

# The Impact of CRPs on Liability Costs

Highly reliable Communication and Resolution Programs have a beneficial impact on a broad array of outcomes. They are integral to a strong culture of safety and accountability that enhances the quality and safety of care through 1) enhanced harm event identification via an increase in event reporting, 2) event analysis using best practices to identify and repair system flaws that caused the harm, 3) support for Involved clinicians, who in the absence of such support are more likely to make additional mistakes, 4) trusting relationships with patients and families in the aftermath of harm events.<sup>1-3</sup>

Professionals who work in risk and claim management, medical professional liability insurance, and defense fields naturally wonder specifically about the impact of CRPs on medicolegal expenses. The literature in this area is clear: entities that implement a CRP using best practices can expect to see at worst no change in their overall liability costs (while experiencing the other positive ROI as mentioned above) and may experience cost savings. There is no published literature that documents a situation in which a CRP made overall liability expenses worse.

The specific studies that have analyzed the impact of CRPs on medicolegal costs include:

- The University of Michigan reported that after implementing their CRP, the average rates of monthly new claims and lawsuits were reduced, as was the median time from claim reporting to resolution. The average monthly cost decreased for total liability, patient compensation, and non-compensation-related legal costs.<sup>4</sup>
- The University of Illinois published a study of the impact of their CRP and reported that this intervention doubled the number of incident reports, halved the number of claims, and reduced legal fees and costs as well as total costs per claim, settlement amounts, and self-insurance costs.<sup>5</sup>
- Erlanger Health Systems published an analysis of their CRP and documented a decrease in the average number of new claims filed, defense costs, settlement costs, and total liability costs per 1,000 hospital admissions. The median time to resolve a claim decreased from 17 months to 8 months.<sup>6</sup>
- Data from 4 Massachusetts hospitals using the CRP model (compared with peer institutions without a CRP) found that “CRP implementation was associated with improved trends in the rate of new claims and legal defense costs at some hospitals, but it did not significantly alter trends in other outcomes. None of the hospitals experienced worsening liability trends after CRP implementation, which suggests that transparency, apology, and proactive compensation can be pursued without adverse financial consequences.”<sup>7</sup>

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## Additional Points

- Highly reliable CRP processes will involve some cases in which proactive offers of compensation are made to patients that could have been avoided in the traditional “deny and defend” model. However, in the aggregate, the beneficial impact of CRP on medicolegal costs is clear.
- Organizations that prioritize CRPs as a risk and claims management tool (rather than as a patient safety program) are more likely to selectively use the CRP approach. While this may lead to short-term financial gains, it undercuts the true ROI of these programs related to creating a systematic culture of transparency and accountability.

## References

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