1. Define Key Liability Risks

2. Design a risk mgmt. strategy for risks - consider costs

Options:  
- Strategic Controls
- Business Processes
- Alliances
- Insure
- Reduce / Transfer
- Accept
- Avoid

<table>
<thead>
<tr>
<th>Torts Risk Mgt.</th>
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<tbody>
<tr>
<td>Medical Doctors</td>
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<tr>
<td>Hospitals</td>
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HEALTH CARE BOD

**Key Liab. Risks:**
- Personally liable for costs that exceed insurance coverage
- Hard to attract the best people
- Risks that face hospital also effect BOD

**Risk Mgt Strategy:**
- **Buy insurance**
- Training & Hiring practices - Set requirements for top mgmt
  - Retain quality personnel
- Boundary System
  - Fire mgmt who are not complying with set standards
- Belief System
  - Require/oversee mgmt's "tone at the top"
- Promote diversity among product/services
  - Don't put all of our eggs in one basket
- Must accept some risk
Liability Risks:

① Side Effects
- Business Process: Advertising
  - Increase R&D
- Control: Boundary control
  - Min FDA, Max our company standard

② Faulty Drugs
- Control: Boundary
  - Belief → tone @ top
- Business Process → additional tests

③ Poor R&D Allocation
  - Chad
  - Later determined wrong!

④ Faulty Packaging
- Alliance with Industry Leader (Tylenol example)

* Inherent risks in industry → we cannot avoid!
Medical Equipment

Key Liability Risks:
- Malfunctions
- Blamed for Dr's Failure
- Misuse
- Contamination
- Obsolescence

Risk Mgmt. Strategy:
- MALFUNCTION - Reduce
  - clutch business/manuf. process: QC testing
  - belief system/open culture,
    SAFETY focus ("NASA ex.")
  - alliance w/ suppliers (parts)
- BLAMED - Reduce
  - est. relationships/contracts w/ Dr's
  - training sessions/implement.
- MISUSE - Reduce
  - training - SEE ABOVE
  - reliable customers
- CONTAMINATION - Reduce
  - alliance with supply-chain
    (as short as possible - ASAP)
- OBsolescence \(\bigcirc\) ACEPT equipment
Team 2 - "The Cabbage Patch Kids"

**Hospitals**

**Liabilities:**

- Broad range of services offered
- In-House Malpractice Risk
- Deeper pockets than individual Dr.'s
- Large physical facilities with broad range of networks
- Concentration of services in High risk fields
- Overstressed, understaffed, under paid work force
- Failure to meet Govt. regulations

**Risk Management Strategy:**

- Strong Alliances w/ Dr.'s & Specialists
- Self Insure In-House Dr.'s.
- Accept Your Deep Pockets & Quit Crying
- Interactive Database w/ Inter-Department Cooperation
- Background check on Doctor's
- Belief system about Conservative Choices
- Business process: Re-engineering On-Call Procedures
- Forecasting System
- Compliance Department
DOCTORS

Key Liability Risks:
1. Lawsuits
   - death
   - malpractice
2. Insurance
3. Staff causes problem
4. Prescribed drugs

Risk Management Strategy
- Screen patients - avoid risky patients (OOPORTUNITY)
- Form partnerships - absorb costs
- Practice in a state w/ caps on lawsuits
- Change area of practice - EDUCATION
- Become an expert - specialize in one area
- Document work
- Sign a release
- Lobby for changes - # Contributions
- High qualifications for staff
- Research latest drugs, - TIME