

July/August 2011



In Need of Facility Repairs, Remodeling or Renovation? *Don't miss these tips to reduce your risk*

While managing risk relies heavily on common sense, there are also many factors of insurance coverage that have the potential to create problems if not properly understood. Ideally, the following suggestions will prompt valuable interaction with your insurance provider, ensuring that no repair, remodel or renovation in your facility introduces a level of risk that you didn't expect.

1. Update coverage for "green" renovations.

Green design elements (recyclable, earth-friendly roofs, energy saving materials and equipment) are increasingly popular design options for behavioral health facilities, since they trade a higher upfront cost for long-term energy and operations savings.

But according to Rich Willetts, CPCU, ARM, program director at NSM Insurance Group, insurance policies often do not cover the added replacement cost of green items if they are damaged. They promise only to replace damaged equipment or materials with items of "like kind and quality."

Policy endorsements are available to address increased costs and related expenses for green upgrades.

2. Double-check limits after an upgrade.

After an upgrade or renovation, ask if your policy's coverage limits are still adequate, Willetts advises. "If they're not, you could be subject to a co-insurance penalty."

All insurance policies have a clause requiring policy holders to maintain insurance that matches the value of the property, Willetts explains. So, upgrading your property through renovation, remodeling, or an addition generally demands an increase to coverage and coverage limit.

3. Update coverage for new IT.

As facilities follow the evolution of information technologies, including electronic health record (EHR) and telehealth systems, an important concern becomes how to provide the proper protection for these significant investments. "This

equipment can be expensive property and needs to be properly secured and insured," says Willetts. That creates another set of challenges.



For example, if your facility just installed a new server to support a state-of-the-art telehealth system, Willetts asks: "What happens if there's a lightning strike and it's destroyed?" Equipment breakdown is not covered under a typical property policy and requires the insured to buy "special coverage," notes Willetts.

4. Focus on simple maintenance.

Willetts says that most claims in behavioral health facilities result from accidents, "simple slips and falls," that are often attributed to breakdowns in facility management.

"If you want to impact on your insurance costs, just keep your facility well maintained," he suggests. While most facilities "probably know where their weaknesses are," budgets also need to be taken into account.

"When budgets are tight, things tend not to get fixed," he says, adding that insurance companies want to know that a policy holder will maintain his property and keep it safe. Of course, when a facility poses a lower risk, it can expect lower premiums.

"Underwriters look at all of that information and they assign discretionary credits based on that," says Willetts. "It absolutely has an impact on your price and premiums."

Excerpt from "Keeping your assets covered: Good risk management strategies can drive better decisions and prevent unforeseen problems." By Nick Zubko. Vendome Group. May/June 2011. Behavioral Healthcare magazine.

National Recovery Month is Just Around the Corner

Recovery Month focuses on education, the progress of those in recovery, and the message that

- behavioral health is essential to overall health,
- prevention works,
- treatment is effective and
- people can and *do* recover.

According to the Substance Abuse and Mental Health Services Administration (SAMHSA) National Recovery Month website [www.recoverymonth.gov], 2011 marks the 22nd year of promoting the social benefits of treatment for substance abuse and mental disorders. In 2009, more than 1,000 Recovery Month events were held across the United States, reaching over 1 million people. To learn how you can get involved during Recovery Month or to find events near you, visit www.recoverymonth.gov.

To preorder SAMHSA's Center for Substance Abuse Treatment (CSAT) Recovery Month toolkit, which will be available later this summer, click here [<http://recoverymonth.gov/Recovery-Month-Kit/Preorder.aspx>]. The kit includes pieces developed for policymakers, individuals, health care providers and the workplace. It also has a new Resources section and materials for media outreach efforts.

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Alternatives to Unemployment Insurance for 501(c)(3)s

Since its inception, the federal-state Unemployment Insurance (UI) program has been plagued with issues. And, now with the recent recession and the resulting impact on unemployment, problems like underfunded reserves, federal borrowing, fund insolvency and inflating UI tax rates are a threat to both the states that control the UI funds and the employers who must pay into them.

501(c)(3) nonprofits can reduce the risks of claims spikes and administrative burden by opting out of the state unemployment tax system, becoming a direct reimbursing employer and joining a program like the Unemployment Services Trust (UST). By opting out of the Unemployment Insurance program and joining an unemployment trust, realized long-term savings can be as much as 50 percent.

It makes sense to talk to your nonprofit clients to suggest they explore programs like the Unemployment Services Trust for their organization. Here are some key benefits and additional cost savings talking tips:

- **Building a Reserve** – Through UST, an agency can build a reserve of funds out of which claims will be paid. Unlike the state unemployment system, this reserve is owned by the organization and can be taken with them if they leave UST. Unlike the state UI system the risk is not pooled so members cover only their own claims costs.
- **Reduced Rate** – Because contributions are based on the agency's unemployment claims history they typically pay a lower rate than the state system, while still being protected through the trust. All funds are held as an asset in the name of the agency.
- **Established Contribution Rates** – Rates are established annually and paid in 4 equal installments over the year. Self-funding agencies must reimburse the state quarterly for the full charges attributable to that period. UST lessens the volatility of self-funding.
- **Stop-Loss Protection** – UST has a stop-loss reserve that pays out once claims meet the annual deductible of 25 percent of taxable wages. The reserve pays the next 2x the deductible amount.
- **No Surcharges** – UST agencies will not pay state surcharges, unless mandated against all employers in the state regardless of reimbursing status. This can save agencies up to an additional 1 percent.
- **Administrative Support** – UST will file the initial paperwork with the state on the organization's behalf, monitor all incoming claims, and provide staff with the administrative and training support they need to minimize and cost effectively manage their claims, thus reducing the overall cost.

To learn more about UST, you can contact a representative at Info@ChooseUST.org or call Cheryl Jones at 877-265-2200.



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