Special Thanks

We would like to offer special thanks to the following individuals and all the Department Chairs and Executive Director Business Administrators for their guidance and support over the second year of the UC Enterprise Risk Management Program.

UC Health
Rick Lofgren
Rick Hinds
David Schwallie*

UC Physicians, Inc./College of Medicine
Myles Pensak, M.D.*
Lori Mackey*
Daniel Brummett*
William Ball, M.D.
Sheila McCormick

University of Cincinnati
Neville Pinto
Robert Ambach

UCP Risk Management & Compliance Committee
Brian Adams, Committee Chair
Philip Diller, M.D.
Arthur Pancioli, M.D.
Kathleen Scrivens
Nancy White, M.D.
Lisa Taylor
Karl Scheer
Alan Schwartz

*also member of UCP Risk Management & Compliance Committee
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2016 was a busy year for the Department of Enterprise Risk Management, and the pace has not slowed one bit as we forge headlong through 2017. While we thrive on the fast paced environment of academic medicine and the hospital industry, it is exactly because things are moving forward at such a fast clip that it becomes a challenge to carve time out to reflect back on the previous year’s accomplishments and meaningful steps forward. Just as important in this self-reflection process is the need to temper any self-accolades with humility, and ask ourselves “What could our department improve upon?” And the question I most often ask of others, “What keeps you (us) up at night?” This report highlights some of the more noteworthy accomplishments our department completed in 2016, and outlines our strategies and goals for the upcoming periods.

A major initiative was undertaken by our department to replace its multiple legacy risk management information systems (RMIS), the primary one of which was DOS-based, unwieldy, and no longer supported by its original vendor. We replaced them with a single, more robust, integrated RMIS solution called Riskonnect. This new system has also introduced a new Governance and Regulatory Compliance (GRC) component to capture enterprise risk management-specific program criteria. The GRC will enable us to manage the risks and opportunities identified through our ongoing risk assessment process. Like any change from one major information system to another this conversion has not been without its hiccups and delays. I am pleased to report that the system is in active use for both the RMIS and GRC platforms. We are entering the final stage of Phase I implementation, which involves data export and imports to the UC Health RMIS and from UCP’s enterprise systems, respectively. Ultimately, our objective with this advanced technology platform is to reduce costs and increase operational efficiencies by streamlining processes, eliminating redundancies and automating manual, error-prone repetitive tasks. In Phase II we look forward to exploiting the system’s full capabilities for a more robust analytics and management reporting capability.

We are very excited to share in the new strategic direction of the UC College of Medicine to bring the Department of Neurosurgery fully in-house. This marks a major departure from the previous thirty-five years where Neurosurgery’s chair and clinical faculty have been doctors with Mayfield. Joseph Cheng, MD, top surgeon and scholar of national repute from the Yale School of Medicine, was recently recruited to University of Cincinnati (UC) College of Medicine Department of Neurosurgery to lead all neurosurgery activities in the College of Medicine and at UC Health. To support these efforts ERM began discussions with our insurance brokers and self-insurance fund actuary in order to best position the new department with the excess insurance markets. We intend to ensure the new department receives the same top level of professional liability coverage and legal counsel as we provide all UCP clinical practice plans.

Finally, in 2016, UC Health began the process to transform its culture and foster greater accountability, hardwire a focus on improvement and cultivate an already strong commitment to serving others, including its patients, the community and associates. As a close collaborator with UC Physicians, staff and leadership at UC Health, UC’s Department of Enterprise Risk Management was privileged to be a part of this process and we look forward to finding new ways that we can share and drive forward the transformative process with UC Health.

Sincerely,

Anita Ingram
Chief Risk Officer
## Department Overview

### 2017 Strategic Map

**Values:** We are dedicated to the mission of the university. We act with integrity and respect, foster transparent communication, and encourage diverse viewpoints and collaboration. Together with our stakeholders we are accountable to pursue strategic opportunities and find cost-effective solutions that drive continuous improvement.

**Mission:** We support the University of Cincinnati by promoting a risk-aware culture. Through proactive risk consultation, universal risk assessment, and the selection of optimal risk finance options, we enable the University to evaluate risks as an interrelated portfolio and embrace appropriate risks and opportunities across the enterprise.

### STRATEGIC PRIORITIES

<table>
<thead>
<tr>
<th>GOALS</th>
<th>METRICS (KPI &amp; KRI)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Advance Enterprise Risk Management discipline in support of university objectives.</strong></td>
<td><strong>Increase maturity &amp; overall effectiveness of UC's Enterprise Risk Management (ERM) program</strong></td>
</tr>
<tr>
<td><strong>II. Strengthen partnership with UC Health &amp; UC Physicians (UCP).</strong></td>
<td><strong>Demonstrate value of the Department of ERM's service provision to UC, UCP, UC Health, and key stakeholders</strong></td>
</tr>
<tr>
<td><strong>III. Perform traditional and advanced risk management and insurance activities.</strong></td>
<td><strong>Execute the long-term ERM Communications Plan &amp; integrate risk management into UC’s business model</strong></td>
</tr>
<tr>
<td><strong>IV. Increase internal office efficiencies and maximize overall value to the university.</strong></td>
<td><strong>Provide proactive, effective, value-added risk consultation services</strong></td>
</tr>
<tr>
<td><strong>Administer UC's risk finance, total loss control, and claims management program</strong></td>
<td><strong>Investigate and timely resolve claims and maximize subrogation and insurance recoveries, in accordance with industry best practices</strong></td>
</tr>
<tr>
<td><strong>Investigate and timely resolve claims and maximize subrogation and insurance recoveries, in accordance with industry best practices</strong></td>
<td><strong>Develop UC's Risk Appetite Statement and Risk Tolerance Statement(s) by Winter 2017</strong></td>
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<td><strong>Effectively manage and resolve medical professional liability claims within the self-issued retention</strong></td>
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<td><strong>Identify and collaborate with key campus stakeholders on (2-3) significant loss control projects in FY18</strong></td>
</tr>
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<td><strong>Provide 24/7 on-call medical legal expertise to UCMC and UCP</strong></td>
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<td><strong>Deliver 1100 training man-hours (in-person and computer-based) by Winter 2017</strong></td>
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**ERM Stewardship Report**
At the end of 2016, Enterprise Risk Management was fully staffed. However, at the time of this publication, a decision was made to reposition the team to better serve the needs of our clients. Key to this decision is the replacement of the Executive Staff Assistant role with a Financial Administrator.

Each year, ERM supports the university’s mission by providing students an opportunity to gain practical experience in the risk and insurance industry. With the assistance of a $5,000 grant award from the Spencer Educational Foundation, our office employed one full-time and two part-time student interns. The interns were exposed to a myriad of risk management situations that we deal with on a daily basis.

We would like to thank our outstanding risk management interns for their individual contributions to our team:

- **Annette Echikunwoke**, Actuarial Science major, Insurance & Risk Management minor, Outstanding Student Athlete, 2018
- **Sarina Schroeter**, Accounting & Finance major, 2018
- **Erica Zaretsky**, Insurance & Risk Management and Finance major, 2017
Services Provided

Historically, Enterprise Risk Management (formerly known as the Department of Insurance & Risk Management) has provided risk and litigation management services for the hospital as a part of the traditional complement of university risk management services. In 1997, the University of Cincinnati Medical Center (UCMC) and the University of Cincinnati became separate entities. Since then, as part of a shared services agreement between the University of Cincinnati and UC Health, we have continued to provide risk management services for the University of Cincinnati Medical Center and its staff. FY16 revenue from the provision of services to UCMC covered close to 30% of ERM’s internal/external departmental budgetary expenditures. Additional revenue from fees charged for provision of risk management and insurance services to UCP covered about 19% of ERM’s FY16 internal/external departmental budgetary expenditures.

Consultative Services

Enterprise Risk Management provides medical professional liability, risk management, and legal support to the UC College of Medicine and UC Physicians, Inc., and by contract to UC Health, LLC for the University of Cincinnati Medical Center, where UC’s faculty physicians educate future members of the medical community.

Enterprise Risk Management consulted with physicians and professional staff on a wide range of issues and concerns, including:

- Consult on patient care issues involving capacity and consent, use of medical or psychiatric holds, police involvement, and adverse events that might lead to potential claims.
- Evaluate patient complaints and response letters in collaboration with UCMC leadership.
- Partner with multiple units and departments to draft and update policies with risk management or legal implications, such as consent policies, definition-of-death and withdrawal of care.
- Partner with UC Investment Office and UCP Risk Management & Compliance Committee on the new Fund X Investment policy.
- Review proposal and provide professional opinion regarding UCP’s option to participate in Ohio Workers’ Compensation Group Retrospective Rating Program for the 2017 rate year, beginning 7/1/17.
- Provide risk mitigation-based orientation presentations to incoming residents and fellows.
- Provide risk management orientation to American College of Graduate Medical Education for incoming house staff.
- Participate in Quality Committee SWARMS initiated after adverse incidents to determine root cause and corrective actions.
Additionally, Enterprise Risk Management has strong presence and active participation on numerous committees dedicated to the ongoing business operations and risk management for both UC Physicians, Inc. and UCMC, including:

- UCP Risk Management and Compliance Committee
- UCMC Enterprise Quality Committee
- UCMC Falls Committee
- UCMC Infection Control Committee
- UCMC Medical/Psych Hold Committee
- UCMC Patient Safety Committee
- UCMC Policy Committee
- UC Health Morbidity and Mortality Committee
- Research Subject/Patient Safety Committee
- UCMC Quarterly Forensic Meeting

Insurance
University of Cincinnati Physicians, Inc. and UC Health maintain separate self-insurance programs for professional (medical malpractice), general liability and property. In our role, we provide underwriting, risk management and claims support for both UCP, Inc. and UC Medical Center’s insurance and risk finance programs. By contrast, the University is a member of the Inter-University Council Insurance Consortium of Ohio, which is comprised of thirteen state universities that pool resources and leverage buying power for property & casualty insurance purposes. The University’s insurance program is separate and complementary to UCP, Inc. and UC Health’s programs of insurance. UCP, Inc. is listed as named insured on several of the university’s policies, as appropriate.

In particular, for UCP, Inc. and UC Health, Enterprise Risk Management services for FY16 and forward include:

- Work with brokers and internal client-partners to complete annual insurance renewals for UCP, Inc., which involve completion and submission of applications, participation in market strategy discussions, negotiation of premiums, limits and terms & conditions for coverage as appropriate. (Note: ERM does not place coverage for UC Health’s medical malpractice—this is a corporate risk function).
- Complete insurance applications for property, casualty, and medical professional liability insurance for UC Health.
- Plan, manage, and coordinate annual enrollment of physicians and other medical care providers.
- Verify professional liability coverage, provide certificates of insurance and claim history letters for physicians and other medical practitioners.
- Compute premium allocations, monthly billing and manage transaction processing for monthly accounts payable and receivables for UCP’s practice plans.
- Systematically maintain the accounting records for Fund X self-insurance medical fund and assemble and provide professional statistical information for actuarial reporting and insurance underwriting purposes.
- Support risk financing efforts through management of medical malpractice claims, the actuarial process and ongoing coverage reviews.
- Interpret insurance coverages for the physicians and other health care providers.
- Manage broker relationship and the expanded line of insurance coverages for UCP, Inc., including commercial casualty (general liability, personal property, and business personal property), hired and non-owned auto liability, umbrella liability, worker’s compensation (states other than Ohio), management liability (directors & officers, employment practices, fiduciary and crime).
- Partner with UCP Human Resources to report claims and incidents to broker and carriers on behalf of UCP, Inc. and partner on management of such claims, as appropriate.

Claims Management
When physicians are hired as faculty members in the College of Medicine, they also join one of the twenty-two UCP clinical practice plan groups. UCP insures faculty physicians for professional liability through its self-insurance fund called “Fund X”, and through commercial excess insurance. Medical residents, nurses and other allied health professionals are not insured by UCP, Inc. Instead, as employees of UC Health, they are insured separately through its captive insurance arrangement under what we call “Fund Z.”

Importantly, if a faculty physician is sued for medical malpractice for work conducted within the course and scope of their employment, the physician may be treated as a state employee. As an academic medical center with a strong collaboration and partnership with UC Health, a teaching hospital, as well as other local and regional area hospitals, “scope of employment” can be interpreted very broadly. Defense of state employees is under the Court of Claims jurisdiction and government immunity is extended to the faculty physician in such situations, meaning the individual physician can be removed from any direct legal action against them. The state of Ohio provides defense of such claims through the Attorney General. If a question arises out of whether a physician’s alleged negligent action occurred outside of their role as teaching faculty, then a lawsuit may be filed in both the Ohio Court of Common Pleas and the Ohio
Court of Claims. If immunity is found by the Court of Claims, the Common Pleas case against the physician is dismissed, but the case may still continue against UCP, Inc., as a separate corporate defendant. If no immunity is granted, the Common Pleas case will continue to include the faculty physician and may proceed to trial. Separate counsel must be appointed for each venue/lawsuit. Fund X and commercial insurance satisfies verdicts awarded in the Court of Claims and/or Common Pleas. Note that claims may also be filed in other states such as Kentucky or Indiana, where immunity does not apply for the faculty physician. The chart below describes how a case/claim might be received and handled:

<table>
<thead>
<tr>
<th>NAMED DEFENDANT(S)</th>
<th>PAYMENT SOURCE</th>
<th>VENUE</th>
<th>ATTORNEY REPRESENTATION</th>
<th>INTERNAL CLAIM ADJUSTER/LIAISON</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Cincinnati</td>
<td>Trust Fund X</td>
<td>Court of Claims</td>
<td>Attorney General</td>
<td>ERM</td>
</tr>
<tr>
<td>Faculty Physician(s)</td>
<td>Trust Fund X</td>
<td>Common Pleas</td>
<td>Outside Counsel</td>
<td>ERM</td>
</tr>
<tr>
<td>Resident Physician(s), Nurse(s), and/or other</td>
<td>Fund Z (UC Health)</td>
<td>Common Pleas</td>
<td>Outside Counsel</td>
<td>ERM (on behalf of UC Health)</td>
</tr>
<tr>
<td>hospital staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UCP, Inc.</td>
<td>Trust Fund X</td>
<td>Common Pleas</td>
<td>Outside Counsel</td>
<td>ERM</td>
</tr>
<tr>
<td>UC Medical Center and/or UC Health</td>
<td>Fund Z (UC Health)</td>
<td>Common Pleas</td>
<td>Outside Counsel</td>
<td>ERM (on behalf of UC Health)</td>
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</tbody>
</table>

Moreover, as physicians might find private practice to be potentially more financially rewarding than teaching, affording the faculty physician immunity provides the College of Medicine with a strong recruiting tool to attract and retain pre-eminent faculty, a key component of the mission. We closely evaluate and manage those claims and lawsuits asserted against our physicians, UCMC resident physicians and other UCMC hospital staff. Enterprise Risk Management performs the following claim-related activities:

- Receive information related to a claim or lawsuit, investigate the claim, engage outside counsel where appropriate, and help to develop litigation strategy.
- Recommend, monitor and set claim reserves.
- Recommend payment fund, or fund apportionment, between UCP, Inc., UC Health, and UC.
- Attend key depositions, hearings, mediations, trials, and advocate for favorable claim disposition.
- Maintain and update claim information in the ERM and UC Health risk management information systems.
- Prepare claim reports for senior management, including UC Health, UC Board of Trustees, UCP Risk Management Committee and various other UCMC committees.
- In addition to managing medical professional claims as outlined above, ERM handles claims related to premises liability, lost patient personal property and large property claims asserted on behalf of or against UC and UCMC:
  - Coordinate with UCMC personnel and the Patient Experience Office
  - Coordinate with insurance adjuster(s), accounting specialists, and contractors
  - Provide quarterly loss reports

Operations Management
Our office provides functional support on a day-to-day basis for the departments and Executive Director Business Administrators (EDBAs) of UCP, Inc. These tasks include billing, accounting, data and document processing, and report generation. We set specific goals to maintain professional, responsive customer service. Last fiscal year, we responded to over 300 claims history requests within an average 48-hour turnaround time.
Insurance Program

Trust Fund X and Fund Y

Fund X is a pool of capital that is a component of UC professional (patient care) liability ("medical malpractice") insurance program. UC’s medical malpractice risk includes that risk arising from the practice of its medical faculty through departmental practice plans (now subsumed into University of Cincinnati Physicians), as well as the risk to students in health care clinical rotations in UC Colleges of Nursing, Pharmacy and Allied Health, as well as UC Hoxworth.

Fund X is part of a multi-component insurance program. Fund X is used to pay individual professional liability claims.

Fund X’s role in the insurance program is to:

- Reserve insureds’ contributions in a liquid pool out of which claims can be paid in a timely manner;
- Provide professional liability medical malpractice insurance for UCP physicians and other medical professionals related to UCP, Inc., UC and Hoxworth at a reasonable cost by generating investment gains;
- Generate an expected investment return that can be used in the actuarial process to help determine the insurance program’s actuarially-determined funded status.

Fund X is owned approximately 92% by UCP, Inc. and its practice plans and 8% by UC/Hoxworth. Through the practice plans, UCP physicians pay into the trust fund annually (except during payment holidays) in amounts determined by UC Department of Enterprise Risk Management in collaboration with the UCP Risk Management Committee. UCP and ERM also collaborate on designing and implementing the insurance strategy of which Fund X is a component. UC maintains trust funds to cover the professional and general liability exposures of the departmental practices within UCP, Inc., as well as university academic and Hoxworth Blood Center exposures. Trust Fund X provides for the professional liability coverage and Trust Fund Y provides general liability coverage. Each year, UC ERM engages the actuary services of Towers Watson to prepare an actuarial analysis of the losses and allocated loss adjustment expense. In addition, Towers Watson is asked to provide an analysis of the adequacy of pure premium funding amounts at various confidence levels ranging from 60-90%, and at various discount rates ranging from 2-5%. Results of their analysis play a significant role in both determining annual funding levels for the professional liability insurance coverage allocated to UC and UCP clinical practice plans, and in the costs of excess professional liability insurance. Towers Watson has provided these annual actuarial services for a fee of $44,000 since 2014.
UC Medical Center and UC Physicians, Inc. Claims

In accordance with the shared service agreement between University of Cincinnati and UC Health (formerly Health Alliance of Greater Cincinnati), the UC Department of Enterprise Risk Management is responsible for providing risk management, consulting and legal services for property, general liability and medical professional liability matters for the University of Cincinnati Medical Center (UCMC).

Due in large part to excellent collaboration with outside counsel and the Attorney General of Ohio, physicians and other health professionals at UC/UCP and UC Health receive an exceptional level of service and expertise in the arena of professional liability defense. To date, no claim has exceeded the self-insured retention. The excess insurance market has recognized our claims’ handling expertise as we have been able to obtain excess coverage at competitive rates for UC/UCP’s group of more than 600 diversified physicians, including the physicians in the highest risk categories. Our continued excellence in this area also contributes to the competitively rated premiums and savings as described earlier.

As shown in the charts below, at July 31, 2016, UC/UCP had 31 open/pending professional liability claims. Five of those open claims carry significant reserves. UCMC had 23 open professional liability claims; and five of those also carry significant reserves. There are nine (9) claims that are shared/allocated between UCP and UCMC, and five (5) additional claims shared between UCP and UC Health (West Chester Hospital). We continue to evaluate and manage the most challenging exposures, which include birth injuries and one wrongful death claim.

Figure 2: Disposition of UCP and/or UC Health Medical Professional Liability Claims

<table>
<thead>
<tr>
<th>UCP # AND DISPOSITION AS OF JULY 1, 2016</th>
<th>UC HEALTH # AND DISPOSITION AS OF JULY 1, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>closed with no payment</td>
<td>closed/settled within self-insured retention</td>
</tr>
<tr>
<td>open/pending</td>
<td>open/pending</td>
</tr>
</tbody>
</table>

9 SHARED CLAIMS
Loss History/Claims

Loss history data is central to forecasting the ultimate value of claims and determining how future losses might be prevented. It is also a key component in determining total cost of risk (TCOR) and provides a basis to evaluate the success of our loss control efforts. Efficient claims’ management can lower the amount and frequency of losses and minimize disruption to the organizational mission. The tables and charts below provide greater detail about UCP and UCMC’s general liability and professional liability programs. We look forward to full deployment of our new risk management information system, Riskonnect, which will allow for more complete data collection and analytics in each line of coverage. This report provides data for the lines of coverage and years for which data has been compiled and/or reported to ERM.

Figure 3: Claims History—UCMC Patient Property

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th># of Claims</th>
<th>Paid</th>
<th>Reserve</th>
<th>Expense</th>
<th>Total Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>37</td>
<td>$44,935</td>
<td>$0</td>
<td>$0</td>
<td>$44,935</td>
</tr>
<tr>
<td>FY15</td>
<td>22</td>
<td>19,171</td>
<td>0</td>
<td>0</td>
<td>19,171</td>
</tr>
<tr>
<td>FY16</td>
<td>43</td>
<td>30,871</td>
<td>0</td>
<td>0</td>
<td>30,871</td>
</tr>
<tr>
<td>Totals</td>
<td>102</td>
<td>$94,977</td>
<td>$0</td>
<td>$0</td>
<td>$94,977</td>
</tr>
</tbody>
</table>

Figure 3.1: Claims History—Patient Property

PATIENT PROPERTY
AVERAGE COST AND FREQUENCY FY14–FY16

Claim Count  Avg. Cost Per Claim

<table>
<thead>
<tr>
<th>Year</th>
<th># of Claims</th>
<th>Cost of Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>37</td>
<td>$1,214</td>
</tr>
<tr>
<td>FY15</td>
<td>22</td>
<td>$871</td>
</tr>
<tr>
<td>FY16</td>
<td>43</td>
<td>$718</td>
</tr>
</tbody>
</table>

$1,500  $1,250  $1,000  $750  $500  $250  $-
FY14
Claim Count Avg. Cost Per Claim
FY15 FY16
$360 $929
FY14
# of Claims Paid Reserve Expense Total Incurred
FY14 8 $2,511 $0 $25,901 $28,412
FY15 8 5,016 0 2,418 7,434
FY16 8 1,879 1,000 0 2,879
Totals 24 $9,406 $1,000 $28,319 $38,725

Fiscal Year # of Claims Paid Reserve Expense Total Incurred
FY15 1 $250,000 $33,799 $0 $283,799
FY16 1 0 0 0 0
Totals 2 $250,000 $33,799 $0 $283,799

Note: Claim count only includes those claims reported to and managed by UC Department of Enterprise Risk Management. In April of 2015, UCMC experienced a large loss due to flooding in the basement of Holmes Hospital. The claim was resolved in April of 2017.
Total Cost of Risk

Naturally, a goal of senior administrators is to manage costs, and this includes UC’s total cost of risk (TCOR). ERM has implemented a system to track TCOR, enabling a year-on-year comparison and identification of significant variances. ERM considers TCOR to be a key risk indicator (KRI) for the university. However, it is a lag indicator meaning it is output oriented, easy to measure, but difficult to measurably improve or influence. The institution is best served when its risk exposures are identified, assessed, and managed using effective loss treatment and mitigation, and being able to handle any loss it does sustain in an efficient manner. This reflects favorably on both insurance premiums and losses, as insurers look for robust risk management programs when negotiating costs. Fundamentally, total cost of risk for the university includes:

1 2016 RIMS Benchmark Survey

Figure 6: UC Total Cost of Risk—FY15 vs. FY16 Comparison

The table above shows FY15 as the baseline, and compares the percent change in each category to FY16. Noteworthy changes since FY15 include: employee headcount decreased 18%—figures are taken from Ohio Board of Regents report and may lag by up to 12 months. (The decrease reflects a change in methodology of reporting—from “all active employees” to “paid employees.”) Operating Revenue increased $25.9M, or 3%; Automobiles (“fleet”) increased 4%, 12 vehicles; research operating expenditures increased 3%, and total cost of risk increased 27%. Changes less than 1% will not reflect well on this chart due to scale.
UC experienced a $1.1 million, or 27%, increase in Total Cost of Risk from FY15 to FY16. Primary factors contributing to this increase include:

- A $650K, or 112%, increase in workers’ compensation premium/claim costs from FY15 to FY16. Much of this can be explained because the FY15 workers’ comp premium of $907,964 reflects credits/reductions for an accrual of $25,544 and premium refund of $375,000, thereby reducing total FY15 premium to $507,420. There was also a FY16 premium increase of almost $100,000.
- A $383K, or 43%, increase in internal/external expenses. This is attributable primarily to the one-time purchase and implementation cost of a new risk management information system and to the increase to 100% staffing since FY15.
UC and Education Industry Total Cost of Risk
To evaluate the success of our risk finance and loss control programs it is essential to measure and benchmark the university’s total cost of risk (TCOR) against other institutions in the education industry. Among fourteen industries tracked, the education industry had the fifth highest average TCOR. As of 2015, the most recent year for which we have available data, the average TCOR decreased 3% for the education industry (which includes K-12 as well as for-profit institutions), the first decrease in three years. The decrease is attributable to lower worker’s comp, property, liability, management liability and professional liability costs. Below are additional findings comparing UC’s cost per $1000 revenue (from FY16 data) to that of similar entities in the education sector (category <$1B Revenues):

• UC’s TCOR was $5.18M, or $6.29 per $1000 of revenue. This compares favorably with an average TCOR of $10.62 for all higher education enterprises, and very favorably with an average TCOR of $12.48 for other industries.

• UC incurred (net basis) $388,721 in combined claims costs and premium for general liability in FY16, which reflects an increase of 32% over FY15. UC’s general liability and automobile liability insurance premium was $0.26 per $1000 of revenue, which compares favorably to $1.87 for the education industry.

• When considering total property costs, UC incurred $1,752,970 in property premium and retained losses, which represents $2.13 per $1000 of revenue, compared to $4.23 for similar entities.

• For Educator’s Legal Liability, UC’s cost was $0.13, compared to $0.37 average for similar entities.

• UC incurred $1,232,645 in workers’ compensation (WC) premium and claims costs (see explanatory footnote below Figure 7). This represents a 112% increase in workers’ compensation premium from FY15 to FY16. Nonetheless, UC’s WC cost of $1.50 compares favorably to average total workers’ compensation costs of $3.15 for similar entities.

• UC’s internal and external administrative costs was $1.55, which compares unfavorably to $0.82 for similar entities. The higher cost is related primarily to the one-time purchase and implementation cost of a new risk management information system, Riskonnect, and to the increase to 100% staffing since FY15.

Hospital Cost and Risk Management
According to an article published by Willis Towers Watson in 2016 regarding the hospital industry’s total cost challenge, current cost pressures are likely to intensify with reductions in government reimbursements and changes in the payer mix. Many hospitals are taking a hard look at their total cost picture. Rising claim costs, and new laws and regulatory requirements create the need for more formalized risk management processes and emplacing ever more stringent risk control processes to curtail losses.

Key questions to consider in health care risk management total cost of risk include: What are our major risk exposures? Which risks are significant? How can we systematically track adverse outcomes and claims? What are our risk financing objectives, and what are best options for funding self-insurance retention levels, insurance coverage limits and alternative risk financing vehicles? What are our underlying cost drivers, and how can we reduce costs in order to better take on opportunities?
Loss Control

Training/Workshops
As part of our effort to promote risk mitigation activities, we gave presentations to a number of Departments in the College of Medicine. In speaking before the Departments of Internal Medicine, Pathology and others, such as OR nurses, we discussed important considerations of candor and transparency in disclosing medical misadventures. Further dialogue was had regarding the ways in which Ohio’s Apology Statute could facilitate communication and disclosure between physician and patient in cases of unanticipated incidents.

Student, Faculty & Staff Services
Several international emergencies, including the Paris and Belgium attacks, prompted “After Action” meetings with key stakeholders at the university. As a result, UC International, Emergency Management, Communications, and ERM partnered to develop an international emergency response plan and team, with the safety and wellbeing of international travelers in mind. The plan outlines what to do and who to contact in the event of an incident, as well as identifying a support network of campus resources if decisions impacting travel need to be made quickly. The plan was piloted with winter programs and will continue to evolve to meet the needs of UC’s study abroad program leaders and participants.

Critical Research Freezers
The loss of precious research through unexpected events, including the failure of research freezers continues to be a significant source of property claims at universities with research programs, including the University of Cincinnati. Our last significant research freezer loss payout was in June 2017, which totaled $796,000. The university’s insurance carries a $100,000 per claim deductible. Each claim is further subject to an additional loss penalty passed through from the Inter-University Consortium Insurance Council (IUC-IC), of up to $75,000. These types of claims in particular create an adverse impact on UC’s status within the IUC-IC, making UC a greater risk to the pool of state universities. To mitigate the impact of these losses, Enterprise Risk Management is collaborating with the Office of Sponsored Research to develop a research freezer program. Risk management plans for loss control in this area are designed to protect critical research by addressing the areas of freezer alarms, greater collaboration with appropriate departments on procurement of research freezers that meet a certain standard, and shared financing of loss deductibles with the departments experiencing such losses who have opted not to participate in the loss control program.

Our department assisted with molecular and cellular biology to alarm key research freezers. The biology department, using guidelines outlined on ERM’s freezer research webpage, drafted a plan to protect their research in key research freezers. ERM reviewed and approved the plan, and agreed to assist in the cost of procuring a web-based freezer alarm system.

Visit uc.edu/gencounsel/rmi/Training/freezers for more information about the program.
Risky Business Week

The 2nd annual Risky Business Week was hosted November 7–10, 2016, and was packed with activities designed to engage the campus community and build a more risk-aware culture. The message was simple: Everyone is a Risk Manager! The primary goal of the week was to educate and empower the campus community to do just that. The Guinness World Record attempt for the longest selfie chain held in Nippert Stadium showed our collective commitment to protect the people and interests of the university. Title IX and College of Medicine programming raised awareness about key resources on campus.

Risky Business Week also recognized the achievements of three award recipients who demonstrated excellent leadership and commitment to ERM principles:

- Sarah King, UCATS Donor Events, for “Best ERM Engagement Award”
- Division of Hematology Oncology for “Best Practice in Loss Prevention Award”
- UC Foundation for “ERM Champion Award”

We would also like to offer special thanks and recognition to undergraduate student body president, Mitchell Phelps. His leadership, partnership and spirit of collaboration, along with the entire Student Government’s, is what made not only this event successful, but several other key initiatives we worked together on. Next time we intend to break the record—Go Bearcats!

Enterprise Risk Management Website

The purpose of our web pages is to share information and education about key issues, including proactive risk management and loss control measures to prevent and reduce the frequency or severity of claims. We have provided links to resources, policies, and other tools to enable cross-collaboration and support in managing risk at the department level. We have also streamlined forms and routine business processes. Now, at the click of a button, you can:

- Request a Certificate of Insurance
- Request Claims History/Proof of Insurance (for Medical Professionals)

Visit uc.edu/gencounsel/rmi for more information.

Culture and Communications

Most organizational effectiveness models indicate culture as a critical component to achieving objectives. UC’s ERM program seeks to foster leadership support, collaborate with front line management, and drive broad awareness and engagement across the university, including students. The strategy is maturing over time, leveraging multiple channels and methods to build a risk aware culture at all levels. One of many efforts already undertaken is a short informational video aimed at making a complex topic (ERM) easier to understand, and empowering everyone on campus to identify and manage risk. The video was submitted to our excess insurance provider, United Educator’s 2016 Pearls of Wisdom Contest, and recognized for its innovation and important message. This was a great honor and has motivated our team to build upon this success. The 2-minute video called “What is ERM?” can be viewed on the ERM website under this link: uc.edu/gencounsel/rmi/about
A Look Ahead

While the milestones and accomplishments of the last year are notable, the work of implementing a robust Enterprise Risk Management program at UC will be an ongoing, evolutionary process. The next year should bring an even more structured approach and meaningful dialogue about risk at every level. The intent is to focus on the risks and opportunities with the biggest potential impact and to facilitate greater collaboration among all stakeholders to ensure sustainable solutions are in place. Enterprise Risk Management looks forward to leading this charge and partnering with all colleges, departments, and units to make UC’s ERM program a best-in-class model for other institutions to benchmark.

We continue to anticipate further enhancing our efficiency and responsiveness by developing a Risk Management Procedures Manual. We believe it will prove to be a valuable resource to communicate ideas and clarify practices that were previously contained in numerous letters and memos, stated verbally, or contained in outdated manuals. By including appropriate procedures, our department will be better informed and able to provide enhanced responsiveness to our stakeholders. This manual will cover topics such as:

- Claims’ identification, evaluation and reserving
- Use of actuarial services
- Selection of outside counsel
- Purchase of insurance
- Risk Engineering

Engineering
Annually, ERM assists with the coordination of a loss control survey to complete a comprehensive review of UC buildings, grounds, and associated activities. This survey improves both our understanding of the university’s physical assets and how to protect them, as well as helps us work with stakeholders to improve our loss control and risk reduction efforts. The process involves engagement across multiple departments including, Facilities Management, Fire Safety, Environmental Health and Safety, and Utilities to name a few.

In 2016, ERM participated in a desk review of the loss control survey, completed by Zurich, of UCMC buildings, grounds and associated activities. Zurich is UCMC’s property insurance carrier and provides recommendations to improve risks identified during the survey. In further support of UCMC, ERM looks forward to playing a more active role in 2017 by providing additional assistance in the coordination and development of the annual UCMC loss control survey.

Risk Awareness/Risk Control
In light of the ever evolving risk and safety issues, effective communication between Enterprise Risk Management and our stakeholders is essential. To that end, we will increase our availability and collaboration by meeting at least semi-annually with each practice group or department not only to discuss current claims and losses, but to foster a culture of risk awareness and to identify opportunities for risk control.

American Health Care Act (AHCA)
Health care payment times are a-changing…or are they? On May 4, 2017, the House of Representatives passed the American Health Care Act (AHCA) to repeal and replace the Patient Protection and Affordable Care Act (ACA). Some of the changes include: allowing insurers to charge more for pre-existing conditions; increasing the amount that an individual can contribute to their Health Savings Account (HSA); getting rid of fines for employers and employees not participating in purchasing the minimum insurance coverage; establishment of both federal and state market places to purchase health insurance rather than just the federal market currently in place and roll back Medicaid expansion. Ohio elected to expand Medicaid under the ACA. Any roll back of Medicaid will affect reimbursement for those patients unable to afford health care insurance.

The AHCA bill is currently in the Senate. Changes are being made almost as quickly as editions are released. All we know for sure is that it is unlikely to pass as currently written. We will have to wait and see what the actual changes to the AHCA will look like and what, if any, impact it will have on hospital and clinical practices.

Gardner Neuroscience Institute and Neurosurgery Department
There is exciting news about UC Health breaking ground on the new UC Gardner Neuroscience Institute at the corner of Eden Avenue and Martin Luther King Drive. The building phase is under way, with a target completion date in 2019. The new center will enable Neuroscience faculty to provide integrated care to UC Health patients.

UC is starting their own neurosurgical department. The new department chair, Joseph Cheng, M.D., officially joined UCP/UC Health beginning July 1,
Dr. Cheng was previously the vice chair of the Neurosurgery department at Yale University. He will be in charge of developing and growing the department into a major academic neurosurgical program. For the first time in more than thirty-five years, UC will directly provide professional liability coverage to neurosurgical faculty. UCP and College of Medicine’s contract with Mayfield Neurosurgical expired June 30, 2017.

Student Run Free Medical Clinic
In 2017, students of UC College of Medicine and UC College of Pharmacy sought to establish a student run free medical clinic to provide quality, dignifying, and empowering primary care to the underserved populations in Cincinnati. Some services they hope to provide include: acute and chronic care, prescription management, labs and referral services. Many risk issues may arise in such an endeavor, and we look forward to collaborating with the Colleges of Medicine and Pharmacy, the UC Office of General Counsel and our health professional students in hopes of making the proposed clinic a reality.

Emerging Risk Challenges and Opportunities
A risk/opportunity is emerging when one or more of the conditions, situations, or trends that could significantly impact the organization’s financial strength, competitive position or reputation within the next five years is not clearly understood and/or involves a high degree of uncertainty. Below are just a few examples from an exhaustive list of emerging risks in the healthcare space:

• Maintaining Patient Privacy
• Misdiagnosis
• Violence in the Workplace
• Medical Devices
• Integration of ERM and Compliance
• Patient Centered Care and Shared Decision Making
• Care Coordination
• Use of Nurse Practitioners and Physicians Assistants
• Telemedicine or Telehealth
• Aging of the Workforce

While constantly scanning for emerging risks that can impact the organization is very important, sound practices for managing these risks include establishing procedures for assessing and defining appropriate response and notification. Continuous learning will be important to the look ahead.
FY18 UCP Insurance Renewal Strategy

- **October 2017**
  - October 1st (data cutoff @ 9/30)
    - Send data to actuaries at Towers Watson for determination of FY18 projection and historical premium funding levels

- **November**
  - November 28th
    - Provide renewal submission packet (including actuary projections) to Broker and commence renewal discussions

- **December**
  - RT Nelson (broker) meetings/discussions w/excess markets (through January 6th)

- **January**
  - November 28th
    - Provide renewal submission packet (including actuary projections) to Broker and commence renewal discussions
  - January 12th
    - Bind Renewal, 3/1/18 effective date
  - January 8-9th
    - Review excess insurance premium options with broker

- **February**
  - January 8-9th
    - Review excess insurance premium options with UCP Executive Team & Risk Management & Compliance Committee
  - Week of February 12th
    - Review excess insurance premium options with UCP Executive Team & Risk Management & Compliance Committee

- **March 2018**
  - March 1st
    - Excess Insurance Renewals March 1st
  - FY19 Policy Period Begins 7/1/19

* FY18 plan will be billed and funded using the FY16 Base Rate plus 3% ($2414*1.03=$2486.42). This is a discounted rate of about 50% of the excess at the 90% CI at 12/16
Thank you again for taking the time to read this publication. We welcome your feedback and encourage you to reach out to us with any risk management concerns or issues in the year ahead!

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