trends is relevant not only for health care payers and insurers, but also as a proxy for trends in self-insurance costs, including amounts retained through captive insurance companies.

That's because self-insurance programs, rather than commercial coverages, account for a significant portion of MPL costs. The commercial insurance industry continues to provide coverage for losses in excess of self-insurance retentions, and payers and providers should expect similar trends in their respective layers.

The graph to the right illustrates the steady decline in the average price of commercial MPL insurance from 2006 —2009.

After record rate increases in the early part of the decade, MPL rates peaked in early 2006 and have continued to drop since. Successive years of rate decreases have reduced MPL premium rates to levels that are less profitable for insurers than they were in the early part of the last decade. Likewise, current rates also may prove to be unprofitable for some insurers.

This decrease in premium rates is partially attributable to state caps on noneconomic damages and other state MPL tort reforms.

Caps and reforms affect both claims frequency – the number of claims per physician or hospital bed – and claims severity – the average cost per claim, although claim severity has continued to increase as a result of

general inflationary pressures.

More Health Care Utilization

However, if claims frequency has bottomed out, commercial insurance rates and self-insurance costs are likely to rise and the increase likely will accelerate beyond normal inflationary and market trends if state tort reforms continue to be overturned.

Many baby boomers are beginning to reach retirement age, and record numbers of individuals are beginning to access health care through Medicare. While most of these individuals may have been covered previously under employer-sponsored plans, many individuals who did not have health insurance coverage are gaining it through Medicare.

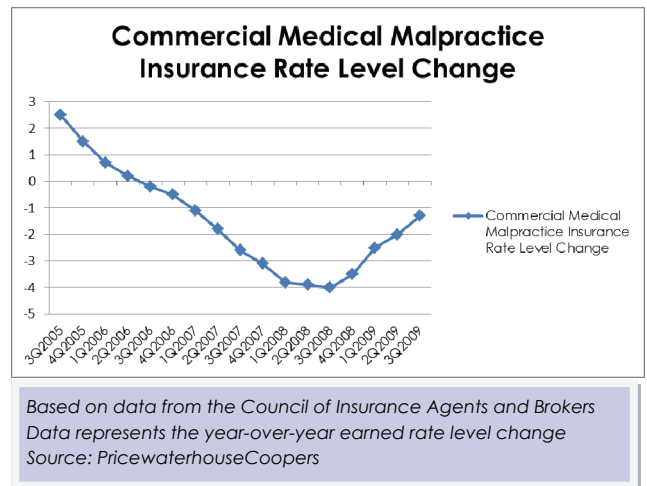
Because the baby boomers' demand for health care services will increase as they age, health care use is expected to increase. Additionally, health reform legislation passed last year by Congress is expected to increase health care utilization by expanding Medicaid eligibility and by requiring coverage for all Americans, including those with pre-existing conditions.

In some markets, increased demand for services could outpace the supply of newly trained health care professionals and overburdened system could lead to more medical errors, misdiagnoses, delays in diagnoses and ultimately greater numbers of MPL law-

suits. The potential consequences of an overburdened health care system will vary from market to market, depending on demographics and health care resources.

Other Aspects of Reform

While the merits and direct consequences of the health care reform law have been the subject of extensive discussion and debate, many of the indirect effects – including the potential impact on MPL insurance costs – have yet to receive significant attention.



The law includes few provisions that directly affect MPL insurance costs; however, several components of the law could have an indirect impact, such as:

- **Establishment** of the private, non-profit Patient-Centered Outcomes Research Institute to increase the availability of unbiased, quality research. Some view the PCORI as a positive development for MPL costs, as it is

(continued on Page 6)

FUTURE IMPACT CONTINUED FROM PAGE 5

expected to provide doctors with better research on appropriate drug therapy and treatment procedures. Findings could result in better patient care, quicker positive outcomes and, ultimately, a lower incidence of MPL lawsuits.

However, others are concerned that PCORI could limit or conflict with doctors' treatment choices; if doctors limit treatments based on PCORI research, an increased incidence of medical errors (or omission of treatment) could occur, increasing the incidence of MPL lawsuits.

- **Allocation** of \$50 million of federal funding for "demonstration projects" exploring cost containment alternatives to the current MPL tort litigation system. Possible examples include: establishing health courts specializing in MPL lawsuits to increase the system's efficiency and predictability; allowing defendants the option to pay economic damages and lawyers' costs early and potentially avoid lengthy litigation; piloting apology programs, in which doctors receive training and are encouraged to apologize for or admit errors, reducing the risk of future litigation; establishing medical panels to review lawsuits to weed out non-meritorious cases; and enacting a no-fault system, similar to workers' compensation, which could reduce the cost of lengthy legal battles and more quickly compensate injured patients
- **Increased** pressure on health care providers to control costs, thus providing more incentive to consolidate. These incentives could accelerate a recent trend among providers aimed at reducing costs: the alignment of physician groups with health care systems, and smaller community-based hospitals with larger regional health care systems. Ultimately, a consolidated system may be more inclined to retain risk through self-insurance or increased deductibles. Consequently, liability insurers are likely to see a continued reduction in first-dollar coverage, with a shift toward lower-premium, excess-layer coverage.

No one knows how or if future congressional action will impact the health care reform law. Additionally, many states have filed lawsuits challenging the constitutionality of the federal law, and how these lawsuits will be resolved is uncertain. Regardless, health care providers, liability insurers and medical professionals should think about the issues now so that they are prepared for whatever changes may occur.

Recommended Action

MPL tort reform challenges, changing market conditions, anticipated increases in health care utilization and health care reform all contribute to the complex environment facing health care providers and liability insurers.

Health care providers should proactively address possible changes by planning for anticipated increases in MPL rates and self-insurance costs over the next few years; and seeking opportunities to partner with other providers, to self-insure larger portions of risk and to control costs.

Liability insurers should anticipate a reduction in their primary insurance coverage as health care providers retain additional risk. They should also consider revisiting underwriting, rate-making, and business strategies to ensure the collection of adequate premium for the remaining coverage written.

And health care providers and liability insurers alike should consider developing strategies to remain vigilant about emerging issues in MPL, including the effects of the health care reform law, relevant state regulatory changes, emerging societal trends and challenges to MPL tort reform.

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ATTENTION FORMER MDADVANTAGE INSUREDS

The MDAAdvantage Board of Directors has approved a policy that allows physicians previously insured by MDAAdvantage to have their voting rights reinstated.

In order to regain voting shareholder status, a non-voting shareholder/physician must become insured by MDAAdvantage, and remain an active policyholder continuously for three years if on a permanent protection policy or the greater of three years or maturity if on a claims-made policy. For this program, pro bono policies are considered active policies.

For corporate-owned shares, if the majority of physicians from a group returns to MDAAdvantage, all corporate-owned shares will convert to voting after the waiting period specified above. Corporate-owned shares may be transferred within the group to an eligible physician-insured.

If the majority of physicians from a group that has corporate-owned shares do not return to MDAAdvantage, then only the shares associated with the physician(s) that returned to MDAAdvantage will convert to voting after the waiting period.

We welcome the opportunity to discuss this program in more detail to our qualifying physicians and groups. Please call our office at (800)508-1355 to speak directly with your Account Executive.

PENNSYLVANIA NEWS: INSURANCE COMMISSIONER ANNOUNCES NO LIMIT CHANGE IN 2012

Please read below for the July 29, 2011 announcement released by Insurance Commissioner Michael F. Considine re: Additional Medical Malpractice Basic Insurance Capacity:

In accordance with Section 711 of Medical Care Availability and Reduction of Error (MCARE) Act (the "Act" or "Act 13"), the Pennsylvania Insurance Department conducted a study to determine whether sufficient "additional basic insurance capacity" in the medical malpractice insurance marketplace exists to allow a step-up of the statutorily based limit in 2012.

While there have been improvements in the marketplace from a capacity standpoint since the passage of Act 13 in 2002, I have determined that the available information, combined with other market uncertainties, does not allow for a finding of additional basic insurance capacity to allow a step-up in the basic insurance limits at this juncture.

There are several factors currently present in our medical malpractice marketplace that may have a material impact on current capacity levels including: a pro-

longed and uncertain economic recovery; implementation of national health care reform; a dynamic health insurance environment in Pennsylvania including the emergence of integrated health systems; and, the recent enactment of the "Fair Share Act," which we anticipate will have a positive effect on the insurance marketplace. Given these uncertainties, it is not clear that a step-up is prudent at this time. As contemplated by Act 13, an additional two years to study developing marketplace and economic trends, RRG stability, and the positive effects of Act 13 and the Fair Share Act in general, is needed for the Department to determine whether a step-up in the basic insurance limits is appropriate.

In light of the Department's and PricewaterhouseCoopers' ("PwC") review and analysis of the capacity, it cannot be definitively found that additional basic insurance capacity is presently available and as such for calendar year 2012, the respective limits of coverage for the primary market and MCARE shall remain unchanged.

WHO WE ARE

CORNERSTONE'S FIRST PRIORITY IS TO OUR CLIENTS.

We pride ourselves on the level of service we afford each individual and constantly strive to meet and exceed our clients' needs.

Cornerstone is a firm large enough to offer you multiple coverage options and campaign on your behalf yet small enough to cater to your individual needs.


Cornerstone knows how specialized Medical Malpractice coverage is. We have made it the exclusive focus of our agency. In doing so Cornerstone has gained over 25 years of experience in covering physicians and surgeons.

Cornerstone operates in multiple states from Delaware to Massachusetts, and assists over 1,500 physicians. We are acutely aware of the special needs each region and physician presents.

Because Cornerstone is client driven, we are constantly looking for new markets to provide the highest quality of coverage available. We also look to add to services we can provide to your practice such as offering flexible financing at highly competitive rates.

Cornerstone's loyalty is to you and in these difficult times, you need the expertise and guidance of a broker that will stand behind you.

Cornerstone's mission is simple – to build long term client relationships by offering superior service and affordable quality coverage.



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We are on the web!

<http://www.cornerstonecplc.com>

PLEASE JOIN US IN WELCOMING OUR NEW EMPLOYEES!

Catherine Hayden joined Cornerstone Professional Liability Consultants in June 2011 as an Account Executive after obtaining her property and casualty insurance license. She joins us from the University of Pittsburgh where she graduated this past April Magna Cum Laude with a Bachelor of Arts in Economics & Communications and a Certificate in Corporate & Community Relations. While attending the University of Pittsburgh she was a member of Sigma Alpha Lambda, a national leadership and honors organization, as well as the Women's Club Lacrosse Team.

A Philadelphia area native, Catherine attended the Country Day School of Sacred Heart in Bryn Mawr. She currently resides in Wayne, PA.

Kelly A. Sweet joined Cornerstone in June 2011 as an Account Manager. She previously worked for Abington Memorial Hospital as an Emergency Trauma Unit Administrative Assistant, Harleysville Savings Bank as a Senior Teller/New Accounts Representative, as well as a member of the Front Office Management Team for ITT Sheraton International.

Kelly enjoys spending time with her family hiking in Green Lane and/or biking on the Perkiomen Trail. When not spending time with her family she frequently enjoys trail running and participating in half-marathons.

She currently resides in Harleysville, Pennsylvania with her husband of 17 years and their two children.

Catherine will be responsible for developing new accounts in New Jersey, New York, Pennsylvania and Connecticut, while also handling some existing accounts. Kelly will be working together with Catherine to service these new and existing accounts, and we are extremely pleased to have them join us as part of the Cornerstone team!