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CON Controversy

North Carolina lawmakers consider reform to decades-old process

By LYNNE JETER

State lawmakers got an earful at a public hearing held last October in Asheville to discuss the Certificate of Need (CON) process allowing hospitals to expand, state-issued Certificates of Public Advantage (COPA), and other hospital industry issues. But the comments made to the North Carolina House Select Committee on Certificate of Need (CON) and Hospital Related Issues weren't quite what members anticipated.

Participants were stunned to hear a recording of Mission spokesperson Janet Moore admitting that Mission Hospital indeed held a "monopoly" and was a "500-pound gorilla" in Western North Carolina, along with disparaging comments regarding "mountain folk." Mission has operated since its merger with St. Joseph's Hospital in 1995 under a COPA, and has been at odds with Park Ridge in Hendersonville, primarily because of Mission's partnership with neighboring Pardee Memorial Hospital on a $45-million outpatient center located between Asheville and Hendersonville. Park Ridge officials played Moore's taped comments, made months earlier at a national

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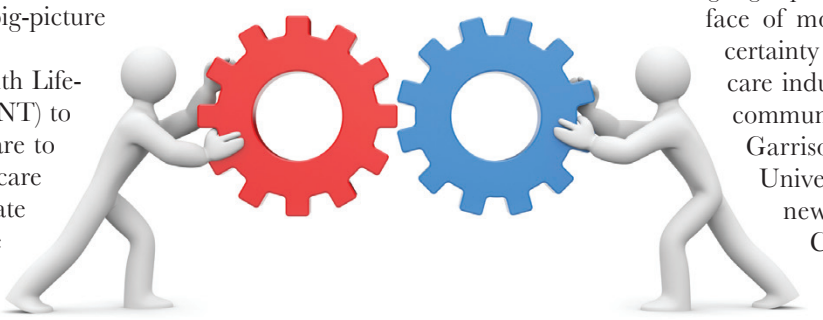
A Different Tack

Duke partners with LifePoint to create unique partnership system aimed at improving healthcare delivery in small communities

By LYNNE JETER

DURHAM—In the wake of hospital expansion and renovation projects sprouting up this spring in the Triad area, Duke University Health System Inc. has taken a different tack on growing business by focusing on a big-picture project of a unique sort.



Duke recently partnered with LifePoint Hospitals (NASDAQ: LPNT) to create Duke LifePoint Healthcare to strengthen and improve healthcare delivery across The Tar Heel State and surrounding areas. The shared, structured interest in partnering with hospitals, physicians and patients to bring quality, innovative healthcare services to communities will evolve into a system of hospitals that will transform the delivery of healthcare in the region and enhance the services available to community populations.

"Delivering high quality healthcare services in the face of monumental change and uncertainty in the economy and healthcare industry is a major challenge to community hospitals," said Michael Garrison, spokesperson for Duke University Health System. "(This) new solution for some North Carolina hospitals could address this challenge and serve

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It's a Tough Pill to Swallow When a High-Earning Physician Loses His Income

By TED TAFARO

High-income cardiologists, orthopedic surgeons, physicians, and the pricey nip-and-tuck specialists from Beverly Hills to Park Avenue, are all highly-trained and *highly-compensated* professionals. Although they possess the skills to put Humpty Dumpty back together again, what happens when they themselves fall off the wall? The results are not so fairytale like: the injury or illness will in turn impact their ability to save lives and do their job. We find that most physicians have not taken the necessary steps to protect their storybook lifestyles.

A doctor's ability to earn a sizeable income is predicated on the ability to see patients, perform surgery and further their education. And a distinguished physician can earn in the $700,000-$1,000,000-plus range. But if a heart surgeon becomes disabled, most traditional disability income insurers will cap the monthly disability income at $15,000 per month. To the manager at Wal-Mart, this sounds like hitting the lottery. But to a surgeon used to bringing in over $60,000 per month – and has built a lifestyle for his family that revolves around that figure – to suddenly drop his monthly income by 75 percent is (pardon the pun) "a hard pill to swallow."

It doesn't have to be an injury that puts a physician out of the game; in reality, it is more likely that an illness will be the culprit. Good case in point is a cardiac surgeon who was young, healthy and loved to ski. But if you think the end-result of this story is a broken leg as a result of a sharp turn gone wrong, guess again. The doctor was diagnosed with stomach cancer, and was eventually unable to trust himself with a scalpel in his hand, rendering him unable to earn a living.

So why don't most high income physicians have adequate coverage to compensate for lost wages when they can't perform their job due to an injury or illness?

You would think in some ways it would be an obvious need. After all, who knows more about the frailty of the human body than those charged to mend it? Physicians deal with this scenario every day.

It's not as if physicians don't have insurance. The problem is in underinsurance, which is a bit like owning a house that has a replacement cost of $2,000,000, yet only insuring it for $500,000. The really scary part is that the greatest asset most high income surgeons have is their ability to earn sizable income, yet they rarely insure the risk appropriately. Compounding this problem is a flaw in our insurance distribution system - most traditional insurance brokers don't realize there exists a viable option to protect these high performing surgeons above and beyond what traditional disability income carriers will underwrite. I can't tell you how many times highly experienced and successful insurance advisors have said to me when the topic comes up, "I didn't even know this type of coverage exists." And if they don't know, how can their high income surgeon client know a more comprehensive solution exists?

We recently worked with an orthopedic surgeon earning $1.2 million annually. The surgeon's existing disability portfolio consisted of five traditional disability income policies with a combined value of $15,250 per month in disability income protection – less than 16 percent of the surgeon's income. Taking into account the surgeon's income, the analogy would simply be like having a $10 million home and insuring it for $1,6 million, which would make no sense.

Leveraging our Lloyd's of London Cover-holder status, we were able to underwrite an additional $40,000 per month of disability income insurance. This type of specialized disability insurance covered the gap between the surgeon's primary disability insurance program and his income, so that his family's lifestyle isn't affected in the event of a disability.

Furthermore, it doesn't do any good for a physician to insure just one part of his or her body. It might have been a great idea back in the 1940s when Betty Grable had her legs insured for $1 million, but what good is a surgeon insuring just his hands if his back goes out and he can't bend over a patient on the operating table? Or he gets a knee replacement and can't stand for long periods while performing his job? What he needs is full-body coverage.

This type of coverage can also protect where the surgeon works as well as the surgeon himself. For instance, we worked with a leading cancer surgery center that employed an elite surgeon responsible for a significant portion of revenue to the hospital. Key person life insurance was easily secured to the tune of $10 million, but the corresponding risk of loss to the center due to a disability is a risk that falls on deaf ears with traditional disability carriers. Carriers such as Lloyd's are highly proficient at designing and underwriting such large exposures, the result of which was a Key Person Disability policy which would pay the cancer center $10 million, if the surgeon suffered a permanent disability.

Although the numbers may appear intimidating, high-income coverage isn't all that hard to obtain, and as a matter of fact the process is pretty straight-forward. But it *is* a specialized coverage that not all traditional insurance advisors can initiate, so you need to find an advisor who works in that particular field.

The phrase "Physician, heal thyself" might be good advice, albeit somewhat impractical. It's up to *you* to make sure you agent is protecting you to the best of his capabilities.

Edward A. (Ted) Tafaro, President & CEO of Mahwah, New Jersey-based Exceptional Risk Advisors, LLC, is an expert on high-limit specialty life, accident and disability products for clients with extraordinary insurance needs. For more information, contact him at ted.tafaro@exceptionalriskadvisors.com.