

## By Physicians. For Physicians.

*(Merging Practices? Be Sure to Protect Yourself, continued from outside flap)*

Without the purchase of either an Extended Reporting Endorsement or Prior Acts Coverage, there will be no insurance protection available for any patient care delivered prior to the new effective date (and new retroactive date).

Let's say Dr. Lincoln purchases new coverage effective March 1, 2011, and the retroactive date with his previous insurer is March 1, 1997. If the new insurer provides Prior Acts Coverage, it assumes responsibility for any future claim related to care provided since March 1, 1997. If it does not, Dr. Lincoln's new retroactive date would be March 1, 2011, and only claims incurred on or after that would be covered. If he does not purchase an Extended Reporting Endorsement from his old insurer, future claims arising between March 1, 1997, and March 1, 2011, are not covered.

Before making any changes, be certain all known or potential claims have been reported to your current carrier.

- 2. Coverage trigger:** Check what constitutes a claim, or a "coverage trigger," with the old and new insurance companies. Look for a policy that considers a claim to be reported on the date you notify the company of an incident (incident reporting or incident sensitive), whether or not a lawsuit has been filed.
- 3. Financial strength:** You want the company you select to be fiscally sound so it can protect you when you need it. Look at A.M. Best ratings and review the company's total assets and surplus as well as its financial statements.

If your practice is being acquired by a hospital, insist on individual physician coverage with a company you know and trust. This may be pivotal if a lawsuit arises against you and the hospital-employer. The entity paying the premiums usually has some say in the decisions about the lawsuit. Also, in a hospital, all physicians' medical professional liability insurance is often lumped together and applied to overhead — making it possible that your rates could increase greatly over time.

There are many factors to consider when merging practices with or selling your practice to a hospital. Prior to making such a decision, do your due diligence by reviewing your current and potential insurance policies and other contracts and thoroughly evaluate the pros and cons. ☑



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## Risk Management & Patient Safety Dept. Tips

### Nurse Practitioners as Hospitalists

In the face of a challenging recruiting environment, more hospital medicine programs are turning to nurse practitioners (NPs) to supplement their practice. There are important risk management-related matters to consider when deciding whether to add NPs. Kirk Matthews, MBA, CEO, principal and founder of Inpatient Management Inc., a national hospitalist management company in St. Louis, suggests asking these questions:

1. What is the current level of acceptance of NPs among the medical staff and referring physicians? When patients are admitted to the hospitalist service, do your primary care physicians expect them to be seen by physicians?
2. What are the rules in your hospital (and state) regarding physician oversight/supervision of NPs? If the hospital or state regulations require a physician co-sign every progress note made by NPs, it might not be financially or practically beneficial to add them.
3. How comfortable are your hospitalists with supervising NPs? Not every physician adapts to supervising NPs, which could cause scheduling challenges when trying to match up compatible providers.
4. To which cases will the NPs be assigned? In some practices, hospitalist operations directors attempt to assign NPs to the less-challenging cases; this not only increases the comfort level of all parties involved but is good risk management as well.

What qualities should hospitalists look for in hiring NPs? Look for people who have worked in a hospital and recognize that there is going to be a learning curve. Good candidates are interested in working on a team while developing their own skills. ☑

## MAG Mutual Receives Rating Upgrade from A.M. Best

MAG Mutual Insurance Company is proud to announce to its policyholders/owners that the A.M. Best Company recently upgraded MAG Mutual's financial strength rating to **A (Excellent)**.

The A (Excellent) rating, from a leading independent source of financial information on insurance companies, affirms your company's continuing financial strength, stability and strong footing in the industry — even during a difficult economy.

"This year's rating upgrade is of special importance. While our economy and many financial institutions continue to experience difficult times, MAG Mutual's owners — the physician-policyholders we serve — can count on their company to be here for them, whenever they need us. Today and tomorrow," said **Darrell O. Grimes**, President and Chief Operating Officer, MAG Mutual. "We're pleased that A.M. Best has recognized MAG Mutual's financial stability and strategic growth."

A.M. Best's rating announcement noted MAG Mutual's "strong level of risk-adjusted capitalization, favorable underwriting and operating profitability over the recent five-year period, and its leadership position in providing medical professional liability coverage for healthcare providers in its core state of Georgia. Additionally, MAG Mutual has a seasoned geographic spread of business in other contiguous states in the Southeast, where it derives over half its volume."

The A.M. Best report went on to comment on MAG Mutual's "demonstrated ability to respond to client needs... fostered by the family of products available to policyholders, as well as extensive risk management programs." ☑



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## PolicyView: Your Policy at Your Convenience

MAG Mutual has launched an online portal to provide you with 24/7 access to manage your policy. With **PolicyView**, you can view information on billing and claims, policy activity and coverage, and your continuing medical education credits. Pay your premium online on your own time or reconcile invoices. With **PolicyView**, we're putting control in our policyholders' hands.

"We always want to know what our policyholders are looking for, and how we can make it easier for them," says **Bryan Carter**, MAG Mutual's Senior Vice President for Sales and Business Services and the point person for developing **PolicyView**. "We help with the business side, so our policyholders can focus on the patient side."

With **PolicyView**, you can:

- report incidents as soon as they happen;
- view policy activity, policy limits, renewal status and coverage;
- reconcile invoices, track payments made and pay premiums online;
- add and track CME credits (CMEs earned through MAG Mutual are automatically added!).

Contact your agent to enroll in **PolicyView** today or call **1-888-891-9656**.

## Today and Tomorrow at MAG Mutual

Our 2010 Annual Report was aptly titled and themed: "Today. Tomorrow." July marks a significant change for your company as MAG Mutual's longtime chairman, CEO, neurosurgeon, and respected leader **Roy W. Vandiver, MD**, retires and our new chairman, CEO, cardiologist **Joseph Wilson, Jr., MD**, takes over.



In our Annual Report, which should have hit your mailbox in early June, we share last year's results and ways we are improving our services to meet your needs. We continue to be financially sound, with the Board of Directors declaring the largest dividend in company history — \$16.5 million — effective June 1, 2011. (For more information about your dividend, go to [www.magmutual.com](http://www.magmutual.com).)

If you have not received an Annual Report, please contact **Jill Robbins**, Communications Manager, at [jrobbins@magmutual.com](mailto:jrobbins@magmutual.com).



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## Tennessee Legislature Passes Tort Reform Bill

The Tennessee legislature recently passed a sweeping tort reform bill, which includes caps on both noneconomic damages and punitive damages. The bill (the Tennessee Civil Justice Act of 2011) was one of Gov. Bill Haslam's legislative priorities.

The act caps noneconomic damages in personal injury actions to a maximum of \$750,000 per injured plaintiff. (A plaintiff's actual economic loss also is recoverable.) This cap is raised to \$1 million if the plaintiff suffers a spinal cord injury and becomes a paraplegic or quadriplegic, sustains third-degree burns on more than 40% of his face or body, has a hand or foot amputated or dies leaving one or more minor children.

Punitive damages in all cases are capped at the greater of two times the total amount of compensatory damages, or \$500,000. Caps for noneconomic and punitive damages do not apply if the defendant had a specific intent to inflict severe personal injury; if the defendant intentionally falsified, concealed or destroyed records that contained material evidence; or if the defendant was under the influence of alcohol or drugs.

The act also caps the amount of the appeal bond necessary once a plaintiff in a civil action obtains a judgment. Appeal bonds may not exceed the lesser of \$25 million or 125% of the judgment amount, excluding punitive damages.

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### Merging Practices? Be Sure to Protect Yourself

Many practices are considering mergers with, or selling to, another practice as a means to reduce overhead expenses and take advantage of economies of scale. If your practice is moving down that path, keep in mind how you will insure and protect the physicians' medical professional liability in the new organization.

If both practices use the same insurer, combining those policies is simple, and may even result in a larger group discount. Notify your carrier, and they will walk you through the process.

If the practices use different carriers or are seeking a new carrier for the new entity, there are some important factors to consider:

1. **Prior Acts Coverage** (also called nose coverage): Confirm that any new policy covers prior acts for all of the physicians included in the new entity. This means that the new insurance company will assume responsibility for claims that arise, reaching back as far as each physician's retroactive date (or original inception date) of coverage.

If Prior Acts Coverage is not available from the new carrier, consider purchasing an Extended Reporting Endorsement (tail coverage) for each physician/group from the current insurers. While these can be expensive, they give the newly merged practice the opportunity to start over with the new insurer for less premium.

(Continued on inside flap)

**MAG Mutual Going Strong: A.M. Best Rating Upgrade to A, \$16.5 Million Dividend Declared!**

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MAG Mutual Insurance Co.  
P.O. Box 52979  
Atlanta, GA 30355-0979

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