

A PRACTICE HEALTH CHECK



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Chris Mariani encourages us to regularly check our exposure to practice risks and our mitigation strategies.

We are all encouraged to go to our GP for an annual health check (particularly when we are on the wrong side of 40), but many doctors fail to take their own advice and seek an annual check-up of their practice risks.

Running a modern medical practices exposes practice owners and managers to complex and varied risks which are ever-changing. We have seen new risks arise, such as privacy legislation enacted in March 2014 which for the first time brought the potential of privacy fines against businesses of up to \$1.7m and against individuals of up to \$340,000. More legislation is likely on the way with potential mandatory reporting of privacy breaches. In many cases the medical indemnity insurers have failed to keep pace with these risks and often additional insurances are required to protect a practice. But before a practice considers what to insure, it first needs to identify its risks and then put in place a risk management plan to address those risks.

Medico's intuitively understand risk management and mitigation – what tests to order, what patient not to operate on, when to refer to another specialist and the importance of writing detailed medical notes, patient recall and missed appointment processes to name but a few. But applying the same risk mitigation principles to the business side are often overlooked. As a result some of the more interesting situations I've witnessed:

- The GP clinic who had no written agreements with the GPs to confirm each was an independent contractor. One of the GPs on leaving the practice lodged a Fair Work complaint alleging they were in fact an employee. Failing to spend a few hundred or few thousand on correct contracts cost the practice tens of thousands of dollars and two years of stress.
- The psychiatrist practice whose hard-copy medical records room was down the (unsupervised) patient toilet corridor and there was no door to the medical records room. That's simply asking for a privacy fine!
- The cardiologist practice whose practice manager had an 'incident register' – she later explained this was a shoe box of correspondence in the bottom drawer of her filing cabinet.
- The very large percentage of practices I see, who either do not know they require a privacy policy and procedures to comply with privacy law, or wrote their policy pre March 2014 (an easy way to tell is the old legislation referred to the National Privacy Principles, while the new legislation requires a policy that complies with the Australian Privacy Principles).
- The practice with a much loved staff member who had been 'cooking the books' to the tune of hundreds of thousands of dollars over several years. This was possible as there were no financial controls in place.
- The doctor who was about to sign a lease which required them as tenant to insure the landlord's expensive shopfront glass from the date of signing the lease, even though the building was still a hole in the ground. The lease also called for public liability cover as a tenant – to cover for example the risk of a patient tripping in reception (a little difficult given there were no patients and no reception!).
- The doctor who years earlier purchased a 'practice indemnity' policy to cover her 6 staff as her own doctor policy had a maximum cap of 4 staff. A few years on, the insurer had removed the staff cap (somehow the doctor missed the fine print) but the doctor continued to pay for an extra policy they no longer required.
- The 'sessional room business' set up by a group of doctors which rented out sessional space to various specialists. The business employed reception and admin staff to provide services to the specialists. The business failed to understand its risks – such as their employed receptionist breaching patient privacy, or filling away test results that should have been handed to the specialist. The businesses needed its own medical indemnity policy to cover the professional and administrative services it provided to the specialists.

RISK MANAGEMENT

Conducting a health check on your practice and putting in place risk management strategies ultimately costs money and requires a commitment in time and resources from management and staff. But there are also savings that can be made – some of which are hard to quantify as they avert a crisis from occurring in the first place. Others are more measurable. For example, we conducted a quick practice review with a surgeon recently. His first (non-medico specialist) accountant structured him up as a Pty Ltd company rather than a sole trader. A few years on and he bought into a group practice. He was in one of the Australian states where director fees/wages are to be declared in workers compensation. This resulted in a workers compensation premium (for just him) at over \$5,000 per year - wasted money as he already had his own income protection cover. He approached his new accountant with this information and they moved into a sole trader structure for his personal earnings, saving more than \$5,000 annually in workers compensation premiums and simplifying his accounting affairs and costs.

The starting place for a 'practice risk health check' is to find an experienced medico risk management consultant. Interview them and find out their experience and how they have helped other medical practices. From my experience some of the pertinent questions they should be asking you:

1. Do you have a formal risk management framework? Show me your 'risk register' which highlights your top 10 risks and how you are managing these risks? Also show me your 'incident register' which identifies all past incidents, claims and near misses on a single document which is easily accessible and which is the single source of truth?
2. Do you have a clearly identifiable person in your practice who is responsible for risk management and who is the appointed privacy officer?
3. Is risk management a regular agenda item for management meetings? Does this include management of adverse incidents and patient complaints? In addition is there a management item for continual process improvement? Do you have a process to collect staff and patient feedback and how is this considered and actioned by the management team?

4. Do employees have access to the banks accounts, what processes do you have to prevent and detect employee fraud (including medicare fraud), do you require dual authorities to make payments or set up new vendors in your accounting system. Has your accountant benchmarked your expenses to like practices (assuming they are a medico specialist)?
5. Before any contract is signed – do you seek the appropriate legal and insurance advice to ensure the contract terms are fair and reasonable and do not expose you to additional contractual risks?
6. Are you engaging doctors and staff correctly. Would the contracts stand up if tested? Have you sought the advice from the likes of the state AMAs, many of whom have specialist workplace relations teams? Do you have an employee induction program, policies and procedures?
7. Do you have a Business Continuity Plan (BCP)/Disaster Recovery Plan that details what would you do in the event of a closure of your practice rooms due to fire, loss of power or other event, or a breakdown of key medical equipment, or a cyber-attack on your IT system.
8. How secure is patient personal data, both hard copy and electronic? What penetration testing and other measures do you have in place to test your systems for vulnerability? Do you have a bullet-proof back-up process and is this tested regularly?
9. Can you draw a diagram of your structure which shows how patient billings and revenue flow through your various entities. Have you named the right entities on your insurance policies (a very common mistake)?
10. Which of your key risks have insured and which have you self-insured? Do you engage a specialist insurance broker, or purchase on-line or in a fashion where you do not get personal advice? ⓘ

I encourage all practice owners to commit to an annual practice risk health check. If you have any questions, or need advice on your risks or insurances, please contact Chris Mariani on 0419 017 011 or chris@mgrs.com.au for an obligation free discussion.

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