

RiskCure

An Advanced Risk Solution for
Long-Term Care Facilities



RiskCure

To help solve the liability crises, two companies with extensive healthcare experience have strategically partnered to create the RiskCure program for long-term care providers



Unhealthy Situation and a Potential Opportunity

- Personal Liability insurance premiums for nursing homes have escalated dramatically – more than tenfold in less than five years
- Rates can range from \$300 to \$12,000 per bed per year for \$1 million of coverage
- Well-managed facilities with no past claims may still be required to pay large premiums
- Reports on loss trends are biased by a sample that over-represents for-profit chains



Unhealthy Situation and a Potential Opportunity

- Commonly used risk assessment methodologies are inaccurate, faulty and subjective
- Variability in risk can be successfully modeled, and risk itself can be reduced by active intervention
- By accurately profiling LTC risks, risk management fees can be built into premiums and the price looks attractive to the insured



Seizing the Opportunity

RiskCure: A partnership of two companies with extensive healthcare experience:

AmWINS Healthcare:

- A subsidiary of American Wholesale Insurance Group, the nation's largest independent wholesale insurance brokerage firm, AmWINS Healthcare works with retail brokers and trade associations to deliver advanced insurance products through trusted channels
- An insurer with the financial and intellectual capacity

LTCQ

- A technology leader in the LTC field, providing quality improvement, risk management, risk assessment and compliance services designed for operational efficiency



A Business Alliance

- The combined capabilities of AmWINS Healthcare and LTCQ offer the benefits of:
 - Program management, marketing and distribution
 - Risk assessment, risk management, consultation on claims assessment and claims management, and expert witness services if needed for claims defense
 - Data driven to claims handling--we promptly settle legitimate claims, vigorously fight unfair ones, and provide the wisdom to know the difference
 - Favorable rates given to Program participants by insurers



Product Offerings and Benefits

Offerings:

- General liability coverage
- Professional liability coverage
- Ongoing risk monitoring and management based on risk level and needs

Benefits:

- Improved claims defense capabilities
- Accurate MDS assessments and reimbursement
- Regulatory compliance
- Improved clinical outcomes
- Insurance rates and terms rewarding performance



Customized Risk Management

Service portfolio tools may include:

- Incident tracking web-based tool
- Incident trend analysis
- Reporting on MDS data integrity and clinical performance
- Real time MDS data integrity feedback
- Risk management priorities and guidance
- Risk management seminars
- Statistical analysis of claims
- Full suite of RiskCure/LTCQ health care services



Addressing Systemic Problems

- Conventional risk assessment methods used by insurance companies underwriting LTC liability emphasize survey reports (OSCAR), CMS Quality Indicators (QI's), CMS Quality Measures (QM's), claims history, facility inspection and review of staffing, policies and procedures



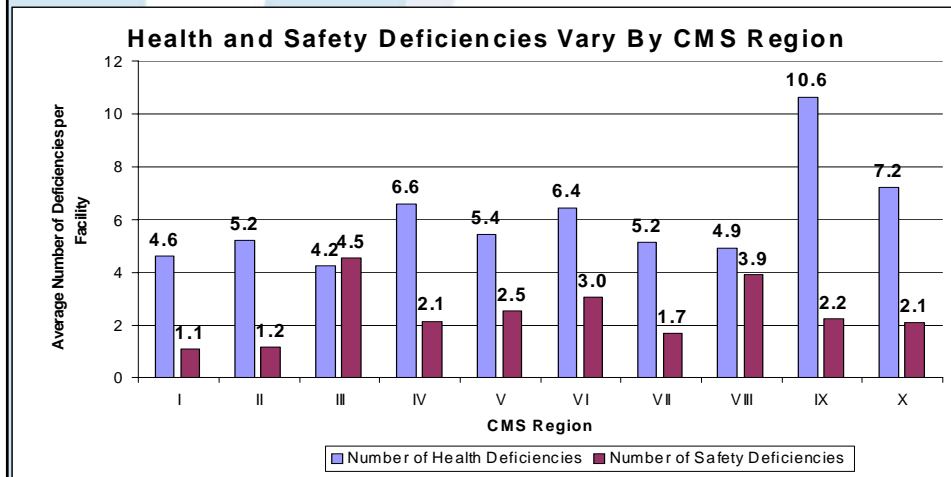
Addressing Systemic Problems

- Each of these methods pose reliability and validity problems, because reports are based on a single annual visit, the surveyors have different levels of skills and training, and median survey deficiencies vary dramatically by state and region
- In some regions there is demonstrable surveyor bias against for-profit facilities, implying that such facilities' quality and risk will be misjudged if surveys are the principal source of data



Systematic Study:

Survey Deficiencies Vary Dramatically Among CMS Regions



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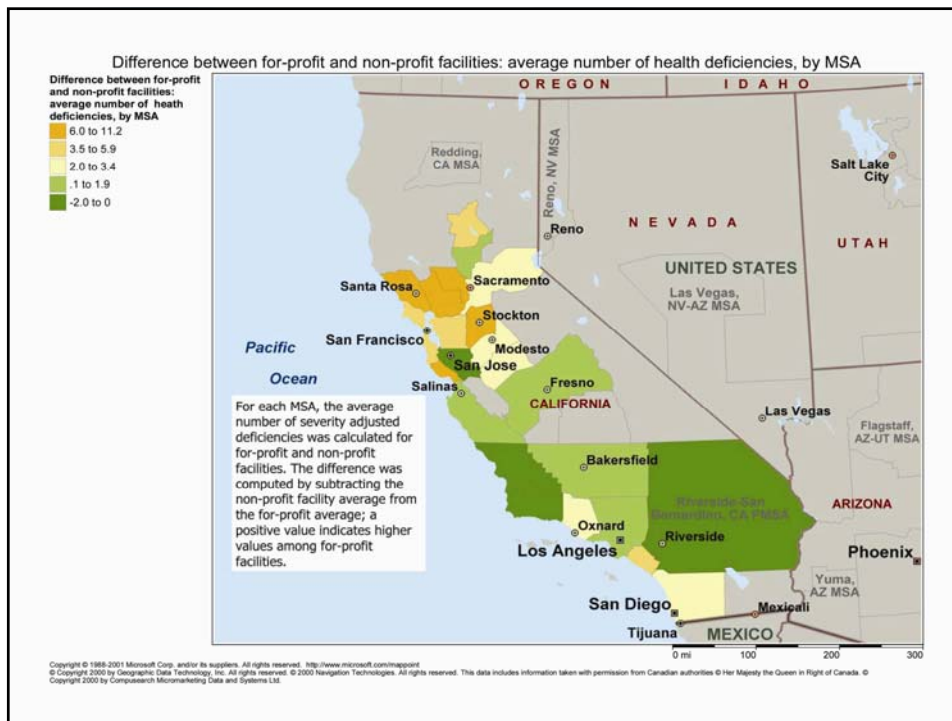
- LTCQ divided States into Metropolitan Statistical Areas and into areas surveyed by different district offices
- The data revealed dramatic variation in surveyor behavior between different districts of large States



Example #1:

California Surveyors Treat For-Profit and Nonprofit Facilities Differently

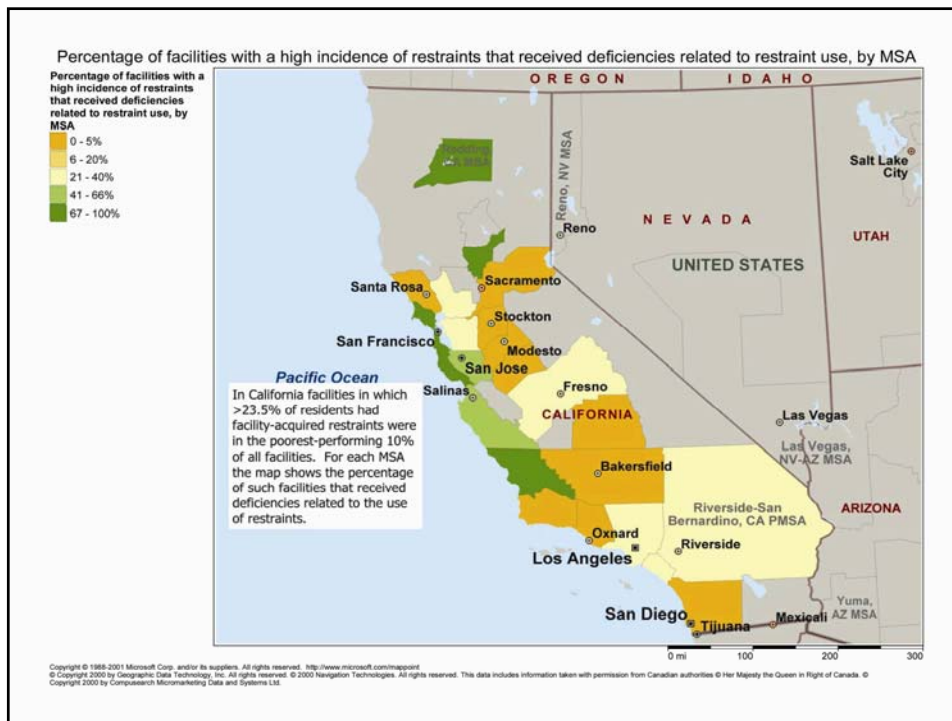
- The following map illustrates the differences in average severity-adjusted health deficiency counts between for-profit and nonprofit facilities in each survey district
- In several Northern California counties for-profit facilities received an average of *6 to 11 more health deficiencies on annual surveys*
- The data strongly suggests that Northern California surveyors have a bias against for-profit facilities



Example #2:

Inconsistent Surveyor Response to Excessive Restraint Use in California

- Public access data now permits the estimation of LTC facilities' incidence of (new) use of physical restraints
- In California, the bottom 10% on this quality indicator have over 23% of residents in physical restraints *started after admission*--by contrast, the top 10% *do not use physical restraints at all*
- It is evident that facilities in the bottom 10% must use restraints excessively and at times inappropriately, yet in several counties *less than 5%* of these facilities receive any deficiencies related to inappropriate restraint use
- The facilities in the bottom 10% pose the greatest risk of resident injuries and resulting litigation, yet the survey results underestimate the risk factor.



Survey Data and Reporting

- CMS QI & QM reports are mainly Prevalence-based (rather than Incidence-based) and do not provide definitive measures of quality of care or adequately monitor resident status.
- The facility inspection process is adequate in detecting very poor risks (i.e. unsanitary or grossly understaffed facilities) but is not designed to identify unusually good risks (i.e. quality staff)
- When it comes to claims history, consistency is not always a factor and the data can be skewed; even an excellent facility may have a claim as the result of an unfortunate accident, while a high-risk facility can go more than a year without filing a claim



Overview of Services



- Public access data analysis
- Special scoring system
- Select Risk Targets

- Policies and procedures
- Financial statements
- Claims / Novel elements

- MDS data analysis
- Special scoring system
- Credits and surcharges

When there is a claim, RiskCure analyzes the claim and the context, and advises the TPA and defense counsel:

- If a person is at very high risk for an outcome, its occurrence does not imply the negligence of the facility. RiskCure has valid, MDS-based risk models for common adverse outcomes.
- If a severe adverse event occurs involving a resident at very low risk, the facility is presumptively responsible and should settle (and apologize) ASAP.
- If an adverse event reflects the resident's risk and not the facility's negligence RiskCure will try to show the facility's success in managing other high-risk residents, and call attention to its quality improvement efforts.
- These strategies help counsel select which cases to fight, and minimize punitive damages.

- Identification and early correction of quality problems
- Management of adverse events
- Management of complaints
- Claims management and defense

- Compliance with real-time data integrity and risk management prompts
- Attendance at seminars and teleconferences
- Mandatory consultation for major persistent risks
- Full compliance implies automatic renewal
- Noncompliant facilities are not offered renewal

Adjustment of Risk Assessment Data

- Deficiency data is adjusted for severity, scope and type
- Complaint data is adjusted for type and whether the complaint was substantiated
- Deficiencies and complaints are adjusted for known regional differences in surveyor severity
- Use of Incidence-based rather than Prevalence-based MDS data



Structural Elements of our Model

The RiskCure Model evaluates many novel elements that have a relationship to litigation and liability risk. Examples of novel structural elements:

- Staff ratios
 - Overall
 - Physician
 - Therapist
- Use of contract staff
- Change in ownership
- Staffing adequate to reflect resident acuity and dependency



Clinical Elements of our Model

RiskCure Clinical Elements evaluates:

- Deficiencies
- Complaints
- Incidence of Restraints
- Incidence of Pressure Ulcers
- Incidence of Medication Errors
- Pain Management
- ADL Decline
- Use of Restraints
- Use of Antipsychotic Medications
- Incontinence



Evaluating Deficiencies Associated With Litigation Risk

- Failure to follow physicians' orders
- Failure to treat
- Physical or verbal abuse
- Medication error
- Failure to monitor adequately
- Improper care
- Resident rights violation
- Failure to diagnose
- Unsafe environment
- Inadequate prevention or treatment of pressure ulcers
- Inadequate management of incontinence
- Fall hazards
- Nutrition-related deficiencies



Evaluating Complaints Associated with Litigation Risk

- Resident abuse
- Resident rights violations
- Unacceptable or dangerous environment
- Poor care



Facility Inspection

- RiskCure conducts a detailed data analysis before inspecting a facility, and uses an inspection protocol of proven reliability that has been adopted by AIG as a preferred approach to the task.
- We use a risk prediction model that takes geographic biases and data reliability and validity limitations into account.
- Eligibility for coverage and potential surcharge is based on results



Post-Application Analysis

- Based on application and submission of retrospective MDS data, the data elements receive point scores which are summarized and ranked
- Application – includes novel and relevant risk indicators:
 - Claims history
 - Family and resident complaints
 - Staff turnover
 - Tenure of administrator and DON
 - In-service training of direct care staff
 - Health coverage for direct care staff
 - Policies and procedures
 - Recent survey reports and plans of correction
 - Adverse incidents (elopement, abuse, etc.)



MDS Analysis

- Comprehensive measurement of MDS data integrity
- Specific assessment of integrity of MDS data underlying measures of risk and quality
- 16 incidence-based, risk-adjusted quality measures give a comprehensive view of a facility's quality care and risk performance
- Specific items on ADL decline, falls, pain, pressure ulcers, restraints, and weight loss relate to potential litigation risks



Uses of Post-Application Analysis

- Identify facilities that have risks not revealed by the public access analysis, either because of data quality problems or because their performance on the day of the survey was not representative
- Identify initial priorities for quality improvement and risk management if the facility joins the program
- Premium credits for excellence
- Premium surcharge for below average results
- Mandatory facility inspection if analysis suggests high risk or if MDS data integrity is extremely poor



Risk Management Program

- Mandatory participation
- Non-participation implies risk of non-renewal or surcharge on the following year's coverage
- Participation of insured determined *objectively*
 - Attendance of administrator and DON at semi-annual risk management training
 - Responses to real-time MDS-based data integrity and risk management advice--responses are indicated online by the facility and compliance is calculated by RiskCure.
 - Correction of high-risk conditions within two quarters
 - Cooperation with on-site risk management consultation when indicated by persistent high-risk conditions



Web-Based Risk Management Tools

- Facilities send MDS data to RiskCure and get measured, real-time feedback on issues of data integrity, risk management, care planning, and documentation
- Webcasts to facility administration and staff supplement conference calls and face-to-face training and consultation
- Client-support Web site and moderated client forums
- Web-based reporting system for incidents, accidents and complaints simplifies record-keeping and facilitates tracking, benchmarking and trend analysis



Tracking of Incidents, Accidents and Complaints

- Facilities enter incidents, accidents, complaints (i.e., adverse events) on a Web-based form
- Adverse events are tracked and trended and their rates are benchmarked
- Prompts are given for facilities to follow up with family communication and root cause analyses
- Data integrity of reports is checked when possible through correlation with MDS assessments
- Whenever possible, communications and reports are classed as clinical quality assurance activities not subject to discovery



Claims Management and Defense

- When claims occur, RiskCure evaluates the context and reviews the facts
- RiskCure advises defense counsel on whether a cases should be settled or defended vigorously
- We provide analysis and expert testimony when statistically-based defenses are possible
- LTCQ experts explain facilities' ongoing risk management and quality improvement efforts, which can reduce the risk of large punitive damages



Risk Management Training

- RiskCure conducts training in the use of the MDS and MDS-based quality improvement and risk management procedures.
- Industry experts are contracted to address issues of documentation, staff training, and communication with families.
- Participants receive feedback on their risk management performance at mid-year.
- Web-based resources provide ongoing reinforcement and support



ROI to RiskCure Participants

- Increased availability and affordability of insurance
- Better survey results can result in lower civil penalties and compliance costs
- Fair and timely Medicare reimbursement
- Lower risk of fraud and abuse claims
- RiskCure estimates financial ROI for facilities on an ongoing basis.
- Typical facilities enjoy a 500% return *in addition to* any savings on insurance



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