Healthcare & Physicians Groups

2023

State of the Market Mid-Year Report

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Healthcare/Physician Groups

Overview

With the rise of telemedicine and increased demand for skilled medical professionals, the healthcare industry is in an eager state of transformation.

Unlike many other industries, supply chain issues have only had a mild to moderate effect on healthcare and physician groups. Pharmacies and select surgical specialties are two areas of healthcare most fatigued by shipping delays and lack of inventory.

Labor shortages have become a nationwide issue in the past few years, but the healthcare sector has been experiencing them long before the pandemic. Now more than ever, healthcare organizations are struggling to find labor, particularly qualified mid-level providers, such as physician assistants and nurse practitioners. This deficit creates an increased risk for medical malpractice suits as a direct result of hiring unqualified providers to gain personnel.

As inflation rises, physician reimbursement declines. Both physician groups and individual practitioners are seeing a reduction in income as the cost of everything increases. Physician groups, hospitals, and senior care organizations of all sizes are experiencing massive shock waves from the continually declining reimbursement.

Benefits Considerations

Healthcare and physician groups face significant challenges for attracting and retaining top talent, such as low wages paired with long hours, poor workplace culture, and burnout. To overcome these challenges, employers must benchmark their benefits to see how they stack up against their peers.

Many healthcare professionals are struggling with mental and physical exhaustion. Employers can support them with a robust Employee Assistance Program (EAP) and wellness programs that encourage participation through incentives and ancillary rewards. Consider surveying your employees to learn what benefits are most important to them and prioritize enhancing those first.

To combat rising premiums, many employers are opting for self-funding and alternative health plan designs. Level-funded plans offer employers the potential savings of self-funded plans at a reduced risk and provide the predictability of fully insured plans at potentially lower costs.

Key Coverage Lines

2023

With a hardened economic climate, an influx of natural disasters, and evolving regulatory requirements, rates across coverage lines in the hospitality space are increasing. As of mid-year 2023, rate increases are trending as follows:

Medical Professional Liability (Medical Malpractice)

Some states are seeing rate increases, but not to the extremes seen several years ago. Medical professional liability premiums have mostly stabilized from previous years. In states such as Colorado and Texas, that are known for tort reform in favor of medical groups, rates are increasing by 1-5%. States known to rule in favor of the patient, such as Florida, California, and New York, are seeing an average rate increase of 10%. High-risk specialties, such as OBGYN, neurosurgery, and radiology, are experiencing even more significant increases.

Management Liability

All areas of management liability (directors & officers, fiduciary liability, employment practices liability, and crime) are seeing a market softening. An influx of competition and capacity in the management liability market is leading to stable rates and premium decreases for organizations without claims.

Liability

Due to the overall market of general and excess liability, moderate rate increases are occurring in the healthcare industry, between 1-10%. Because physician groups typically do not generate many general liability claims, this area of the market is seeing an average 5% increase. Any healthcare organizations or physician groups that transport patients in company-owned vehicles are seeing a 5-15% increase in auto liability premiums depending on the state.

Workers' Compensation

Workers' compensation is in a softened market cycle throughout the nation. Rates within the healthcare industry are generally low due to the limited frequency of workplace injuries. Large hospitals and small and mid-size physician groups are seeing a decrease in percentages.

Cyber

Although healthcare is one of the most high-risk industries for cyber vulnerability, premiums are stabilizing at a moderate and solid rate. Even with the increased inherent risk of data breaches and ransomware attacks, recuperation from underwriting losses, increased capacity and competition, as well as more cyber security controls have resulted in rate increases at 1-10%. In comparison, these rate increases were at 50-100% two years prior.

Property

Property insurance premiums are increasing nationwide regardless of industry. The middle of the country is not seeing significant rate increases, but anywhere within 100 miles of a coastline is experiencing increases of at least 20%. Specific to healthcare, a confluence of factors is contributing to this hard property market: rising costs of replacing buildings and equipment, an influx of natural disasters and catastrophes, decrease in capacity, and carriers leaving the property market entirely.

Our Recommendations

1

Renewal Time

For renewal, start the process early, at least 120 days prior, if possible. Evaluate what increases you may face, particularly with property insurance and medical professional liability. Take inventory of all buildings and locations, even if you don't own the buildings, to ensure key building components, such as the roof, wiring, plumbing, and HVAC have been updated within the last 10 years and are in good working condition. It may be time-consuming, but conducting a physical inspection may mean the difference between maintaining your previous coverage structure and significant premium increases.

2

Technology

Implementing technology is also beneficial in negotiations, as it can potentially lower risks for medical practices. For example, utilizing radiology software that notifies patients of their imaging and reminds them about their results helps reduce the risk of miscommunication claims. Partnering with an industry-leading telehealth provider can also help reduce medical professional liability claims and cyber risk.

3

Experience

Working with an experienced insurance advisor can help you create and implement comprehensive strategies to manage your risk. Our advisors provide benchmarking and leverage our relationships with top carriers to negotiate competitve premiums by conducting risk assessments and identifying risk management credits or experience credits, if applicable. We can also help you create a marketing strategy that can potentially reduce medical professional liability claims.

4

Claims Analysis

Due to their size, larger healthcare organizations naturally have more medical professional liability claims. To help mitigate these claims, the root cause of the highest areas of risk needs to be identified and addressed. Since this is such a significant premium expense, it is critical to leverage claims analytics to build a clinical risk narrative of your organization that helps your advisors negotiate competitive pricing.

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2023

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