

REVIEW

Midwest Medical Insurance Company

Jack Kleven Announces His Retirement

MMIC President and Chief Operating Officer Jack Kleven recently announced to the MMIC Group board of directors and employees that he will retire in August 2004. Kleven, head of the Midwest Medical Insurance Company, has been with the company for 22 years.

MMIC Group President and Chief Executive Officer David Bounk said, "Jack's professionalism, dedication and outstanding character has been instrumental in the growth of MMIC from a single-state reciprocal insurer to the industry's leading malpractice carrier in the Upper Midwest. We wish Jack the best in his retirement."

Kleven joined MMIC in 1982 as director of Claim and Risk Management when the company's name was Minnesota Medical Insurance Exchange. As the company grew so did his responsibilities. In 1986, he became vice president of Claim; in 1996, senior vice president of Claim; two years later he was named senior vice president and chief operating officer of Midwest Medical Insurance Company. He became MMIC president with the responsibilities of strategic planning and management of the insurance company in 1999.

In discussing his retirement Kleven said, "Personally and professionally I have enjoyed my many years with MMIC. It has been rewarding to be part of our great success and I predict continued success in the future."

Kleven will be establishing a small executive and claim consulting business serving professional liability insurance companies, reinsurers and large health care groups.



Jack Kleven
MMIC President

2003 was a Good Year

MMIC returned to profitability in 2003 after two years of modest losses. Factors contributing to last year's success were:

- An improved combined ratio of 110.5 percent
- Realized capital gains from the bond and stock portfolios
- Lower average claim payments
- Level administrative expense
- Excellent renewal retention of 96 percent

Look for more information in the 2003 annual report. However, if you have questions, please call MMIC Group President and Chief Executive Officer David Bounk or MMIC President and Chief Operating Officer Jack Kleven at 800-328-5532 or 952-838-6700.

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Peggy Wagner and Cinda Velasco Join Risk Management Department



Peggy Wagner
Assistant Vice President
Risk Management

MMIC recently added a new department head and an attorney to its Risk Management Department.

Peggy Wagner joined MMIC in March as assistant vice president of Risk Management. Her duties will include developing and directing physician, clinic and hospital risk management activities. She comes to MMIC from HealthPartners/Regions Hospital, St. Paul, Minn., where she was director of Risk Management for 14

years. Prior to that she was director of Administrative Services at Metropolitan-Mount Sinai Medical Center in Minneapolis; and she held a variety of leadership positions at Divine Redeemer Hospital in St. Paul. Wagner, a registered nurse, has an M.B.A. from the University of St. Thomas, St. Paul, Minnesota.

In February, Cinda Velasco returned to MMIC's Risk Management Department as Risk Management attorney. She is the legal resource for the department and

is involved in training and monitoring, educational opportunities for clients, newsletters and development of departmental programs and resources.

Velasco left MMIC in September 2001, when she relocated to Wisconsin. Previously she was manager in the Minneapolis Risk Management Department.

Velasco is also a registered nurse. She graduated from Hamline University School of Law, St. Paul, Minn., in 1996, and worked primarily in surgical intensive care and post anesthesia care units as a registered nurse.

In the last few months, MMIC President Jack Kleven has been very involved with the Risk Management Department in managing the operations as well as selecting and hiring key leaders. He said, "The addition of Peggy Wagner and Cinda Velasco should ensure that MMIC will build upon its reputation for excellent risk management products and services."



Cinda Velasco
Risk Management Attorney

New Risk Management Resources Available Online

Two new risk management resources for policyholders are now available on the MMIC Group Web site (www.mmigroup.com). PowerPoint presentations from the successful Risk Management Roundtable seminars and answers to frequently asked risk management questions are in the Risk Management section.

Policyholders can view the PowerPoint presentations online or download them to present to staff. Detailed notes are included with each presentation. Risk management designed the presentations to use with the MMIC *Risklution* Toolkit series workbooks. Workbooks focus on understanding risk management

issues through case studies, exercises and group discussions. Participants learn about strategies to reduce risk in critical areas such as medication management, medical records documentation, medical error disclosure and patient confidentiality.

To request the *Risklutions* Toolkit workbooks contact Robin Houlihan, risk management client services coordinator, at 952-838-8708 or e-mail Robin.Houlihan@mmihc.com.

Protect E-mail Communication with Encryption

E-mail is becoming an important business tool for MMIC policyholders. Many are beginning to use it to communicate with patients and business partners (payors, labs, suppliers, etc). According to a recent Harris poll, 90 percent of patients who use e-mail wish to use it to communicate with their physicians. Because this trend is likely to continue, encryption (data protection) technologies are becoming more important to safeguard protected health information (PHI) or other confidential data sent via e-mail.

Protecting PHI and other confidential information through secure e-mail will help clinics meet the HIPAA Privacy and Security Regulations and it is also an excellent risk management tool. The HIPAA Privacy Rule (enforceable as of April 14, 2003) requires providers to implement “appropriate administrative, technical and physical safeguards” for health information. And even though the use of encryption technologies is an “addressable” specification in the final HIPAA Security Rule (and therefore not required in all circumstances), the preamble to the regulation

states: “Covered entities are encouraged, however, to consider use of encryption technology for transmitting electronic protected health information, particularly over the Internet.”

Using encryption technology can enhance the patient-physician relationship, making both the health care provider and the patient feel comfortable communicating in a secure and confidential manner. It also can help prevent inappropriate disclosures of patient information that can result in breach of confidentiality claims and sanctions and significant fees imposed by state licensing boards.

MMIC Technology Solutions’ security team has developed a program that can help policyholders analyze the prevalence of PHI/sensitive data contained in unencrypted e-mails and identify and implement appropriate security solutions. To learn more about how to secure your e-mail system, contact Brian Salzman at 1-800-328-5532 or Brian.Salzman@mmihc.com.

What a Difference a Year Makes *Legislative Action to Avert a Malpractice Crisis Needed*

For many years, physicians in the Midwest have been in an enviable position with regard to malpractice insurance. While headlines noted insurance crises in Pennsylvania, Nevada, Florida and other states, coverage has remained available and affordable in the states in which MMIC does business.

That rosy picture appears to be changing, however. Despite an occasional slight dip in average payout for a single year, MMIC’s actuarial predictions show a continuing upward trend in indemnity exposures. These rising exposures, along with increasing defense costs, have contributed to increases in MMIC base rates for the last three years and the reclassification of some specialties to higher rate categories. Though MMIC’s rate increases have been relatively modest, other carriers operating in our states filed for significant increases of 20 percent – 75 percent in 2003 and 2004.

Malpractice insurance is also becoming more difficult to obtain. Some carriers are pulling out of the

market; others are tightening underwriting criteria. Emergency physicians are experiencing particular problems; some emergency specialty groups have been able to find coverage only in excess insurance markets at sticker shock prices.

MMIC is working actively with state medical associations to address these problems legislatively:

- In Minnesota and Iowa, bills to cap noneconomic damages at \$250,000 in malpractice suits have been introduced.
- A Minnesota proposal would limit attorney fees to reasonable amounts to ensure that awards and settlements go to compensate injured patients, rather than being gutted by excessive legal fees.
- In Nebraska, MMIC is supporting legislation to solidify the financial viability of the patient compensation fund.

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Legislative Action to Avert a Malpractice Crisis Needed *(continued from page 3)*

“Legislation is not a panacea. Physicians must continue working aggressively on quality and patient safety initiatives to prevent malpractice and patient injuries,” says Elizabeth Lincoln, MMIC’s vice president of Law and Health Policy. “But, the tort system needs to better control the risks of excessive verdicts and settlements.

The system simply can’t support escalating, unpredictable payouts. In less than a year the Midwest has begun showing problem signs; liability coverage for some physicians has already been jeopardized. Legislators must stay on top of this issue to avert a full-scale crisis.”

Department of Health and Human Services Publishes Final Rule for National Provider Identifier

The Center for Medicare and Medicaid Services (CMS) has issued the final rule for implementation of the National Provider Identifier (NPI) required by HIPAA. A National Provider system will be established and begin processing applications for the unique provider identification numbers in May 2005.

The 10-digit NPI will be the only number providers need to identify themselves for payment purposes. Payers will no longer be permitted to require legacy numbers (UPIN,

Medicaid numbers, individual health plan numbers, etc.) after the May 23, 2007, compliance date for the rule (May 23, 2008, for small health plans). The NPI will be entirely numeric and will not contain any embedded information about the provider.

More information about the NPI implementation, including details on how to apply for NPIs, will be made available by CMS closer to the effective date of the rule.

To receive the *Review* by e-mail, contact the editor at rosalind.miller@mnhc.com or 1-800-328-5532. You may also download this publication by going to our Web site at www.mmicgroup.com.