

The Physicians Physicians Insurance A Mutual Company REPORT

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SPECIAL YEAR-END EDITION

Local Coverage Choices and Local Service Best for the Future



Mary-Lou A. Misrahy, ARM
President and CEO

Though much within the health care industry has changed in the past few years, many things are still the same.

Nationally, health care has been experiencing a distinct shift from independent practitioners to multispecialty and multistate physician networks. Additionally, hospitals are increasingly purchasing practices, and integrated regional health care is on the rise. We expect these trends to continue, and changes in the market will result in shrinkage in the traditional professional liability market over the next three years.

This means that alternative risk coverage models are going to be needed. This year's purchase of the EMPAC and SCRUBS risk retention group management companies diversifies Physicians Insurance's portfolio of risk coverage, risk-avoidance products, and non-risk/fee products, enabling us to keep up with the changing needs of our policyholders.

But there are challenges you're facing, too. This past year big, national liability insurers have tried to lure physicians and facilities into their rosters through promises of lower premiums or big retirement payouts. Though these promises may be tempting, there are advantages to being insured by a Northwest-based, mutual company like Physicians Insurance: flat or lower rates for the ninth consecutive year, a fifth consecutive annual dividend, and our ACCOLADES program, which offers 5-20% premium reductions for favorable loss experience—all of these demonstrate that Physicians Insurance is stewarding your local

premium dollars in a way that focuses on you and not some out-of-state stockholder.

Add to this our superior knowledge of the local legal environment, on-site risk management training and consulting, and access to local and national experts and training on EMR, meaningful use, sports concussions, pain management, and improving patient communications. Plus, with our unique provider support program, Physicians Insurance members are truly benefiting more than ever from their locally based insurer.

Change may be constant, but our focus continues to be to solve risk financing needs and serve as an industry champion for patient health and safety. And since Physicians Insurance is owned and directed by the physicians we insure, you can continue to count on us to be a steadfast, reliable, and stable partner during this period of transformation.

INSIDE

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Patient Safety: The Most Important Bottom Line



*Simulation training at the Gossman Center for Advanced Healthcare
Simulation at Swedish Medical Center, Seattle, Washington*

At its annual meeting in September 2012, the Washington State Medical Association (WSMA) awarded the William O. Robertson Patient Safety Award to Physicians Insurance. Physicians Insurance was recognized for its innovative work in developing simulation training programs around shoulder dystocia, and then launching those programs within urban and rural hospitals. Shoulder dystocia, an obstetrical emergency that is infrequently encountered, requires the best of teamwork for positive outcomes; however, each time the emergency occurs, there is typically a new team of staff and providers working together.

Angela Chien, MD, who practices obstetrics and gynecology at Evergreen Women's Health Center in Bellevue, Washington, noted they had run simulations in the past but they were infrequent events, and not mandatory for staff or providers. That made it difficult to determine if the simulations were making a difference in patient safety. She says that "the first day of simulation with Physicians Insurance felt like Christmas morning" and appreciated having the ability to simulate shoulder dystocia and practice the maneuvers.

"For many of our staff, this was their first simulation experience that involved providers and other staff members in addition to a staff member serving as a patient. The response was overwhelmingly positive. It was clear that simulation was something worth doing for every obstetrical emergency."

Dr. Chien noted that at a recent Patient Safety Summit, drills were touted as one of the best safety practices they have implemented in the last year. Moving forward, they plan to provide mandatory simulation training three times a year, covering every obstetrical emergency at least once during that cycle. And it has made a difference. Says Chien, "Just one week after postpartum hemorrhage drills, I had an actual patient who suffered from significant bleeding after a scheduled Cesarean section. My team worked beautifully and they were confident in their abilities. I utilized a technique I learned in the simulation training. As a team, we were able to save the patient while avoiding more extensive surgery or an ICU admission."

Safe and Secure: Medical Office Staff and Patient Privacy

All levels of staff will benefit from this seminar that illustrates best practices in protecting patient privacy. Topics include HIPAA and HITECH, the Uniform Health Care Information Act, breaches of patient health information, and release of patient health information. Cases related to minors, audits, and fines will be discussed. To register for a seminar, go to www.phyins.com and look under our CME tab for live events.

When Things Go Wrong: Ensuring Provider Support

A recent study reported that one out of every three medical providers will experience an adverse event this year. Another study reported that up to 43.3% of providers will experience a significant emotional impact after the adverse event. In October, Physicians Insurance hosted Dr. Jo Shapiro, an otolaryngologist, nationally recognized expert on peer support, and director of the Center for Professionalism and Peer Support at Brigham and Women's Hospital in Boston. While here, Dr. Shapiro conducted a half-day peer support workshop and a 1-hour CME program, which was taped and will be made available as a webinar to members in December.

Dr. Ron Hofeldt, Director of Physician Affairs at Physicians Insurance, interviewed Dr. Shapiro about her important work of providing emotional support to clinicians after adverse events. You can watch the interview online at www.phyins.com.

2012 Trial Result

Alleged Improper Performance of Treatment

Specialty: Gastroenterology

Allegation: A 47-year-old female developed abdominal pain and, after failed attempts of treatment by her primary care provider, presented to the hospital. Ultrasounds demonstrated gallstones and cholelithiasis. It was determined that before surgery an endoscopic retrograde cholangiopancreatogram (ERCP) would be performed. The ERCP was performed without apparent complication. A large quantity of sludge and one small stone was removed, but a 12-mm gallstone could not be removed. A biliary stent was placed with good drainage. The next day, the patient complained of pain and it was determined that the biliary stent was not draining and pancreatitis had developed, which is a known risk of this procedure. Imaging suggested a duodenal perforation. When the patient continued to deteriorate, she was transferred to a different facility, where she underwent surgery for retroperitoneal debridement. Duodenal perforation was suspected but not seen at that time. The patient had a prolonged and difficult recovery and endured multiple hospitalizations. At trial, the plaintiff alleged improper performance of the endoscopic retrograde cholangiopancreatogram resulting in the suspected duodenal perforation, and a failure to recognize the perforation. The patient claimed pancreatitis, medical expenses, wage loss, and general damages associated with her pain and suffering, past and future. One medical provider was dismissed prior to trial and one medical provider settled prior to trial. Under the current case law, evidence of prior compensation was submitted as evidence to the jury.

Plaintiff Attorney: Anthony Russo, Russo & Graham, Seattle, WA

Plaintiff Experts: Irvin Modlin, MD, General Surgery, New Haven, CT; David Fraser, MD, General Surgery, Petaluma, CA; Randall Patton, MD, Radiology, Olympia, WA

Defense Attorneys: Michael Myers, The Law Office of Michael Myers, Spokane, WA; Amy Magnano, Bennett Bigelow & Leedom, Seattle, WA

Defense Experts: David Carr-Locke, MD, Gastroenterology, Boston, MA; Brian Fennerty, MD, Gastroenterology, Portland, OR; Steven Beyersdorf, MD, General Surgery, Spokane, WA; Timothy Chestnut, MD, Pulmonary Diseases, Spokane, WA

Result: Defense verdict, King County Superior Court, Judge Needy

Cost to Defend: \$696,213

Read more trial results at phyins.com/claims/trial-results/

New Tools and Resources Available

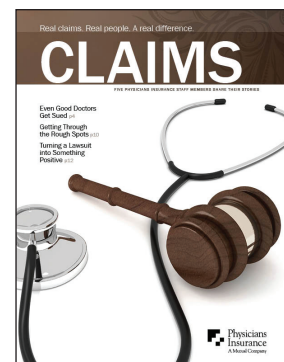
Online Incident Reporting

We always keep in mind that we work for our policyholders, and—unlike commercial insurance companies—we think about claims from our members' point of view. That's why we created an online, confidential, and HIPAA-secure way for you to communicate with us and report an incident. It's convenient, safe, and quick.

Go to www.phyins.com, log in, and click on The Claims Process page under the Claims tab.

Claims: Five True Stories

Not every company supports their physicians and handles claims the same way. We believe that every claim is unique, and each claim will develop in its own way. That's why we assign an expert claims representative to each claim and select attorneys who specialize in the defense of medical professionals.



Go to www.phyins.com and click the Litigation Support page under the Claims tab. You can read five true stories about how our experts support our insureds.



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You Are at the Center of What We Do

One of the benefits of being insured by a local, Northwest-based mutual company is that your voice matters. Compared to out-of-state national companies who may view you only as a policy number, Physicians Insurance spends a lot of time interacting with you in your world. It's your voice that is shaping what we do.

Over the past year we've had the chance to talk with Northwest physicians, clinic administrators, hospital administrators, and medical staff members via site visits, focus groups, usability studies, phone consultations, and continuing education sessions. Here's just a sample of what we're hearing:

- "Helpful," "supportive," "available," "local," "responsive," "reliable," "protective"—these are just a few of the words members use to describe Physicians Insurance. What comes to mind for you?
- Our Web site needed work. It was hard to find things, and it didn't quite feel as up to date as it should. After several hours of focus groups and usability studies, we were proud to launch our new Web site—which was, in essence, built by you. Thank you to the many members who helped to shape this new online tool. We hope you see your ideas in the new site!
- You want to see trial results—you want to know what happened to others so you might learn from their experiences. We've gathered up dozens of public claims listings and put them on our Web site, sorted by specialty, to help you learn from the experiences of others.
- The business of medicine is getting harder—we've heard this from many of you. That's one reason why we worked hard to keep base premium rates flat for next year (2013), and were proud to distribute our fifth consecutive \$5 million dividend back to policyholders this year.

Let Us Hear From You!

As you experience changes from the evolution of health care, please let us know how we can best serve you. E-mail us anytime at TalkToUs@phyins.com.