Medical Practice Liability Insurance Tune Up: The First Line of Defense

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Continuing our 12-month medical practice makeover series, today we examine essential liability coverage required by all medical practices beyond just medical malpractice liability insurance coverage. 

Source: Physicians Practice

We’ve previously detailed both the most common fatal flaws in physicians’ asset-protection planning and the reasons insurance alone is inadequate to protect doctors. Those issues aside, insurance against known and recurring exposures is always the essential first line of defense. As you’ve seen in this column before, it is unreasonable to think that we can adequately insure against any and every possible loss or liability to an unlimited amount, but we can catch some of the big and predictable ones. Below is basic list to consider, along with an expert, which can explain the details and gaps common to many policies.

1. **Adequate liability and loss coverage.** It’s important to not only insure your physical facility for liability but also for loss and in an amount that adequately covers the structure, its replacement, the improvements you’ve made, and the fixtures and equipment at actual replacement value. Work with a reputable company that has national claims service offices, which can be held accountable under bad faith jeopardy and that is experienced in insuring businesses like yours.

2. **Employment practices liability insurance.** We’ve covered the issue of employment and the significant exposure it creates for every medical practice with employees in several articles in the past. It remains the number one exposure most practices face and sexual harassment awards average over $500K.

3. **Data breach insurance.** Make sure you are protected against the loss, theft, or intentional misuse of patient financial and HIPAA-protected information. Be careful about the use of mobile devices, laptops, and tablets and make sure they are covered as well. Have demonstrable security policies in place and enforce them; in some cases liability is based on your proactive efforts, or a lack of them.

4. **Directors and officers insurance, a.k.a. D&O.** We’ve covered this in detail recently; many physicians, practice managers and executives face severe civil and even criminal liability for their decisions, acts and omissions. Make sure those that have such responsibility are adequately insured against this additional professional liability.

5. **Workers’ compensation insurance.** This provides coverage for an employee who has suffered an injury or illness resulting from job-related duties. Coverage includes medical and rehabilitation costs and lost wages for employees injured on the job. The law in most states requires some form of workers’ compensation insurance and this protects the employer by limiting an employee’s right to sue for further damages.

6. **RAC audit insurance.** Any business that bills Medicare, Medicaid, or a private healthcare provider should be prepared to be audited and have payments denied or classified as overpayments at some point. Defending against such an audit and the ensuing manpower demands the massive record production can create is stressful and expensive. There is coverage available to handle the various costs and exposures involved.

This list is no complete but is a good start in examining the adequacy of your risk management plan. As this week’s column is devoted to the practice itself, I’ll save a discussion of the personal coverage so crucial to practice owners themselves for a future column.

Be aware, however, that life, disability, and long-term care insurance are increasingly vital parts of doctors’ planning that need to be implemented in a tactical way and are often an extension of the practice’s own risk management and continuation plan.