

ALTERNATIVE RISK HEALTH CARE SOLUTIONS FOR HEALTH CARE PROVIDERS



Health care providers are spending about \$30 billion a year on insurance premiums and premium equivalents to cover medical liability losses.

Health care providers are challenged to find solutions that offer lower and more stable costs and greater control of the service than does traditional insurance.

Marsh has long been one of the world leaders in health care insurance brokerage, risk management, and alternative risk services. Today, we are working with a growing number of health care providers to meet their needs through insurance-equivalent, alternative risk mechanisms.

Structures that Marsh offers include:

- Trusts
- Self-insurance
- Captives
- Risk retention groups
- Public risk pools

MARSH'S OFFERING

Marsh draws from a vast and growing body of experience forming and servicing all of these entities, which now account for two-thirds of health care providers' total spend on medical liability funding. Large providers have an increasing interest in finding creative solutions for nonemployed physicians and affiliated partners. Groups of small to mid-size providers are also exploring the possibility of aggregating their risks in order to develop new structures. Setting premiums for clients such as these requires sophisticated modeling that balances the need to provide coverage for higher risks with the demand for equitable pricing of those posing lower risks.

Marsh provides expertise and insurance administration functionality to clients who are grappling with the complicated issues involved with management of a diverse group of risks. It also works with states and other government entities that step in to provide medical liability and other insurance to doctors and hospitals when traditional insurance companies fail to meet the needs of the providers in their jurisdiction.

PEOPLE, PROCESSES, TECHNOLOGY

Nontraditional coverage demands experienced and highly competent people, who in turn must be highly paid; well-coordinated functions and processes; and a large



investment in often expensive information technology systems. None of these attributes is easy for a single provider, however large, to build and maintain. But Marsh, with its seasoned professionals and long experience in health care and risk management, can provide these resources efficiently, whatever the objective of the program. For example:

- To build, staff, and operate an alternative risk mechanism;
- To build and staff an alternative risk mechanism, then turn it over to the client to operate;
- To rehabilitate or turn around an existing mechanism that has encountered financial or operational problems; or,
- In the case of a government entity, to build an alternative risk mechanism when insurance is not available or is not affordable to the health care providers in its jurisdiction.

Turnaround situations offer dramatic evidence of the benefits that Marsh's resources and approach can yield. In one case Marsh's turnaround efforts resulted in a shift from annual deficits in the \$100 million range to surpluses approaching \$50 million in less than 10 years.

STRUCTURING A SOLUTION

Marsh is organized to serve the health care provider's entire range of needs, from beginning to end of the process of setting up an insurance-equivalent mechanism: from determining goals and feasibility, to building and staffing, to fulfilling regulatory and reporting requirements, to creating an efficient and cost-effective administrative structure.

The following practices within Marsh work with clients to find the appropriate alternative risk solutions:

- **Captive Advisory** evaluates the feasibility of creating an alternative risk mechanism and assists in setting it up.
- **Captive Management Services** is one of the world's largest managers of accounting, actuarial, and regulatory functions for alternative risk mechanisms, serving 190 health care vehicles.
- **Marsh's Alternative Risk Healthcare Solutions Practice** administers the program, providing underwriting and policy services for risk pooling arrangements at the direction of, and under guidelines approved by, the sponsoring organization. Other services provided include claims administration and follow-through; risk management and patient safety services; and data collection and report generation, both for internal use and for insurance regulators and actuaries.

As the administrator, Marsh works with the client to manage premium dollars coming in the door, its claims adjusters work to mitigate losses, and its safety experts work with the client to put practices in place that lead to safer operations and fewer claims. Other divisions within Marsh also offer reinsurance services and product marketing.

For more information about Alternative Risk Healthcare Solutions for Health Care Providers, and other solutions from Marsh, visit marsh.com, or contact your local Marsh representative.

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Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

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