Renal Business Today

Why Should Dialysis Clinics Have Disaster Insurance?

By Gordon Lore

Special patient populations such as those on dialysis and people dependent on transplant medications are especially vulnerable to natural and man-made disasters such as hurricanes, floods, earthquakes, tornados, fires, and acts of terrorism. The year 2011 was one of the most serious and costly as natural disasters hit the nation from the Atlantic to the Pacific. From hurricanes along the Gulf Coast to fierce winter storms and a rare earthquake in the Northeast and mid-West to tornados in the Bible Belt and elsewhere, millions of residents have been susceptible to life-threatening natural disasters.

Property vs. Disaster Insurance

Even before the disaster wrought by Hurricane Katrina in 2005, certain areas and populations in the US have been particularly vulnerable to a natural disaster. This highlights the importance of anyone searching for the right insurance policy knowing the difference between disaster and property insurance. Perhaps the main difference is that disaster insurance is more specialized. It covers any disruption of business losses from immediate natural or man-made events. Property insurance, however, covers property against any common risks, including theft or accidental damage.

Those shopping for disaster insurance generally have two basic choices. The first is a named peril policy. The second is an all-risk policy (*a.k.a.* a more comprehensive open peril policy). The primary difference between these two policies is that one covers what is *named* or *included* while the other covers what is *not* included.

For dialysis and other facilities located in a region frequently prone to natural disasters, a named peril policy may be the best choice since it "spells out the specific events for which you are covered… Anything not specifically named in such a policy is *not* covered."

In contrast, an all-risk policy covers a business from damages wrought by any kind of disaster "with the exception of those specifically excluded in the policy." Earthquakes and floods are typically excluded, but coverage for them can be added to the policy for an additional fee. In other words, "the advantage of an all-risk policy is that it covers you in the event of a disaster you did not predict happening."

Taking Stock

When applying for a policy, it is important to determine what is being insured and for how much. Taking stock of business property, determining its value, and deciding what is and is not worth insuring are important elements. This property may include buildings; garages; equipment and supplies; inventory, patient and business records; other documents; databases; and vehicles.

It is also recommended that an insurer cover as much as possible under a broader policy before determining what may be wanted under a more specific policy such as a rider. Bear in mind that coverage can be increased or limited over time. Too often business owners merely allow their coverage to carry on from year-to-year without adding additional coverage for recently purchased business-related items. This is a particularly important concern when it is time to annually assess an insurance policy.

Dialysis Patients at Risk

It doesn't take a soothsayer to know that handicapped and other patients such as those on dialysis are particularly vulnerable to natural and man-made disasters. Therefore, the importance of dialysis units obtaining the proper disaster preparedness insurance is paramount.

It is extremely important that dialysis facilities have adequate insurance coverage for their patients and staff. There are several general points to consider when contemplating disaster insurance:

- Make sure your center has adequate replacement insurance covering fire, flooding and other catastrophic events;
- Have your insurance agent's phone number readily available; and
- Inventory all your equipment well before a disaster strikes.

Insurance Review

It is recommended that a dialysis clinic conducts at least an annual review of its disaster insurance to ensure that it is both current and adequate. This yearly review "will guide the facility [on] how to spend or request mitigation dollars."

When reviewing their insurance policies, the budget director (BD) and facility administrator or CEO should consider the following questions:

- Is the information technology infrastructure, including electronic data restoration, covered?
- Is there a detailed itemization of corporate assets?
- Does the policy have a utility service interruption grace period?
- Are all out-of-pocket recovery costs covered?
- What about determining the cost of business interruption?
- Does the policy address the payment of any legal costs and coverage amounts?
- Are deductibles and limits of insurance appropriate for a dialysis clinic based "on the level of… potential exposure?"

The BD and/or CEO should also ensure that the coverage "is keeping pace with the increased value of the facility and equipment." This review should also "include limitations and exclusions, loss of income provisions and death, personnel injuries and adversities to patients and staff."

Inventory Control

A professional risk consultant may also be warranted. That individual's risk assessment may include:

- Identifying risks and loss exposure;
- Dollar loss of asset inventory;
- Profit business loss;
- Loss statement;
- Recovery plan loss; and
- Continuing, extra, and payroll expenses.

Some experts believe a dialysis center's BD should be responsible for filing the insurance claims following a disastrous event.

"The facility's inventory must be kept current with equipment identification numbers, model numbers, costs and dates," they urge. "These records should be securely kept in the BD's office and electronically backed up."

Flood Insurance

It is important to remember that "property insurance generally covers the structure and some contents," but *does not* cover floods or any other water-related damage.

Some of the latest data from the National Flood Insurance Program indicate that flood insurance can be obtained with limits of $250,000 for homes, $100,000 for its contents, and up to $500,000 for nonresidential buildings. There are, however, ongoing discussions aimed at raising those limits.

Risk Insurance Assessment

While anyone contemplating a general risk assessment can prepare one on their own, some experts recommend that professional advice be obtained. They say that "a professional risk insurance assessment can expose areas in your facility in which your facility could be weakened by [a] disaster." Such an assessment could include the following factors:

- Risk and loss exposure identification;
- Dollar loss of asset inventory;

- Costs of recovery planning; and
- Ongoing and extra expenses, including payroll.

The Role of an Insurance Agent

In a presentation he gave at the Annual Meeting of the American Society of Nephrology in San Diego, California, November 14-19, 2006, Dr. Robert J. Kenney, of the Renal Associates of Baton Rouge, LLC, in Louisiana, indicated he learned some valuable lessons following Hurricane Katrina. One was that dialysis facilities might consider including "the insurance agent in [all their] communications early after the damage."

"One large dialysis organization did just that after Katrina… with people from the areas that were heavily damaged as well as those in the recovery effort," he wrote. "Although the agent in no way hindered the work that needed to be done, his was helpful in giving suggestions that resulted in the claims' being paid relatively timely."

Conclusion

It may be wise to reiterate here that anyone contemplating disaster insurance should know:

- The difference between a named peril vs. an all-risk or open policy;
- The areas most vulnerable to natural disasters;
- That as much as possible be covered under a broader policy before determining what may be wanted under a more specific policy;
- Insurance coverage can be increased or limited over time instead of letting it continue as is year-after-year;
- That including an insurance agent in filing disaster insurance claims may beneficial;
- To ensure that the facility inventory is kept up-to-date; and
- That the projected inventory, profit and recovery plan losses and payroll expenses are as accurate as possible.

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