Stanford's PEARL

The Process for Early Assessment and Resolution of Loss

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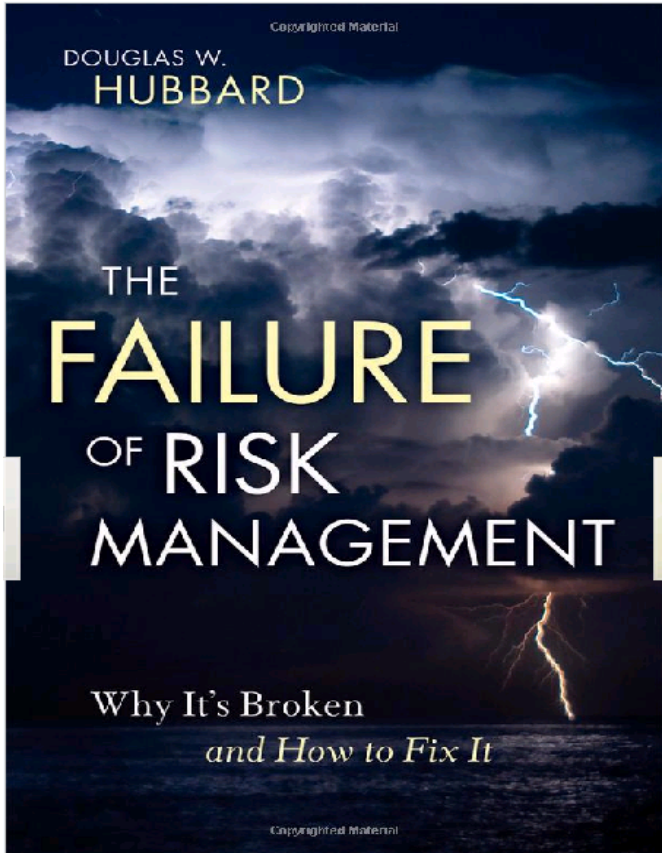
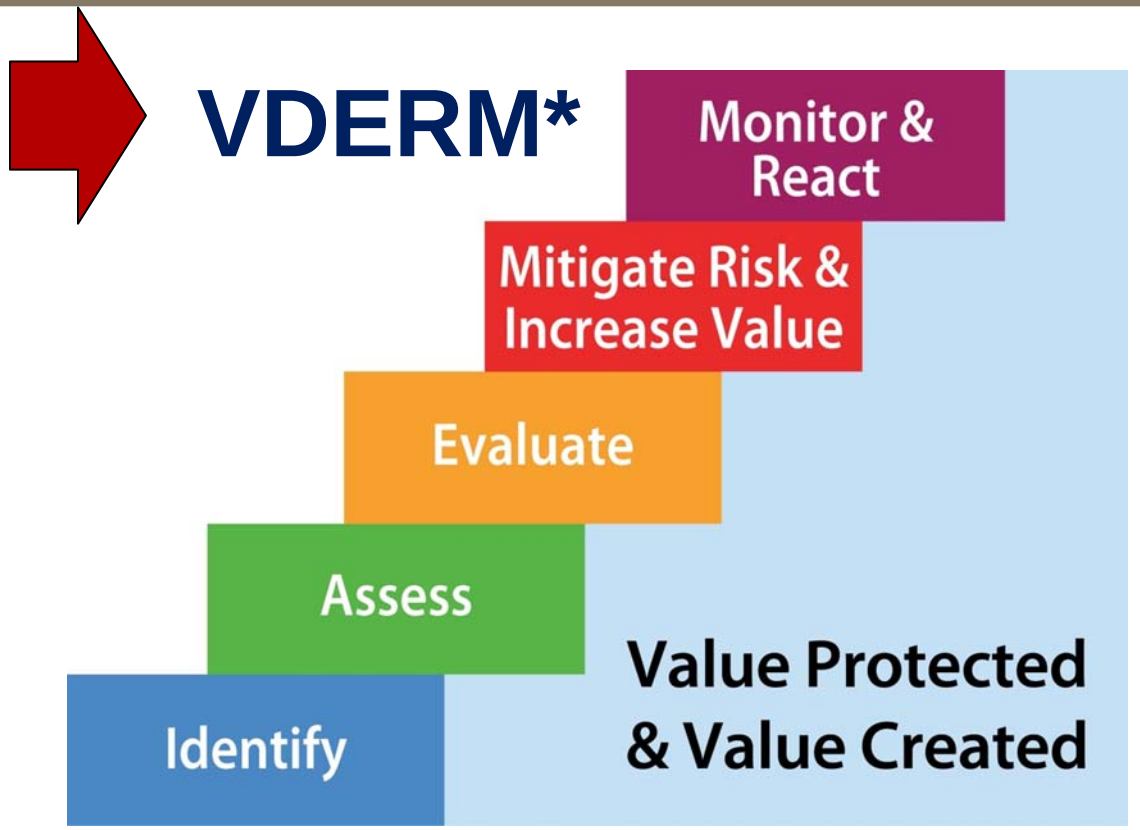
STANFORD UNIVERSITY MEDICAL NETWORK | RISK AUTHORITY

PEARL is a Cornerstone of an Overarching Strategic Risk Management Practice





* VDERM = Value Driven Enterprise Risk Management
ISO 31000 + Decision Analysis Science

Stanford's Journey Into "Disclosure and Resolution"

- "Discreet and selective practice" began with in-house claims management (September 2005)
- Successes and failures analyzed
- Pioneering programs, observations, and peer reviewed research studied (VA, UM, COPIC, Harvard)
- SWOT assuming fully instituting a "full disclosure" approach
- Formal program launched along side of on-going Stanford and University of Washington research project (September 2007)
- Recent PEARL enhancements in 2012 (PEARL Patient and Family Site, Patient Advocate, Caring Conversations Simulation)

Overview of the Stanford Approach in the Disclosure and Resolution Space

- Once Optimistic and Cautious, now Convinced and Careful
- Heavily influenced by the Stanford research mission
- Quest to isolate and determine individual and overall *PEARL* outcomes and their success drivers
- Annual independent actuarial monitoring and outcomes studies

How we Describe PEARL: A Hybrid Values & Claims Centric Model

- *PEARL* is values and principles based – as well as smart business practice
- *PEARL* promotes transparency, integrity, fairness, and healing
- *PEARL* is consistent with insurance company stewardship principles
- *PEARL* distinguishes between anticipated outcomes, unanticipated outcomes, and *preventable* unanticipated outcomes (PUO's)

How does *PEARL* work?

- *PEARL* provides around-the-clock telephonic consultation for "*concerning outcomes*"
- Consultation is provided by trained *"PEARL Risk & Claims Advisors"* acting within approved insurance company protocol
- *PEARL* embraces and builds upon any disclosure policy
- *PEARL* utilizes *"Just-In-Time"* expert coaching
- *PEARL* is always initially focused on *"assessment"* to determine if the medical outcome is a PUO

How does *PEARL* approach a PUO?

- Once a PUO is established, the *PEARL Risk & Claims Advisor* will coach selected spokesperson (hospital and/or physician) on:
  - Full disclosure
  - Communicating lessons learned
  - Approaching needs assessment
  - Listening

Five *PEARL* Instructions

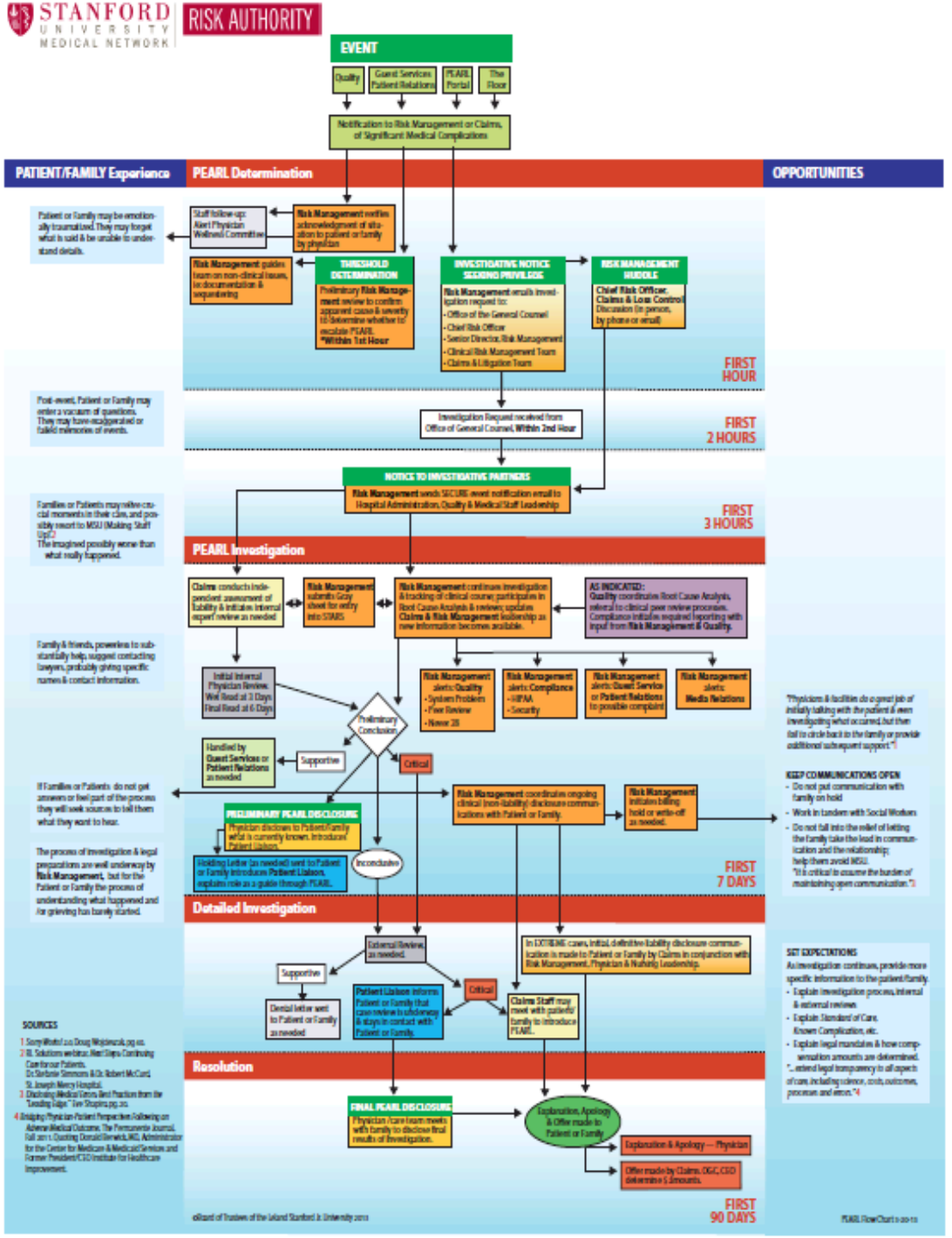
- Stabilize patient
- Take all necessary actions to promote patient safety
- Call *PEARL Risk & Claims Advisor* ASAP, but < 4 hours after PUO
- Proceed with documenting the patient's care after speaking to your *PEARL Risk & Claims Advisor*
- Record *PEARL Risk & Claims Advisor* name and phone number as exclusive contact regarding PUO, unless instructed otherwise

Three *PEARL* Cautions

- Do not jump to conclusions
- Do not blame or accuse others
- Never make promises or offer to waive bills or make offer of compensation without express approval of *PEARL Risk & Claims Advisor*

PEARL 7- Day Investigatory Process Flow

- Threshold Determination
- Investigative Notice
- Risk Management Huddle
- Notice to Investigative Partners
- Concurrent Quality, Risk and Claims Investigation
- 3-Day "Wet-Read"
- 6-Day "Final-Read"
- Pearl Conclusion and Follow-up



Stanford's *PEARL*

PEARL Process

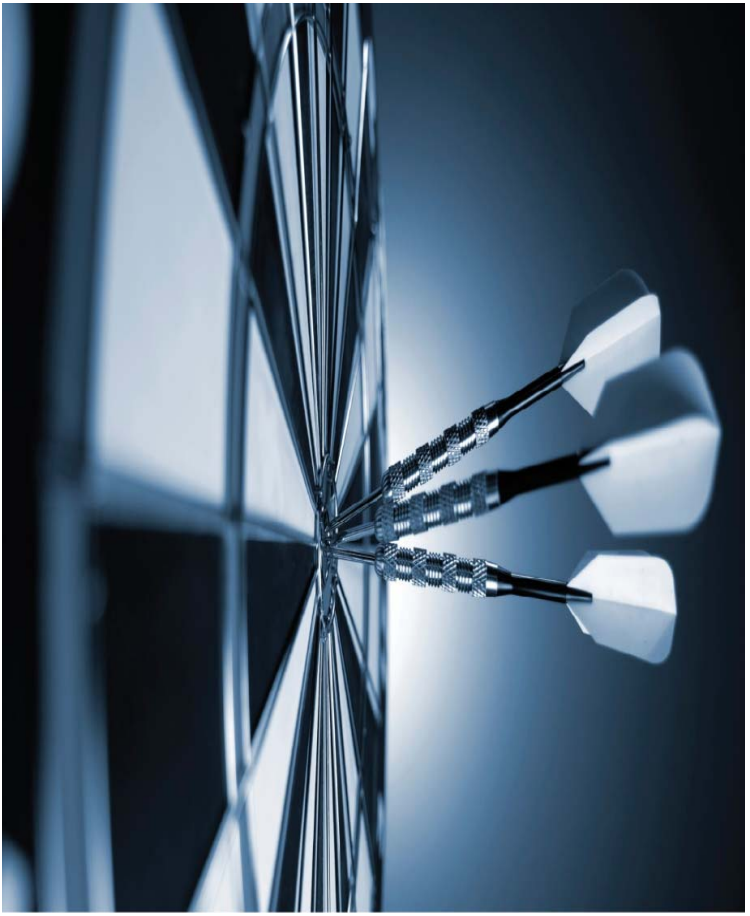
To receive a copy of the PEARL process diagram, please contact:
riskmanagement@stanfordmed.org

How does *PEARL* approach a settlement offer?

- Once a family needs assessment is done, the *PEARL Risk & Claims Advisor* will authorize an early offer for discussion with patient and/or family
  - Offers are based on needs assessment
  - Offers are up to full indemnity reserve valuation*
  - Settlement agreement required and use of counsel encouraged
  - Minors compromise is sought (California)
  - *Sponsored* mediation on case-by-case basis

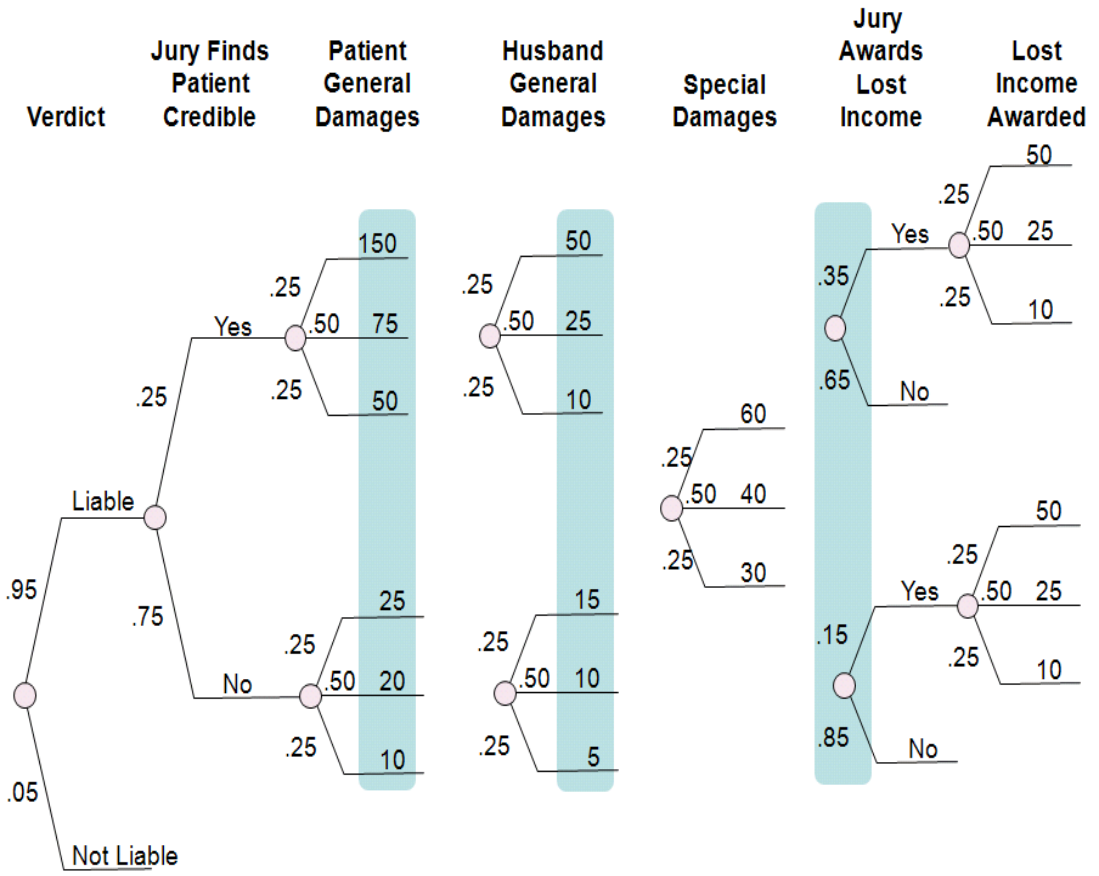
***Utilizing DART Process**

Decision Analysis Reserve Targeting



Provides a theoretically sound, proven, systematic, transparent and defensible process for setting loss reserves which fully considers the uncertainty inherent in each case and which makes full use of experience and judgment.

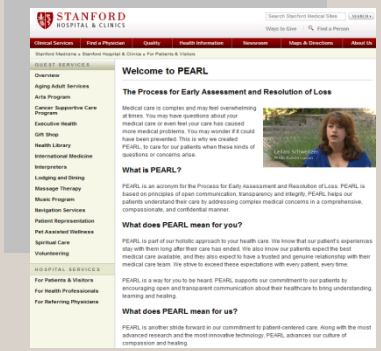
Decision Analysis Reserve Targeting



DART applies to all PEARL cases and high-value cases where the amount of indemnity and expense reserves are over $25,000

Stanford's PEARL Patient and Family Portal

Website



OVERVIEW AND DESCRIPTION OF PEARL PROCESS

WHAT PATIENTS CAN EXPECT

HOW TO ACCESS PEARL

Video

2 MINUTE HIGH-LEVEL OVERVIEW OF PEARL AND HOW TO ACCESS

FEATURES PATIENT LIAISON

CONNECTS PEARL TO HOSPITAL MISSION AND VISION

Assessment

ASSESSMENT HELPS PATIENTS DETERMINE IF THEIR CONCERN IS A PEARL

IF NOT A PEARL, PATIENTS ARE REFERRED TO GUEST SERVICES FOR TIMELY RESPONSE

Brochure

DESIGNED FOR PATIENTS AND THEIR FAMILIES

SUMMARIZES THE PEARL PROCESS

DESCRIBES HOW PATIENTS CAN ACCESS

Emerging PEARL Communication Model

Risk Management Claims Team

Risk Management/Claims investigates possible liability.

- *Risk/Claims keeps PA informed of investigation as relevant to patient.*
- *Answers questions from Patient.*
- *Makes final recommendation after conclusion of investogation.*

PEARL Patient Advocate

Patient Advocate is intermediary between Patient or Family & Risk Management.

- *In consistent contact with Patient, explaining PEARL process & setting expectations.*
- *All questions/concerns are relayed to Risk/Claims Team.*
- *PA is in consistent contact with Risk/Claims regarding status of investigation and mindset of Patient or Family.*
- *When necessary PA, introduces Patient to Risk/Claims.*

Patient or Family

Patient or Family may become part of PEARL after experiencing an unexpected event in their care.

- *Patient is introduced to PEARL by PA.*
- *Contact information for PA is given to Patient.*
- *PA is Patient's direct contact for questions/concerns about PEARL.*

15+1 PEARL Outcomes Measures

- Expenses paid
- Indemnity paid
- Case reserves
- Comparison of Paid v. Reserved
- Pending lawsuits
- Case open time
- Physician well-being
- Patient satisfaction/distress
- Physician satisfaction/distress
- SUMIT staff satisfaction
- Patient forgiveness
- Time of report/recognition
- Report to NPDB & CMB
- Corporate morale/Culture
- Resolution method

PEARL Results

Metric	Desired Result	Observed Result	Comment
Reporting Pattern	Faster	Unchanged	Average incident to report lag is one year
Frequency	Lower	Lower	Annual reported claims dropped from 23 to 15
Closing Pattern	Faster	Inconclusive	Small number of closed claims
Severity	Lower	Inconclusive	Some large post-PEARL closed claims
Overall Cost	Lower	Lower	**38% reduction over 5 years**

Milliman

* Reinvestments in Loss Control Programs vs. Premium Rebates and Holidays

Lessons Learned

- Prompt evaluation of patient concerns and appropriate intervention is critical
- Education and training is an important component to *PEARL* success
- Information is power
- Early investigations pay dividends in warding off and defending claims, as well as reducing claims expenses

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