

CASE STUDY

# HEALTHCARE SYSTEM'S BROKER RECOMMENDS STRATEGIC PARTNERSHIP WITH GB HEALTHCARE

## BACKGROUND

A healthcare system was struggling with how to self-administer its professional and general liability risk and claims management functions in the face of exponential growth. The healthcare system's broker, in evaluating insurance renewal opportunities, identified that a strategic partnership with Gallagher Bassett ("GB") Healthcare f/k/a Western Litigation would position the client for long-term success. Based on initial interviews with senior leadership, it was clear that the client wanted to maintain control and not fully outsource its claims management program.

The client appreciated that collaborating with GB Healthcare allowed it to secure national expertise in the area of healthcare claims management, which is historically complex, while limiting the need to add additional internal resources. GB Healthcare proposed an individualized one-year plan to elevate and streamline the claims management program, while bringing it into compliance with industry best practices.

The plan targeted three key aspects:

1. Assessing the existing case reserves;
2. Defining a strategy for each open matter; and
3. Using lessons learned from closed matters to create risk mitigation tools for front line staff.

## CONDUCTED RESERVE ANALYSIS AUDIT

The reserve analysis started with an audit of all open and select closed files. Ten senior GB Healthcare claims administrators completed the audit. The administrators were chosen due to their expertise in managing healthcare professional liability claims and their familiarity with the venues in which the client operated. All files were reviewed and an in-person meeting was held with the client's senior leadership to review the findings.

### Findings



As a result of the audit, a recommendation was made to close 10% of the cases based on a lack of activity. By closing these files, the client and its third party auditors had a better sense of the active, "working files" and outstanding exposures.



GB Healthcare also recommended indemnity reserve increases to 10% of the open files. The recommendations were based on information known to date and sought to provide a more realistic estimate of the ultimate exposure.



The outcome from the audit was an improved assessment of the program's exposures, thereby allowing its corresponding loss runs to be used by its financial auditors and insurance representatives with confidence as an accurate assessment of risk.

## DEVELOPED CLAIM STRATEGIES

Defining a strategy for each open matter was the second goal of the plan, with a focus on implementing a claim strategy aligned with the client's overall litigation philosophy. GB Healthcare first worked with the client to define its approach to litigation and then helped implement that litigation approach across the open claim inventory. In this situation, the client wanted to settle two types of cases:



Cases of liability where the **risk of exposure was significant**; and



Cases where continued litigation **expenses exceeded the settlement value** of the underlying case.

All other cases were to be vigorously defended.

Armed with this directive, GB Healthcare began a comprehensive factual review of each open matter, evaluating the facts, claimed damages, strengths, and weaknesses. GB Healthcare found that in many cases, the initial investigations were incomplete and the reporting was inconsistent. Therefore, GB Healthcare and the client did the following:



Developed and distributed litigation guidelines to counsel;



Created a standardized approach to case reporting; and



Developed a report card for tracking compliance by defense counsel to the new guidelines.

Although GB Healthcare respected the historical relationships that many of the client's facilities maintained with local counsel, it was important to confirm that the chosen firms were litigating the files in a manner that was both proactive and fiscally responsible. GB Healthcare's focus was to identify law firms that were intellectually honest about the case from the outset, so as to avoid last minute changes in evaluation premised principally by an impending trial date.

In the first year, one case was tried to a defense verdict and 13% of the cases were settled. The defense panel counsel was consolidated and national counsel was introduced and retained on a small number of high exposure cases where efforts to reasonably resolve them were unsuccessful.

These actions sent a strong message confirming that the client would defend meritorious cases, which led to an increase in the voluntary dismissal of lawsuits. In fact, 64% of lawsuits closed and had no associated indemnity payment.

## IMPLEMENTED RISK MITIGATION TOOL

The final aspect of the strategic plan was to take the lessons learned from the case resolutions back to the hospitals and to identify specific risk management concerns for each of the facilities in an effort to proactively reduce risk. The lessons learned were presented in two formats.

The first was a big picture overview of the aggregate claim data. All open matters were coded with a loss location and loss cause. The loss location and loss cause data was then compared with national benchmarking studies to identify outliers.

The second mechanism used to report lessons learned was the creation of anonymized individual case studies highlighting specific challenges in the defense of a specific case. The lessons learned were presented to provide education on common pitfalls and opportunities for improvement.

Both of these initiatives allowed the client to better tailor risk initiatives.

## SUCCESSFUL OUTCOMES

As the second year of the partnership began, the successes of the first year were evident.



At the conclusion of 12 months, the program had a **13% decrease in total claim volume** and a remarkable **63% decrease in pre-suit claims**.



A total of **52% of files** including lawsuits and **claims were closed**.



The program also had a **23% decrease in total case reserves**, including indemnity and litigation expenses.

The decrease in the client's claim volume and total reserves was directly related to the collaborative and proactive strategy of its newly implemented claims management practices. Prospectively, the client's claims management program has tools in place to effectively and efficiently manage professional and general liability claims with the flexibility to mature and expand with operational growth.

Please reach out to us at [GB.Healthcare@gbtpa.com](mailto:GB.Healthcare@gbtpa.com) to learn more about GB Healthcare and how we can help reduce your organization's loss costs.