

Alternative Risk Financing and Acceptable Coverage for Medical Staff

Physicians throughout the state are looking at a variety of risk financing vehicles for medical professional liability insurance coverage. OHA recommends consideration of several important factors before moving coverage from a traditional insurance company to another insurance financing vehicle.

To: Chief Executive Officers

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Route To: ___ Chief of Medical Staff
___ Risk Manager
___ _____(other)

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The Ohio Hospital Association is aware that physicians throughout the state are looking at a variety of alternative risk financing vehicles for medical professional liability coverage and that member hospitals are being asked to treat these alternatives as acceptable coverage for medical staff members.

These alternative risk financing vehicles include:

- Risk retention groups
- Captive insurance companies
- Newly formed "admitted" insurance companies
- Funded self-insurance programs
- Unfunded self-insurance programs

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Hospitals will need to review the financial viability of each of these programs in order to determine their acceptability. With the exception of traditional admitted insurance companies, the above vehicles will not be regulated by the Ohio Department of Insurance or evaluated by rating companies such as A.M. Best Company. OHA is working with ODI and others to develop guidelines to be used in determining the acceptability of such alternative risk financing programs.

OHA is concerned that some physicians are making decisions regarding their professional liability insurance coverage without a satisfactory understanding of the potential consequences. A number of these proposed insurance vehicles appear to be under-capitalized and at risk for failure, thereby ultimately leaving the physicians' personal assets exposed without the protection of Ohio's insurance guaranty fund. Such failure would additionally affect the liability exposure of the hospital and be a disservice to patients injured by medical negligence.

For the above reasons, you may wish to share the attached information with your medical staff to assist them in making more informed decisions.

JRC/RS