2015 STEWARDSHIP REPORT

University of Cincinnati Physicians, Inc. and University of Cincinnati Medical Center

UC Department of Enterprise Risk Management

Issue Date: May 2016
To learn more, visit: uc.edu/gencounsel/rmi
# Table of Contents

- Table of Contents ......................................................... 1
- Executive Summary .................................................. 2
- Overview - Mission/Strategies/Organization ..................... 3
- Services Provided ...................................................... 6
- Insurance Program ...................................................... 9
- Metrics ................................................................. 11
- A Look Ahead .......................................................... 18
- Contact Us ............................................................. 29
EXECUTIVE SUMMARY
By: Anita Ingram, Assistant Vice President and Chief Risk Officer

Late 2014 and all of 2015 were marked by change for the University of Cincinnati’s (UC) Office of Risk Management. We ended 2014 by recognizing the retirement of David Schwallie, Assistant Senior Vice President and Director of Risk Management, for his longstanding and dedicated service to both the university and the University of Cincinnati Medical Center (UCMC). David spent 30 years in risk management at the university. His new role as Director of Corporate Risk Management at UC Health enables the continuation of the close partnership between UC and UC Health in the area of risk management. Responsibility for UC and its insurance programs which includes coverage for the UC Physicians, Inc. (UCP), whereby UC Health leases physicians who practice at UC Health and other regional hospitals, is managed by UC’s department of risk management. As a part of his new role, David remains ultimately responsible for risk management at UCMC. By contractual arrangement, the risk management services for UCMC will continue to be carried out by the staff of UC risk management, and David Schwallie provides oversight for that portion of the contract.

Paralleling all of this movement, with the endorsement of President Santa Ono and the UC Board of Trustees, in mid-2014 a nationwide search was launched for a chief risk officer for the university. In October 2014, the University of Cincinnati hired its first chief risk officer, Anita Ingram, to champion its Enterprise Risk Management (ERM) program and manage the traditional risk management functions historically handled by that office. UC’s ERM program started with the establishment of a governance structure that includes accountability and oversight of ERM activities by members of a Risk Council, who are appointed by the President, and an ERM Executive Committee made up of key senior leadership. Demonstrating the engagement of top leadership, the ERM program includes a dotted line reporting role to both President Ono and the Audit & Risk Management Committee of the UC Board of Trustees.

Enterprise Risk Management, an internationally established best practice for identifying organizational risk in the corporate sector, is quickly becoming the standard in institutions of higher education as well as major hospital systems. ERM helps decentralized organizations form a common language to identify, evaluate and mitigate risks while enhancing opportunities (the upside of risk) capable of affecting the mission of the enterprise. The ERM process empowers identified risk owners with the ability to manage risks while providing reasonable assurance of achieving organizational objectives.

In 2015, UC also began filling key vacancies for the positions of Associate Director of Risk Management and Senior Claims Analyst. The year ended by hiring an ERM Communications Coordinator to help support the chief risk officer in the continued development of the university’s newly launched ERM program. With a renewed focus following our mid-year business strategic planning retreat, the Department of Risk Management, organized under the UC Office of General Counsel, realigned our mission and defined our business objectives to more closely align with the university’s “Creating Our Third Century” strategic plan. Lastly, to reflect our new strategic direction, we changed our department’s name from “Risk Management” to “Enterprise Risk Management.”
OVERVIEW

Mission
In cooperation and collaboration with our stakeholders, the Department of Enterprise Risk Management will help ensure the future viability of the University of Cincinnati by developing a risk-aware culture across our institution. Through proactive consultation and assessment of risk, we will enable the university to evaluate, balance and embrace appropriate risks and opportunities across the enterprise.

Objectives
The Department of Enterprise Risk Management has four key goals:
1. Advance the discipline of Enterprise Risk Management
2. Increase internal efficiencies and maximize value
3. Enhance partnership with UC Health & UC Physicians
4. Fully integrate Department of Enterprise Risk Management within the UC Office of General Counsel

Risk Management activities involving UC Health, and in particular the University of Cincinnati Medical Center, are defined by a shared services agreement between the University of Cincinnati and UC Health (see UC Medical Center and UC Physicians Claims Management).

Strategies/Goals
• Implement Riskonnect, an integrated Risk Management Information System (RMIS)
• Increase use of technology through the use of office productivity tools
• Improve internal collaboration and communication with key stakeholders
• Establish risk baseline metrics and ongoing risk assessment process with key stakeholders
• Execute an ERM communication strategy
• Improve effectiveness and efficiency of processes (standardization/automation/eliminate duplication)
• Demonstrate increased value of Department of Enterprise Risk Management services to UCP and UC Health
• Enhance coordination with the UC Office of General Counsel
• Improve department efficiencies and communication via the co-location to shared office space

Metrics
• Implement new Risk Management Information System by summer 2016
• Develop and deploy RMIS training by winter 2016
• Develop a statement of risk appetite by spring 2016
• Deliver 1000 training man hours by winter 2016
• Develop and offer five stakeholder trainings by winter 2016
• Create and distribute Faculty/Staff 911 Guide by spring 2016
• Create and distribute ERM Stewardship Reports for UC, UCMC, and UCP by spring 2016
• Co-locate with UC General Counsel (East Office) in University Hall by summer 2016
• Implement record retention Document Management System by spring 2016
• Obtain baseline metric for timely resolution of claims by winter 2016
• Resolve Medical Professional Liability claims within self-insured retention
• Develop and issue quarterly reports for UC, UC Health, and UCP within 30 days of end of quarter
• Complete insurance applications and submissions within 45 days of renewal
• Identify and initiate three collaborative projects with UC Office of General Counsel by winter 2016
• Measure and control university total cost of risk (TCOR)
• Measure office efficiency (response to inquiries within 24 hours, return phone calls, email, etc.)
**Anita Ingram** is Assistant Vice President & Chief Risk Officer at University of Cincinnati, overseeing the Department of Enterprise Risk Management since 2014. Previous to this, Anita was Chief Risk Officer at Southern Methodist University, responsible for oversight of the Office of Risk Management and security for the George Bush Presidential Center. She was Assistant Risk Manager at Chemed, a Fortune 500 company located in Cincinnati, from ’93–’97.

Anita was President of the University Risk Management & Insurance Association (URMIA) in 2014 and served on their executive board from 2007-2015. The Risk Management Society (RIMS) Dallas-Fort Worth chapter recognized her among the “Top 8 Risk Management Professionals in the Region-2012” and Business Insurance magazine named her among the 2014 “Top 25 Women to Watch.”

**Kathleen (Kaz) Scrivens** is the Director for the University of Cincinnati’s Department of Enterprise Risk Management. She is an attorney admitted to practice in Ohio, and a registered nurse. Kaz moved into the role of Director in April, 2014 after serving as Associate Director for 17 years and Assistant Director for six years. In her role, Kaz acts as lead attorney for medical malpractice claims management for UC, University of Cincinnati Physicians, Inc., and University of Cincinnati Medical Center.

**Todd Beekley** is Associate Director of Enterprise Risk Management. Todd manages and oversees litigation relating to University of Cincinnati Medical Center and is responsible for advising physicians, administrators and staff on medical legal and risk management issues. Todd also oversees the university’s self-insured and insured claims. He also is active in loss control efforts and consults on insurance questions across the university.

Most recently, Todd worked for the Board of County Commissioners of Hamilton County, Ohio in risk management, where he managed the workers’ compensation insurance program and served as interim risk manager. He is an attorney admitted to practice in Ohio, Missouri and Illinois and his experience includes successful first-chair jury and bench trial experience in workers’ compensation, premises liability, and general liability cases.
Jean Miller has been employed at University of Cincinnati’s Department of Enterprise Risk Management for the past 26 years. Jean has worked for 23 years as the Insurance Analyst, after serving as the Claims Analyst for three years. She currently maintains UC’s property/casualty insurance programs and assists in the insurance purchases, as well as interpret insurance coverage to health care providers and liaison between internal and external stakeholders. She manages the risk financing, underwriting and accounting procedures for University of Cincinnati Physicians, Inc. and also completes insurance applications for University Cincinnati Medical Center.

Warren Meilicke is Senior Claims Analyst at University of Cincinnati. Warren investigates and resolves university property, casualty and automobile claims for the Department of Enterprise Risk Management and acts as lead claims manager for UC Medical Center patient property loss claims and large property claims. Warren also assists with the development and support of university loss control programs. Previously, Warren was a Claims Professional at Travelers Insurance, handling first-party and commercial property claims of varying complexity in the Greater Cincinnati area and within the continental United States during catastrophic weather events. In addition, he currently serves on the Inter-University Council Insurance Consortium (IUC-IC) Loss Control Committee.

Amanda Bill is the Communications Coordinator for the Department of Enterprise Risk Management. This is a new role designed to raise awareness about enterprise risk management across the university. Prior to coming to UC in September 2015, Amanda spent eight years at Procter & Gamble in the Legal and Quality Assurance organizations.

Valencia Williams is a temporary contracted Project Manager at University of Cincinnati, overseeing the implementation of Riskonnect, the new Risk Management Information System. Previously, Valencia was Business Manager at Children’s Hospital, where she had a consistent track record of success in the management of business critical projects. She developed SharePoint tracking tools for personnel records, inventory of divisional assets, outstanding invoices, space planning, etc. She also developed and implemented new hire orientation sessions that resulted in 97 percent compliance and reduced operational costs of remote staff by 80 percent without reduction of staff or resources.
SERVICES PROVIDED

Many are aware of the fact that UC Health, LLC and the University of Cincinnati are separate entities. UC is a state university, while UC Health is a not-for-profit entity that operates healthcare facilities, including the University of Cincinnati Medical Center (UCMC). While UCMC was part of UC until 1997, at that time it was transferred to UC Health, originally known as The Health Alliance of Greater Cincinnati. Prior to the transition in 1997, the UC Office of Risk Management managed risks for the hospital as well as the rest of the university. Since the transition, UC Health provides about 35-40% of the university’s risk management departmental budget to continue those services for UCMC.

Consultative Services

The UC Department of Enterprise Risk Management provides medical professional liability, risk management, and legal support to UC, including the College of Medicine and to UC Physicians, Inc. (i.e. faculty member physician practice plan groups). By contract, we also supply risk management services for the University of Cincinnati Medical Center, where UC’s faculty physicians educate future members of the medical community.

The Department of Enterprise Risk Management consults with physicians and other staff on a wide range of issues and concerns, including:

- Address patient care issues involving capacity and consent, use of medical or psychiatric holds, police involvement, and adverse events that might entail potential claims
- Assist in the evaluation of 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

• Forward product recalls and alerts to UC Health Purchasing

• Provide orientation to incoming residents

• Provide risk management orientation to American College of Graduate Medical Education for incoming house staff

• Maintain “Death in Restraints” log

Additionally, the Department of Enterprise Risk Management has strong presence and active participation on numerous committees dedicated to the safe operation of UCP and UCMC, including:

• UCP Risk/Compliance Committee of the Board of Trustees

• UCP and UCMC Performance Improvement Committees

• 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

**Insurance**

Both University of Cincinnati Physicians, Inc. and UC Health each maintain self-insurance programs for professional (medical malpractice) and general and property liability. In our role, we provide risk financing and underwriting support for both self-insurance programs. UC is a member of the Inter-University Council-Insurance Consortium, which is comprised of thirteen state universities that pool resources and leverage buying power for property & casualty insurance purposes. In particular, Enterprise Risk Management services include:

• Completion of insurance applications for property, casualty, and medical professional liability insurance

• Plan, manage, and coordinate the enrollment of medical care providers

• Administer documentation for insurance coverages and claims history information

• Manage premium payments and allocations for all primary and excess coverages

• Systematically maintain the accounting records for the medical professional insurance program and provide medical professional statistical information for reporting purposes

• Interpret insurance coverages to the health care providers and issue certificates of insurance

• Support risk financing efforts through loss control and patient safety activities

• Assist in the identification of sentinel events

• Participate in Joint Commission on Accreditation of Hospital Organizations (JCAHO) mandated Root Cause Analyses (SWARMS)

• Review and analyze coverages, retentions/deductibles, etc., and provide recommendations for changes and enhancements
Claims Management

When physicians are hired as faculty members in the College of Medicine, they also join one of the UCP practice plan groups. UCP insures faculty physicians through Fund X (more details provided below) and commercial excess insurance. Medical residents, nurses and other allied health professional employees are not insured through UCP’s Fund X, but rather through UC Health, as employees of UC Health.

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. Defense of state employees is under the Court of Claims jurisdiction and immunity is extended to the faculty physician. In such cases, the state of Ohio provides defense of such claims through the Attorney General.

If a question arises out of whether a physician’s negligent action occurred outside of their role as teaching faculty, then a lawsuit may be filed in both the Court of Common Pleas and Court of Claims. If immunity is found by Court of Claims, the Common Pleas case against the physician is dismissed, but continues against UCP as a corporate defendant. If no immunity is granted, the Common Pleas case proceeds to trial and includes the physician. Separate counsel must be appointed for each venue/lawsuit. Fund X and commercial insurance satisfies verdicts awarded in Court of Claims and/or Common Pleas.

Moreover, physicians in private practice can typically earn more money than in a teaching faculty practice. Affording the faculty potential immunity provides the College of Medicine a strong recruiting tool to attract top-notch, quality faculty. Perhaps most importantly, we evaluate and manage those claims and lawsuits asserted against our physicians and other UCMC hospital staff. The Department of Enterprise Risk Management performs the following activities:

- Receive information related to a claim or lawsuit, investigate the claim, develop litigation strategy
- Recommend, monitor and set claim reserves and provide ongoing management of claims
- Attend key depositions, hearings, mediations and trials
- Maintain and update claim file information in the Risk Management Information Systems
- Prepare claim reports for management, including UC Health and UC Board of Trustees, UCP Risk/Compliance Committee and various UCMC committees

We also handle general liability, property and patient personal property claims asserted on behalf of or against UC and UCMC, which may include:

- Coordinate with insurance adjustor(s)
- Assist in claim investigation and documentation
- Advocate for favorable claim disposition
INSURANCE PROGRAM

Medical Professional Liability
Primary medical malpractice coverage is provided through a self-insurance program.
For FY16, after applying a 50% credit for good loss performance, the professional liability calculated premium was $1.92M. Of that amount, approximately 94% was allocated to UCP and the remainder was allocated to the university for coverage of Hoxworth and other medical professional programs. This compares favorably to FY15 primary insurance premium of $3.19M, which included only a 25% credit. Overall, FY16 primary premium decreased $1.27M, or 39.8%.

Trust Fund X and Fund Y
UC maintains trust funds to cover the professional and general liability exposure of the Clinical Department 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 risk management 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%. 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. Towers Watson has provided these annual actuarial services for a fee of $44,000 in both 2014 and in 2015.
We can affirm that because of good overall claims experience and strong claims management, actuarial confidence in these insurance programs remain strong.
UC Medical Center and UC Physicians Claims Management

Since 1978, the Department of Enterprise Risk Management has managed professional liability claims and litigation for UCP and UC Health (or its predecessor). 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. Our continued excellence in this area also contributes to the premium savings as described earlier.

As shown in the charts below, UC/UCP has 22 open/pending professional liability claims, five (5) having significant reserves. UC Milledgeville has 21 open professional liability claims, two (2) having significant reserves. There are eight (8) claims that are shared between UCP and UC, and two (2) additional claims shared between UCP and UC Health (West Chester Hospital). We continue to evaluate and manage these challenging exposures, which include birth injuries and a wrongful death claim.

Figure 2: Number and Disposition of Professional Liability Claims

![Chart showing UC Health Professional Liability Claims and UCP Professional Liability Claims as of 7/1/2015.](chart.png)

- **Closed/no payment**
- **Closed/settled within self-insured retention**
- **Closed/trial verdict in UCP favor**
- **Open/pending**
**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 and it provides a basis to evaluate the success of our risk management and loss control efforts. Efficient claims’ management can lower the amount of losses and minimize disruption to the organizational mission.

The tables and charts below provide greater detail about UCP and UCMC’s patient property and professional liability programs. Going forward, more specific data will be compiled and reported for general liability and property claims. Baseline data for these areas indicate the following:

- In April 2015, UCMC experienced a large loss due to flooding in the basement of Holmes Hospital. This claim remains open with a pending reserve of $838,233.

**Figure 3: Patient Property Claims (3 years)**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Claim Count</th>
<th>UCMC Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>25</td>
<td>$20,615</td>
</tr>
<tr>
<td>FY14</td>
<td>36</td>
<td>$45,633</td>
</tr>
<tr>
<td>FY15</td>
<td>13</td>
<td>$9,819</td>
</tr>
<tr>
<td>Totals</td>
<td>74</td>
<td>$76,068</td>
</tr>
</tbody>
</table>

Note: Claim count only includes claims reported to UC Enterprise Risk Management. Patient property claims represent claims for lost dentures, hearing aids and other miscellaneous lost or damaged patient personal property.

**Figure 4: Patient Property Claims (3 years)**

**Patient Property**
- **# of Claims FY13-FY15**
  - FY13: 25
  - FY14: 36
  - FY15: 13

**Patient Property**
- **Total Incurred FY13-FY15**
  - FY13: $20,615
  - FY14: $45,633
  - FY15: $9,819
**Figure 5: Fund X Claims by Practice Plan Group**

<table>
<thead>
<tr>
<th>Department</th>
<th>Reserve</th>
<th>Indemnity</th>
<th>Expenses</th>
<th>Total Incurred</th>
<th># of Claims</th>
<th>Average Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dermatology</td>
<td>$</td>
<td>$3,267,642</td>
<td>$73,330</td>
<td>$3,340,972</td>
<td>9</td>
<td>$363,071</td>
</tr>
<tr>
<td>Emergency Medicine</td>
<td>$168,000</td>
<td>$4,053,166</td>
<td>$982,860</td>
<td>$5,040,026</td>
<td>47</td>
<td>$86,238</td>
</tr>
<tr>
<td>Environmental Health</td>
<td>$</td>
<td>$7,500</td>
<td>$6,705</td>
<td>$14,205</td>
<td>2</td>
<td>$3,750</td>
</tr>
<tr>
<td>Family Medicine</td>
<td>$10,000</td>
<td>$3,482,008</td>
<td>$1,192,288</td>
<td>$4,684,296</td>
<td>29</td>
<td>$120,069</td>
</tr>
<tr>
<td>Hoxworth Blood Center</td>
<td>$</td>
<td>$460,541</td>
<td>$32,418</td>
<td>$492,959</td>
<td>22</td>
<td>$20,934</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>$10,000</td>
<td>$3,952,775</td>
<td>$601,246</td>
<td>$4,564,021</td>
<td>65</td>
<td>$60,812</td>
</tr>
<tr>
<td>OB-GYN</td>
<td>$1,655,000</td>
<td>$2,895,560</td>
<td>$516,656</td>
<td>$5,067,216</td>
<td>24</td>
<td>$120,648</td>
</tr>
<tr>
<td>Neurology</td>
<td>$</td>
<td>$1,261,159</td>
<td>$121,948</td>
<td>$1,383,108</td>
<td>15</td>
<td>$84,077</td>
</tr>
<tr>
<td>Orthopaedic Surgery</td>
<td>$130,000</td>
<td>$920,000</td>
<td>$540,107</td>
<td>$1,590,107</td>
<td>36</td>
<td>$25,556</td>
</tr>
<tr>
<td>Otolaryngology</td>
<td>$</td>
<td>$2,601,341</td>
<td>$337,420</td>
<td>$2,938,761</td>
<td>27</td>
<td>$96,346</td>
</tr>
<tr>
<td>Pathology</td>
<td>$</td>
<td>$65,000</td>
<td>$6,862</td>
<td>$71,862</td>
<td>3</td>
<td>$21,667</td>
</tr>
<tr>
<td>PM&amp;R</td>
<td>$</td>
<td>$413,950</td>
<td>$261,255</td>
<td>$675,205</td>
<td>11</td>
<td>$37,632</td>
</tr>
<tr>
<td>Psychiatry</td>
<td>$300,000</td>
<td>$170,101</td>
<td>$141,873</td>
<td>$611,974</td>
<td>11</td>
<td>$15,464</td>
</tr>
<tr>
<td>Radiology</td>
<td>$</td>
<td>$646,095</td>
<td>$120,300</td>
<td>$766,395</td>
<td>14</td>
<td>$46,150</td>
</tr>
<tr>
<td>Surgery</td>
<td>$304,000</td>
<td>$7,170,654</td>
<td>$1,710,710</td>
<td>$9,185,364</td>
<td>142</td>
<td>$50,498</td>
</tr>
<tr>
<td>Cardiac</td>
<td>$</td>
<td>$510,000</td>
<td>$62,442</td>
<td>$572,442</td>
<td>4</td>
<td>$127,500</td>
</tr>
<tr>
<td>UC Physicians</td>
<td>$</td>
<td>$101,642</td>
<td>$225</td>
<td>$101,866</td>
<td>6</td>
<td>$16,940</td>
</tr>
<tr>
<td>Anesthesiology</td>
<td>$27,500</td>
<td>$35,548</td>
<td>$198,043</td>
<td>$261,091</td>
<td>24</td>
<td>$1,481</td>
</tr>
<tr>
<td>Primary Care</td>
<td>$100,000</td>
<td>$4,772</td>
<td>$104,772</td>
<td>$104,772</td>
<td>1</td>
<td>$ -</td>
</tr>
<tr>
<td>UC non Hoxworth</td>
<td>$205,000</td>
<td>$3,243,169</td>
<td>$185,472</td>
<td>$3,633,641</td>
<td>106</td>
<td>$30,596</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 2,909,500</strong></td>
<td><strong>$35,257,851</strong></td>
<td><strong>$7,096,931</strong></td>
<td><strong>$45,264,282</strong></td>
<td><strong>598</strong></td>
<td><strong>$58,960</strong></td>
</tr>
</tbody>
</table>

*The grey highlighted rows denote the five groups with the largest losses.*

See related chart on page 13.
UC Physicians–Fund X
Total Incurred Claims by Practice Plan from Inception to March 31, 2016
## FUND X CLAIMS by POLICY YEAR
(Includes loss data from Inception through March 31, 2016)

<table>
<thead>
<tr>
<th>Policy Year</th>
<th>Reserve</th>
<th>Indemnity Payments</th>
<th>Expenses</th>
<th>Total Incurred</th>
<th># of Claims</th>
<th>Average Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/85-6/30/86</td>
<td>$ -</td>
<td>$844,050</td>
<td>$13,133</td>
<td>$857,183</td>
<td>7</td>
<td>$120,579</td>
</tr>
<tr>
<td>7/1/86-6/30/87</td>
<td>$ -</td>
<td>$75,000</td>
<td>$ -</td>
<td>$75,000</td>
<td>1</td>
<td>$75,000</td>
</tr>
<tr>
<td>7/1/87-6/30/88</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>2</td>
<td>$ -</td>
</tr>
<tr>
<td>7/1/88-6/30/89</td>
<td>$ -</td>
<td>$635,000</td>
<td>$ -</td>
<td>$635,000</td>
<td>6</td>
<td>$105,833</td>
</tr>
<tr>
<td>7/1/89-6/30/90</td>
<td>$5,000</td>
<td>$364,500</td>
<td>$71,954</td>
<td>$436,454</td>
<td>7</td>
<td>$52,071</td>
</tr>
<tr>
<td>7/1/90-6/30/91</td>
<td>$ -</td>
<td>$1,177,017</td>
<td>$13,588</td>
<td>$1,190,605</td>
<td>11</td>
<td>$107,002</td>
</tr>
<tr>
<td>7/1/91-6/30/92</td>
<td>$5,000</td>
<td>$50,000</td>
<td>$6,410</td>
<td>$61,410</td>
<td>14</td>
<td>$3,571</td>
</tr>
<tr>
<td>7/1/92-6/30/93</td>
<td>$ -</td>
<td>$755,749</td>
<td>$(3,594)</td>
<td>$752,155</td>
<td>19</td>
<td>$39,776</td>
</tr>
<tr>
<td>7/1/93-6/30/94</td>
<td>$ -</td>
<td>$657,470</td>
<td>$127,590</td>
<td>$785,060</td>
<td>29</td>
<td>$22,671</td>
</tr>
<tr>
<td>7/1/94-6/30/95</td>
<td>$ -</td>
<td>$744,193</td>
<td>$67,434</td>
<td>$811,627</td>
<td>23</td>
<td>$32,356</td>
</tr>
<tr>
<td>7/1/95-6/30/96</td>
<td>$ -</td>
<td>$1,051,387</td>
<td>$35,210</td>
<td>$1,086,597</td>
<td>32</td>
<td>$32,856</td>
</tr>
<tr>
<td>7/1/96-6/30/97</td>
<td>$ -</td>
<td>$1,591,300</td>
<td>$114,883</td>
<td>$1,706,183</td>
<td>29</td>
<td>$54,872</td>
</tr>
<tr>
<td>7/1/97-6/30/98</td>
<td>$ -</td>
<td>$717,687</td>
<td>$392,266</td>
<td>$1,109,953</td>
<td>28</td>
<td>$25,632</td>
</tr>
<tr>
<td>7/1/98-6/30/99</td>
<td>$10,000</td>
<td>$2,592,897</td>
<td>$563,616</td>
<td>$3,166,513</td>
<td>30</td>
<td>$86,430</td>
</tr>
<tr>
<td>7/1/99-6/30/00</td>
<td>$ -</td>
<td>$2,374,112</td>
<td>$579,271</td>
<td>$2,953,383</td>
<td>33</td>
<td>$71,943</td>
</tr>
<tr>
<td>7/1/00-6/30/01</td>
<td>$ -</td>
<td>$2,410,129</td>
<td>$672,089</td>
<td>$3,082,218</td>
<td>40</td>
<td>$60,253</td>
</tr>
<tr>
<td>7/1/01-6/30/02</td>
<td>$ -</td>
<td>$1,134,479</td>
<td>$1,198,450</td>
<td>$2,332,930</td>
<td>23</td>
<td>$49,325</td>
</tr>
<tr>
<td>7/1/02-6/30/03</td>
<td>$ -</td>
<td>$2,800,508</td>
<td>$448,008</td>
<td>$3,248,516</td>
<td>20</td>
<td>$140,025</td>
</tr>
<tr>
<td>7/1/03-6/30/04</td>
<td>$ -</td>
<td>$500,115</td>
<td>$268,723</td>
<td>$768,838</td>
<td>10</td>
<td>$50,012</td>
</tr>
<tr>
<td>7/1/04-6/30/05</td>
<td>$1,800,000</td>
<td>$285,000</td>
<td>$345,011</td>
<td>$2,430,011</td>
<td>21</td>
<td>$13,571</td>
</tr>
<tr>
<td>7/1/05-6/30/06</td>
<td>$ -</td>
<td>$2,761,762</td>
<td>$193,958</td>
<td>$2,955,720</td>
<td>10</td>
<td>$276,176</td>
</tr>
<tr>
<td>7/1/06-6/30/07</td>
<td>$10,000</td>
<td>$2,959,028</td>
<td>$590,421</td>
<td>$3,559,449</td>
<td>27</td>
<td>$109,594</td>
</tr>
<tr>
<td>7/1/07-6/30/08</td>
<td>$ -</td>
<td>$829,207</td>
<td>$299,549</td>
<td>$1,128,756</td>
<td>23</td>
<td>$36,052</td>
</tr>
<tr>
<td>7/1/08-6/30/09</td>
<td>$ -</td>
<td>$4,341,809</td>
<td>$229,559</td>
<td>$4,571,368</td>
<td>24</td>
<td>$180,909</td>
</tr>
<tr>
<td>7/1/09-6/30/10</td>
<td>$ -</td>
<td>$281,316</td>
<td>$87,261</td>
<td>$368,577</td>
<td>17</td>
<td>$16,548</td>
</tr>
<tr>
<td>7/1/10-6/30/11</td>
<td>$110,000</td>
<td>$256,248</td>
<td>$362,830</td>
<td>$729,078</td>
<td>23</td>
<td>$11,141</td>
</tr>
<tr>
<td>7/1/11-6/30/12</td>
<td>$254,000</td>
<td>$278,764</td>
<td>$111,831</td>
<td>$644,596</td>
<td>24</td>
<td>$11,615</td>
</tr>
<tr>
<td>7/1/12-6/30/13</td>
<td>$20,000</td>
<td>$2,725,384</td>
<td>$73,602</td>
<td>$2,818,986</td>
<td>17</td>
<td>$160,317</td>
</tr>
<tr>
<td>7/1/13-6/30/14</td>
<td>$520,000</td>
<td>$33,838</td>
<td>$162,061</td>
<td>$715,899</td>
<td>25</td>
<td>$1,354</td>
</tr>
<tr>
<td>7/1/14-6/30/15</td>
<td>$155,500</td>
<td>$6,805</td>
<td>$3,346</td>
<td>$165,651</td>
<td>6</td>
<td>$1,134</td>
</tr>
<tr>
<td>Misc</td>
<td>$25,000</td>
<td>$23,096</td>
<td>$68,471</td>
<td>$116,567</td>
<td>17</td>
<td>$1,359</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$2,909,500</td>
<td>$35,257,851</td>
<td>$7,096,931</td>
<td>$45,264,282</td>
<td>598</td>
<td>$58,960</td>
</tr>
</tbody>
</table>

*The grey highlighted rows denote the five largest loss years.

See related chart on page 15.
UC Physicians–Fund X
Total Incurred Claims by Policy Year from Inception to March 31, 2016

- Reserve
- Indemnity Payments
- Expenses
WHAT IS THE TOTAL COST OF RISK

A goal of senior administrators is to manage costs, and one type of cost to be managed is the “total cost of risk.” Managing total cost of risk (TCOR), however, cannot be done unless and until those costs are carefully identified and measured.

In considering total cost of risk, the first issue to be addressed is the term itself. “Total” is something of a misnomer. Many factors at an institution of higher education contribute to its cost of risk; some of these factors are more easily quantified than others. Although it may be difficult or even impossible for an institution to capture its total cost of risk, any attempt to measure cost of risk will be a valuable step in managing those risks. By identifying and investigating factors impacting cost of risk, one might be surprised by how quickly the factors add up. As the factors affecting cost of risk are identified, an institution can move forward and explore how to control these various factors and their costs more effectively.

From a conceptual perspective, insurance premiums are our anticipated losses plus the insurer’s expenses. However, it has been shown that the biggest slice of an insurance premium is losses and the insurance industry’s perception of our losses. Perception is often stronger than reality, and in the long run:

- The lower UC’s losses and the more positive the insurance industry’s perception of UC’s risk of incurring losses (i.e. risk exposures), the lower the insurance premiums will be; and,
- The lower UC’s insurance premiums, the lower UC’s total cost of risk will be.

Thus, the institution is best served when its losses are under control and when the insurance industry sees it as having its risk exposures under control, having strong and effective safety and loss control programs, and being able to handle any loss it does sustain in an efficient manner. In this sense, total cost of risk includes the following:

\[ \text{Premiums} + \text{Retained Losses} + \text{Administrative Expenses} = \text{Total Cost of Risk} \]

It is beyond the scope of this program to attempt to quantify or take into account intangible costs, such as the impact of risk adversities or strategic decisions on reputations, donations, admissions applications, or other “soft costs.” Although quantifying the cost of reputational risk is challenging, it is one of the largest risks facing higher education institutions.

UC AND EDUCATION INDUSTRY TOTAL COST OF RISK

To evaluate the success of our risk financing and loss control programs it is essential to benchmark the university’s TCOR against other institutions in the education industry. As of 2014, the most recent year for which we have compiled industry data, the average TCOR increased for the education industry (which includes K-12 as well as for-profit institutions) for the third year in a row. More problematically, the 10% average increase in 2014 was on top of a 7% increase in 2012 and a 3% increase of the TCOR in 2013. Among fourteen industries tracked, the education industry had the sixth highest average TCOR. The upward trend can be attributed to material increases in property, liability, workers’ compensation, management liability and medical malpractice costs. Noteworthy metrics and findings are:

- UC’s Total Cost of Risk for FY15 was $4,424,209 (see Figure 7). Total Cost of Risk per $1,000 of operating revenues was $5.67, which compares favorably to 2015 RIMS Benchmark Survey of $6.45.
- UC’s FY15 Enterprise Risk Management department costs, including employee compensation, total $787,785, or $1.01 per $1,000 of operating revenues, which compares favorably to the industry average of $1.32 (see Figure 8). It should be noted that the department costs for risk management were offset by $199,002 of revenues generated for the provision of risk management services provided to UC Health in FY15. Taking that into account, UC Department of Enterprise Risk Management costs total $588,782, or just $0.75 per $1,000 of operating revenue, and compares even more favorably to industry cost of $1.32.

12015 Risk & Insurance Management Society (RIMS) Benchmark Survey
Figure 7: FY15 TCOR – Risk Financing

UC Total Cost of Risk
FY15 = $4.42 million

- Workers' Compensation, $584,308
- Property, $1,564,438
- Auto, $72,200
- General Liability, $508,168
- Educator's Legal Liability, $215,588
- Cyber, $116,668
- Medical Malpractice, $51,414
- Executive Protection, $18,463
- Other Liability, $7,050
- Non-Owned Aircraft, $21,750
- Crime, $20,079

Internal/External Expenses, $1,244,083

Figure 8: FY15 TCOR – Administration Costs

- Risk Management Employee Compensation, $710,198
- Director's Budget, $27,869
- External Legal Counsel, $194,787
- Actuarial Services, $58,702
- Loss Control, $47,937
- Risk Management Consulting, $4,264
- Third Party Administration, $63,346
- Broker Fees for Specialized Services, $51,029.13
- Other, $44,237
- Travel, $33,350
- Other, $8,364
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 of the institution. 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. The Department of 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. The Riskonnect implementation and the plan to measure UC’s level of risk maturity are key projects to help achieve this goal.

Riskonnect
Beginning in FY15, the Department of Enterprise Risk Management began the process of identifying and selecting a risk management, governance, and compliance software partner. Our vendor of choice, Riskonnect, provides a web-based platform that integrates incident/claims, insurance, property and other exposure data, litigation, and enterprise risk management features. The technology will allow the department to consolidate claim, financial, insurance policy, and risk exposure data into a single authoritative source for our use and the use of other departments within the university, UCP, and UCMC. We anticipate that the risk management information system and governance and regulatory compliance software will empower the university and generate cost savings by transforming risk data into actionable intelligence and provide guidance in the application of loss control resources. Moreover, it will promote collaboration and departmental efficiencies and will help us identify the best ways to steward the university’s resources and further its mission.

Risk Awareness/Risk Control
In light of the ever evolving risk and safety issues, effective communication between the Department of Enterprise Risk Management and our stakeholders is essential. To that end, we will increase our availability and collaboration by meeting at least 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.

Loss Control Grants
We are looking forward to reinstituting a grant program to fund loss control projects from Fund X. Historically, through the Compliance and Risk Management Committee of the UCP Board of Trustees, up to $200,000 per year was funded for various projects, including the Midas Incident Reporting System, the Compliance program, etc.

Enterprise Risk Management Website
One of our key goals for 2016 is to enhance our partnerships and demonstrate the value we bring to the university and UC Health. To that end, our web pages are being updated with more relevant information about top issues, answers to most commonly asked questions, and access to a myriad of other resources. In an effort to better serve our stakeholder needs, the pages will be dynamic and based on the input of colleagues.

Expanded Insurance Renewals
We have broadened insurance services to include property and casualty risk management and insurance services for UCP. One feature is to provide marketing strategies that will present UCP to the insurance market in a favorable manner, which will result in competitive rates from more companies and build relationships with various insurance brokers in the industry. The following are the coverages we are managing:

- Commercial blanket business (general liability, personal property, and business personal property, including electronic data equipment)
- Hired and non-owned auto liability
- Umbrella general liability
• Workers Compensation (Ohio, Indiana, and Kentucky)
• Management Liability (Directors & Officers, Employment Practices, Fiduciary, 3rd Party Employment Practices, and Crime)

Clinical trials coverage will continue to be handled by UC Health.

Co-location of Resources

Our team will be co-locating with UC General Counsel in University Hall this summer. This move will facilitate greater collaboration within and across groups. It is our priority to provide superior customer service to our hospital clients, so an office space will remain available in Mont Reid Pavilion for our continued use. We look forward to hosting you for an Open House when the move is complete.

CONTACT US

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!

Department of Enterprise Risk Management
P.O. Box 670785
Cincinnati, OH 45267-0785
Phone: 513-584-5042
Fax: 513-584-5559
Email: RMI@uc.edu

To learn more, visit our website: uc.edu/gencounsel/rmi