

## RISK MANAGEMENT – DOES IT WORK?

Risk management is a subject that is now receiving significant attention by the medical profession. Its promotion by the medical defence organisations (MDOs) was accelerated by the so-called “medical indemnity crisis” as one component of the strategy to reduce the ever increasing number of claims and costs experienced by the MDOs over the last two decades. In late 2003 the Medical Indemnity Review Panel reviewing the issues surrounding the problems being experienced by the medical Indemnity industry, chaired by health minister Tony Abbott, recommended financial assistance to the industry in terms of premium and claims subsidies. However, the quid pro quo was that the medical profession had to become actively involved in risk management. This immediately became mandatory for those doctors in receipt of a premium subsidy.

The introduction of risk management programs was not welcomed by a significant number of doctors, many of who excused themselves on the grounds that they had never been sued, they were too busy and a small number believed that they had no need for such activities. The fact remains, however, that in the current litigation climate the Medical Indemnity Insurers’ (MIIIs) experience is that it is almost certain that all doctors will be subject to a writ or complaint sometime in their professional lifetime.

Most doctors do not realise that they have been practicing risk management to some degree for years. In many ways it is nothing new, we just called it “good clinical practice”. However, what is new is a systematic approach to the management of risk in both the consulting/operating room and in the office and the



need to maintain an ongoing review and vigil. Despite objections and negativity by some, risk management is here and it is here to stay. It will become an everyday part of medical practice and possibly a requirement for medical registration in the future.

We acknowledge that for the sake of the ‘sanity’ of practitioners there must be improved coordination and consistency in the demands being placed on practitioners by Health Authorities and Institutions, MDOs, registration boards and the medical colleges for continuing professional development, safety and quality and risk management,

To this end, the MIIAA is an active participant in the AMA, CPMC, MIIAA Risk Management Working Party. The Working Party has made great progress on matters such as agreement on an overarching CPD Framework that explicitly addresses risk management and is now turning its attention to the creation of standards

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within this framework. The aim is for the coordination and consistency that practitioners demand.

The question that is constantly raised and needs to be addressed is that of the success of these programs. In other words, does risk management actually result in a reduction in incidents and claims? In order to answer this question an examination of the available data is necessary. To date most of this information comes from American medical indemnity companies who have been actively applying risk management strategies to their members for several decades. There is no doubt that the North American experience confirms that good risk management actively applied does reduce the number and costs of claims. Early Australian data from United Medical Protection (UMP) published about three years ago reported a

significant reduction in claim numbers and settlement costs in a small group of doctors who had, individually, been the target of numerous claims, as a result of clinical audits and participation in risk management activities. Anecdotal unpublished data is now beginning to appear, all of which supports the view that active involvement in risk management does reduce claims and costs. Risk management is here and it is here to stay. The sooner we get involved, the simpler and easier it will be for all of us in the future.

**Andrew Miller**

**Chairman, MIIAA**

**Jonathan Burdon**

**Deputy Chairman, MIIAA**

## TECHNICAL ISSUES KEEP OUR COMMITTEE BUSY

The MIIAA Technical Committee was established in 2004 in response to the significant regulatory change brought about by the new medical indemnity arrangements.

The Committee is made up of representatives from each MIIAA member, each with extensive experience in compliance and operational management.

The aim of the Technical Committee is to work collaboratively with the Department of the Health and Ageing and other federal departments to formulate and draft policies, ensuring that the policy intent is reflected in the legislation and that they can be implemented.

This approach has provided the Federal Government with a single point of contact to discuss implementation and policy issues. It has also ensured that there is consistency across the medical indemnity industry in the interpretation and implementation of the various pieces of legislation and their associated protocols, instruments and terms & conditions.

Key implementation projects currently being managed by the committee include the Premium Support Scheme (PSS), Run-off Cover Scheme (ROCS) and the collection of medical



indemnity data by the Australian Prudential Regulation Authority (APRA) and Australian Institute of Health and Welfare (AIHW).

The Technical Committee is perhaps the busiest Committee of the MIIAA, with highly detailed input from each member being required. The terms of reference of the Committee can be found on the MIIAA website: [www.miaa.com.au](http://www.miaa.com.au). Any questions for the committee can be referred to Ellen Edmonds-Wilson at [execofficer@miaa.com.au](mailto:execofficer@miaa.com.au).

**Julie Smith**

**Chair**

**Technical Committee, MIIAA**

## MIAA APPOINTS INAUGURAL CEO

The Medical Indemnity Industry Association of Australia (MIAA) has appointed Ellen Edmonds-Wilson as its first Chief Executive Officer.

The MIAA, which is the peak industry body for medical indemnity insurers in Australia, has been in existence since 2003. For the past 12 months Ellen has been project managing the incorporation of the association, which previously operated through an informal unincorporated structure.

Prior to working with the MIAA, Ellen was the CEO of the Australian Medical Association (SA Branch) and previously was national CEO of the Equestrian Federation of Australia. Ellen has a BA in political science and an MBA (Advanced) both from Adelaide University.

“We are delighted Ellen Edmonds-Wilson has agreed to be appointed as the inaugural CEO of the MIAA” said Dr Andrew Miller, Chairman of the MIAA.

“Ellen has a strong understanding of the issues surrounding medical indemnity, and has worked closely with doctors in the past. Her experience in association management will be of great value to the MIAA as it moves forward. The members all appreciate the dedication and efficiency that she has demonstrated in her role thus far and are confident she will continue to add great value to the medical indemnity industry and those who interact with it.”

Mrs Edmonds-Wilson, who is based in Adelaide, responded ‘It is exciting to be able to continue to work with medical indemnity insurers and medical defence organisations, having over the past 12 months seen major changes in the association’s operations’.

“When I started work at the AMA in 2002 the medical indemnity crisis was in full swing. I dealt almost daily with doctors who were concerned about their future working



life and the implications of medical indemnity. It has been comforting to see that the crisis has now ceased and that the medical indemnity environment is much more stable. Working for the MIAA has enabled me to see the tremendous work that the insurers have done to ensure that the stability of the industry is maintained. Their commitment to the association is formidable, and the results of this commitment are reflected in the current environment.

“The new regulated environment in which medical indemnity coverage is provided is extremely complex. I did not appreciate the complexity until I started with the MIAA. Ensuring that legislative requirements are met, and that medical indemnity coverage is affordable, will continue to be issues of importance for the future.

“There will obviously be continual changes to the medical indemnity industry, and I look forward to working with the members and key stakeholders to work through issues as they arise”, Ellen said.

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## IS MEDICAL INDEMNITY OVER REGULATED?

Medical indemnity insurance is one of the most heavily regulated areas of insurance in Australia. Some may even say that it is THE most regulated component of the insurance market. The industry is now governed by regulations imposed by many government authorities. This includes (but is not limited to) ASIC, APRA, ACCC, Department of Health all of which is captured in a plethora of legislation. For many involved in the industry it is a stark contrast to the largely unregulated mutual organisations which previously provided discretionary indemnity to doctors.

Clearly a level of regulation is important to ensure stability in an industry and to make sure that cover provided to doctors is affordable, accessible and sustainable.

Some of the regulatory controls which have been implemented have resulted in a much more complex environment for doctors. An example of this is the Run Off Cover Scheme (ROCS) which has been implemented to ensure that claims against doctors who retire, go on maternity leave, die or are permanently disabled are covered. Insurers pay a percentage of the premium to provide this cover for eligible doctors.

The MIIAA Technical Committee has been developing a template form for doctors to complete which helps them to assess their eligibility to enter ROCS. On the surface this determination should be simple as there are a limited number of criteria for entry. In reality, the regulations governing entry are extremely complex and to explain them fully requires a doctor to read many pages of notes and to recall cover that may or may not have existed throughout their entire working lives. This may be possible for someone who is going on maternity leave, but poses a real challenge for an 80 year old doctor who has been practising for 55 years!

There is much scope to make the provision of medical indemnity insurance less complex for both doctors and the insurers whilst not undermining the stability it has created in the industry.

The MIIAA would like to see simplification of the complexity of some of the current legislation, to help doctors better understand their options and entitlements and to assess if their liabilities are fully covered, as well as to streamline operational processes.

As an industry we are committed to working on this on behalf of our members.

**Ellen Edmonds-Wilson**  
**CEO, MIIAA**

