TWO TIPS FOR SENIOR CARE FACILITIES TO REDUCE RISK

DUE TO SOARING NUMBER OF ELDERY BABY BOOMERS

CONTACT

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If you work with senior care facilities, consider these staggering numbers:

- For the next 15 years, 8,000 baby boomers a day will turn 65, according to AARP
- By the time that spike ends, more than 20 percent of U.S. residents will be 65 or older, compared with 13 percent in 2010 and less than 10 percent in 1970, according to U.S. News & World Report
- The number of seniors in 2012 (43.1 million) will nearly double to 83.7 million by 2050, according to U.S. News & World Report

When you consider what that means from an insurance standpoint, it's even more staggering. Those aging baby boomers are making different decisions than their parents and grandparents. Today's assisted living facilities often treat residents who are 10 or 15 years older than previous generations of residents. And skilled nursing facilities frequently work with people who tend to be sicker and older than residents from years past.

While the level of risk has risen, these facilities may not be properly staffed and equipped for a variety of reasons. Consider this data from a recently published report that shows what's happened to the cost of professional liability claims from 2008 to 2014:

- Loss rates per occupied bed have jumped from $1,210 to $1,940
- Claim frequency per 100 occupied beds has risen from 0.70 to 0.91
- Claim severity has climbed from $172,000 to $214,000

In the report, it states that these trends are expected to continue, with loss rates climbing another 5 percent in 2015, claim frequency rising by 3 percent and claim severity increasing by 2 percent.

HERE'S SOME TIPS ON HOW AGENTS CAN WORK WITH UNDERWRITERS TO LOWER THEIR CLIENTS' RISKS

1. FACILITIES MUST DO MORE WITH LESS

Claim frequency and severity has ebbed and flowed. In the 1990s, for instance, changes in government regulations helped bring about a much more litigious environment as the number of lawsuits skyrocketed. New scorecards for each skilled nursing facility allowed plaintiffs to easily assess potential shortcomings and aggressively pursue litigation.

Over time, senior care facilities increased the level of sophistication of their risk management programs to help reduce litigation. That, in conjunction with tort reform in several states, resulted in a decline in the number of lawsuits and claims. As risk measures improved and litigation eased, more and more insurance capacity became available, resulting in the soft market for much of the last decade.

At the same time, however, retiring baby boomers began making different decisions than previous generations. Boomers have been living longer, which often means living at home longer. In turn, once they move to assisted living, their average age is likely to be older and, therefore the level of care they need is both higher and riskier. Assisted living facilities may not be properly staffed or equipped to provide the level of care that is necessary for these higher acuity residents.

Skilled nursing facilities, meanwhile, also face increased risks. Residents' arrival at these facilities often stems from shorter stays at hospitals that have become routine. Many boomers in these nursing facilities may still need rehabilitation and other services that often were not part of the plan when the facilities opened.

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As these senior care facilities must do more than ever, cuts to Medicare and Medicaid have left them with fewer resources. This changing landscape has begun to change the insurance market.

2. FACILITIES NEED MORE COVERAGE AND BROADER PROTECTION

The business model for senior care facilities won't change and care for residents will only get riskier as they serve a population that has both increased levels of acuity and service expectations. Knowing this, agents need to provide more coverage and broader protection to ensure their senior care facilities have the insurance and risk management solution that's most appropriate.

Some questions to consider:

Does your underwriter offer an effective risk management program to reduce the occurrence and cost of claims over time?
At AmWINS, for example, we've seen facilities where patients fall more frequently, so we've established a loss control service that offers the latest tools and resources that can help address an insured's needs (www.APU.ResourcesForRisk.com).

Does your underwriter focus solely on this space so they can effectively advise against quality of care and litigation risks?
We utilize an encompassing, analytical approach that considers all aspects of a senior care risk. This approach is based in part on proprietary data and analytics not readily available to the public. While some benchmarks may consider the number of hours each day that a registered nurse works with a resident, for instance, our analysis also factors in the type of resident and their needs. Regardless of the number of hours some benchmarks require, we're able to dive deeper into the residents' acuity levels, determining if those staffing benchmarks are either too strict or too lenient.

How does your underwriter base rates?
Using a combination of analysis and risk management that is uniquely structured for each risk can help create the best pool of insureds. In turn, that enables you to offer the broadest coverage to your clients at the most competitive rates.

This article was authored by Matthew Wasta of AmWINS Program Underwriters in Farmington, CT. For the past decade, Matthew has been managing underwriting groups writing professional liability coverage for senior care facilities, including the last two years with AmWINS Program Underwriters' Senior Care program.

ANOTHER REASON FOR INCREASED RISK: CYBER CRIMES

Besides the riskier populations, these are also riskier times. There's a growing number of electronic records that senior care facilities must store and collect, fueling a growing danger of cyber-crimes.

Because of the personal records stored at these facilities, the average per-capita cost of handling a data breach in the health industry is $359, according to the Ponemon Institute 2014 Cost of Data Breach Study. That's about 75 percent more the average per-capita cost of handling a data breach.

Cyber liability policies can be beneficial in two ways. They may cover the financial losses and expenses associated with a data breach, and they may offer a range of services that help lower a healthcare provider's risk profile.

To learn more, please visit this column in Risk & Insurance, which features five tools to help risk managers before a cyber loss. It's written by David Lewison, a co-leader of the AmWINS Financial Services National Practice, which includes cyber liability and other types of management and professional liability.