

ADVISORY CAPITAL

INSURANCE

Legal and MPL Update

NC MGMA Fall Conference Winston Salem, NC September 27, 2024 Jason Newton General Counsel, Curi



Disclaimers

Hopefully helpful, but...

Not legal advice.

No endorsements.

No guarantees.



What's the Last Large Civil Verdict You Can Recall?

When Did it Occur?

1994: \$3m McDonald's Hot Coffee 2019: \$229 Johns Hopkins Birth Injury* 2020: \$12.5m Macon, GA

-----COVID------

2020: \$10.8m Blair County, PA

2021: \$10m Petersburg, VA

2022: \$35m Mobile, AL

2022: **\$97.4m*** lowa City, IA

Some Examples of Large Verdicts 2022

- \$17.1m Washington, DC
- \$6.3m Fairfax Co., VA
- \$111m US Dist. Ct., MN*
- \$30m Gwinnett Co., GA
- \$13m Harford Co., MD
- \$14.2m Federal Court, MD
- \$21m Warren Co., KY
- \$10m Dekalb Co., GA
- \$15.5m Brevard Co., FL
- \$61.6m Rhode Island
- \$77m Dekalb Co., GA

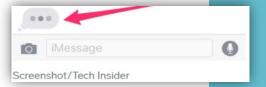
- \$19.7m Philadelphia, PA
- \$95m Harris Co., TX
- \$28.5m NY, NY
- \$75m Fulton Co., GA
- \$80m Bronx, NY
- \$11m Crown Point, IN
- \$68m Tampa, FL
- \$27m Polk Co., Iowa



Some Examples of Large Verdicts 2023

- February: \$47m Las Vegas, NV
- February: \$43.5m Philadelphia, PA
- February: \$16.4m Pinellas Co., FL
- February: \$10.5m Cobb Co., GA
- February: \$16m Beaver Co., PA
- March: \$15m Bibb Co., GA
- March: \$20.9m Essex Co., NJ
- March: \$20m Middlesex Co., MA
- March: \$40m Coles Co., IL
- March: \$34m Baltimore Co., MD
- April: \$9m Fulton Co., GA
- April: \$183m→ \$208m Philadelphia, PA
- April: \$19m Cook Co., IL

- April: \$10m Detroit, MI
- May: \$31.6m Midland Co., MI
- May: \$26m Philadelphia, PA
- August: \$9m Baltimore County, MD
- August: \$13m King County, WA
- August: \$13.5m Marion County, FL
- Sept.: \$20.2m West Palm Beach, FL
- Sept.: \$30m Dekalb Co., GA
- Oct.: \$32.7m Cook Co., IL
- Oct.: \$55.5m Cook Co., IL
- Nov. \$261m→ \$213m Sarasota, FL
- Dec.: \$14m Philadelphia, PA





Industry Headwinds = Higher Premiums

- Many MPL companies have had underwriting losses for 6+ years
- Premiums no longer sufficient even in good venues
- Insurance market is hardening



So, Is There Any Good News?

- Most recent national industry data is that roughly only 30% of claims/suits require payment to close
- The defense still wins a majority (80%+) of cases tried
- Some of the largest verdicts tell only part of the story (not the end of the story)
- Significant numbers of "real" COVID claims never really materialized



Asset Protection Before It's Too Late



Get help on Asset Protection Strategies:

- Personal liability insurance aka "umbrella"
- Prenuptial and postnuptial agreements
- Tenancy by the entirety home ownership
- 401K and rollover IRAs
- Contributor IRAs (limitations apply)
- NOT necessarily inherited IRAs
- 529 plans (limitations apply)
- Asset protection trusts (varies by state)
- LLCs and corporations for business assets
- Life insurance & annuities (varies by state)



"Because that's where the money is"

- + High-Risk Profession
- + High Income Profession
- + High Perception of Wealth
- = Need For Asset Protection



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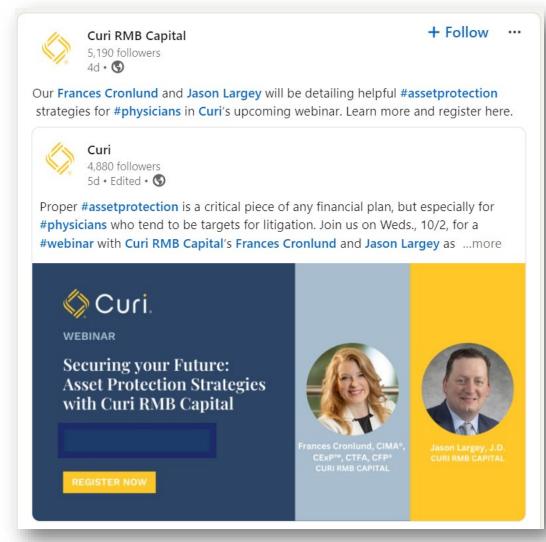
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Asset Protection Before It's Too Late Register for Upcoming Webinar – Nov. 6th @ 4:30pm



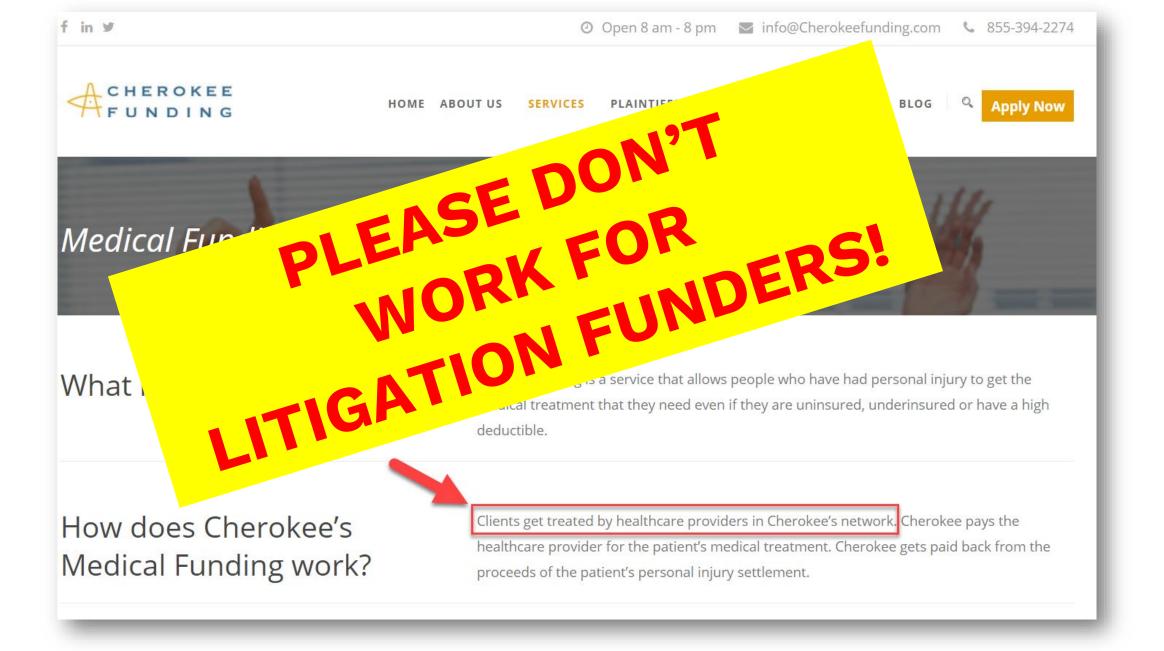




Litigation Finance = Plaintiffs' Patience?

- 2017: 50% of all lawyers surveyed, who had not used litigation financing, expect to do so within two years.
- In 10 years, TPLF went from largely unknown to \$5 billion industry in U.S.
- Actual involvement in MPL litigation... Unknown. But we know it's out there.







Medical Records Requests—May Indicate Suit is Contemplated

- Often requested by patient's/plaintiff's lawyer
- Maybe med mal, maybe not
- Staff should immediately alert physician involved
- Report to your insurer if injury is apparent
- Physician should NEVER alter the record when a medical records request is made...

Medical Records Requests: Completeness and Audit Trails



- Subpoena: document commanding release of records
- Requests for "all records" mean ALL RECORDS
- Old way:
 - Paper documents can be professionally evaluated for different timing, ink, and writing styles
- New way:
 - All electronic medical record (EMR) entries are date stamped
 - Audit trails reveal every keystroke and time spent(or lack thereof) in an EMR





The tale

of the

omniscient

practitioner...

Non-competes: FTC Final Rule

- In 2021, President Biden directed the Federal Trade Commission to ban or limit noncompete agreements
- On January 5, 2023, the FTC proposed a new rule that would ban employers from imposing non-competes
- In April 2024, the FTC adopted a rule banning non-compete agreements nationwide, declaring it was an "unfair method of competition" for an employer to:
 - Enter into or attempt to enter into a non-compete clause with a worker after the effective date of the rule;
 - Enforce or attempt to enforce non-compete clauses with a worker, except for pre-existing agreements with "senior executives";
 - Represent to a worker that they are subject to a non-compete clause, except for pre-existing agreements with senior executives.
- In addition to employees, the rule's definition of "worker" includes independent contractors, consultant, interns, and volunteers.
- Rule was to take effect on September 4, 2024.



Non-competes: Courts Get Involved

- After FTC's final rule, litigation ensued, including 2 primary cases (PA and TX)
- On July 23, 2024, the PA federal court declined to block the final rule and denied a motion for preliminary injunction.
- On August 20, 2024, a TX federal court set aside the rule in its entirety on a nationwide basis, and held the rule would not be enforced or take effect on September 4, 2024.





- North Carolina's judicial attitudes toward non-competes are shifting and beginning to fall in line with national trends.
- Traditional non-competes are still legal but increasing disfavor of, and a propensity to void, agreements containing broad definitions or restrictions that are overly inclusive.
- Affects temporal and geographic restrictions as well as those related to activities that are off limits to a departed employee.





- 5-year time restriction is not favored and is the outer boundary which NC courts have considered reasonable. FlagCo, LLC v. Winstead, No. 5:23-CV-172-D, 2023 WL 7288046, at *7 (E.D.N.C. Nov. 3, 2023).
- Whether duration is reasonable relates to geography: 1-year noncompete worldwide is not reasonable. Prometheus Group Enterprises, LLC v. Gibson NC Business Court Case in March 2023
- Outer bound of reasonableness is probably 2 years.



Non-competes: What to expect in NC?

- Dangerous to use "DIRECTLY OR INDIRECTLY" when defining scope of noncompete – may be unreasonable and unenforceable See <u>Design Gaps, Inc. v.</u> <u>Hall</u>, 2024 NCBC 30 (N.C. Super. Ct. May 1, 2024), at*4 (N.C. Super. May 1, 2024)
- "North Carolina courts have repeatedly warned the drafters of restrictive covenants about the dangers of using the phrase "directly or indirectly" when defining the scope of a non-compete." Opinions from the Court of Appeals and the Business Court have been "routinely refus[ing]" to enforce covenants with that language, calling it "particularly problematic" and "unreasonably broad" for the last few years. *Prometheus Group Enterprises, LLC v. Gibson NC Business Court Case in March* 2023



Non-competes: Blue Penciling in NC

- Not required- courts have discretion
- Permits courts to enforce divisible parts (or distinctly separable parts) of a covenant that are reasonable
- To be a "distinctly separable" provision, other restrictions in the covenant must not be dependent on the portion to be excised... but AVOID conjunctive

Example:

"(i) the entire world; (ii) North America; (iii) the United States of America; (iv) each state in which the Company does business or did business at any time within two (2) years prior to the termination of my employment with the Company; (v) the States of Maryland, Virginia, North Carolina, South Carolina and Georgia; (vi) the State of North Carolina; and or (vii) Wake County."



Non-competes: What to Expect in NC



- Take home points?
 - Consult with counsel regularly to stay in touch with modern courts' views
 - Don't get greedy
 - Be careful with excessive temporal restrictions
 - Be careful with excessive territorial restrictions
 - Include alternate provisions in a distinctly severable fashion (avoid use of conjunctive "and" and utilize the disjunctive "or")



- COVID immunity was unanimously passed in May 2020 "directly or indirectly"
 "shall be liberally construed"
- Care at issue occurred in June 2020 in Pitt County
- That month accounted for more than half of all COVID cases since start of pandemic
- Case involved total hysterectomy with part of uterus left inside, causing infection and complications
- Practice had staffing shortages
- Laparoscopy was not used because concern would aerosolize virus and increase transmission
- Family not able to attend follow up appointment because of restrictions



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- Plaintiff alleged bare bones: defendants were "grossly negligent"
- Trial court denied motion to dismiss based on COVID immunity
- Trial court's decision appealed to NC Court of Appeals
- COA Judge, at Oral Argument:
 - "It's supposed to be this particular individual, this patient. 'How this patient was affected.' Just because COVID existed, we presume that every patient was affected?"
- COA unanimously sides with plaintiff, preventing dismissal
- Petition for Discretionary Review filed with and granted by NC Supreme Court, amicus briefs filed
- Oral argument in NC Supreme Court on Oct. 23, 2024
- No deadline for Court to rule, likely in 2025





As of August 15, 2024:

It is too late to file new Wrongful Death med mal suits for care given during the COVID State of Emergency (2 year SOL)

As of August 15, 2025:

It will be too late to file most other med mal suits for care given during the COVID State of Emergency (3 year SOL)



State of North Carolina

ROY COOPER

GOVERNOR

August 15, 2022

EXECUTIVE ORDER NO. 267

TERMINATION OF THE COVID-19 STATE OF EMERGENCY

WHEREAS, on March 10, 2020, the undersigned issued Exec. Order No. 116, 34 N.C. Reg. 1744-1749 (April 1, 2020), which declared a State of Emergency to coordinate the state's response and protective actions to address the Coronavirus Disease 2019 ("COVID-19") public health emergency and provide for the health, safety, and welfare of residents and visitors located in North Carolina; and



Appellate Court Update: Cottle v. Mankin

- Claim arose in 2012 (after tort reform passed in 2011)
- Tort Reform: \$500k cap on non-economic damages
- Court of Appeals held:
 - a professional association is not a healthcare provider, and negligent retention doesn't arise out of healthcare treatment
 - -negligent retention claim vs. physician practice is not a medical malpractice claim
- Court of Appeals applied pre-2011 law





Appellate Court Update - Cottle v. Mankin To Do List:

- 1. Include language in the standard informed consent / payment authorization document that says something like:
 - "XXX, PA is a healthcare provider registered with the North Carolina Medical Board. By signing below, patient (or their duly authorized legal guardian / legal appointee / legal representative) agrees that XXX, PA is a "healthcare provider" for purposes of N.C. Gen. Stat. Sect. 90-21.11, 90-21.12, et seq. and applicable North Carolina law."
- 2. Add similar language on the practice website (along with the other *** disclaimers that are already there).
- 3. Include a hyperlink on the practice website that points to the NCMB corporate listings. Here is a link: https://portal.ncmedboard.org/Verification/corpList.aspx

Source: Lincoln Derr Law Firm





Appellate Court Update - Cottle v. Mankin To Do List:



4. Include in the practice's articles of incorporation, partnership agreement, articles of incorporation, bylaws, or operating agreement that the entity's intent is to provide healthcare in accordance with NC law, including registering with the NCMB and functioning as a healthcare provider under N.C. Gen. Stat. Section 90-21.11 and 90-21.12, et seq.

NOTE WELL: If you do all these things, you best have your practice up to date with the NCMB and not let things lapse.... If you put these disclaimers on the website and/or in your consents and don't live up to them, you are up for a double whammy.

Source: Lincoln Derr Law Firm



Appellate Court Update: Mohebali v. Hayes

- Tort reform statute passed in NC in 2011, capping noneconomic damages at \$500k
- Care took place in 2018 and involved home birth care
- Pregnancy went beyond 43 weeks and mom's health deteriorated
- 5 days of labor with alleged inaction by doctor, and baby died before delivery
- Med mal suit filed in Buncombe County in 2021



Appellate Court Update: Mohebali v. Hayes

- Court granted summary judgment for plaintiff in 2022
- 2-day trial in July 2023
- Defendant/Doctor did not appear at trial (or send counsel)
- Jury awarded \$7.5m in noneconomic damages for plaintiffs
- Trial judge reduced award by 90% to comport with cap
- Plaintiffs appealed to Court of Appeals, challenging constitutionality of cap...



Appellate Court Update: Mohebali v. Hayes

- COA appointed amicus counsel to defend the constitutionality of the cap
- Amici have rallied, multiple amicus briefs being filed
- Doctor/care not involved- pure legal issue under review
- Additional procedural maneuvering may follow
- All briefs will be filed by end of October
- Potential ramifications cannot be understated...
- May settle tort reform in NC once and for all.



Appellate Court – Educate Yourself and Vote



4 Appellate Court Contests

One N.C. Supreme Court associate justice contest and three N.C. Court of Appeals judge contests are on the ballot in the 2024 general election, which will be held Nov. 5.

- NC Supreme Court Associate Justice Seat 6
 - Jefferson G. Griffin (Republican)
 - Allison Riggs (Democrat)
- NC Seat Court of Appeals Judge Seat 12
 - Tom Murry (Republican)
 - Carolyn Jennings Thompson (Democrat)
- NC Court of Appeals Judge Seat 14
 - Ed Eldred (Democrat)
 - Valerie Zachary (Republican)
- NC Court of Appeals Judge Seat 15
 - Chris Freeman (Republican)
 - Martin E. Moore (Democrat)

https://www.ncsbe.gov/voting/upcoming-election/judicial-voter-guide-2024-general-election



Online "Curbsides" - Flash Back to Sept. 2022 (and a reminder about state lines)

"That which we call a rose [b]y any other name would smell as sweet"

(It's telehealth, no matter what they say)











(Carefully) Read the Terms of Service

- Disclaimer of quality by consultant
- Liability shifting provisions- shifting all to you
- Unilateral indemnification by you



Due Diligence



- Is this the practice of medicine into the state of the subscriber?
- Is the consultant licensed in the state of the subscriber?
- Could you be subjected to suit in the consultant's state in a medical malpractice action?
- If you are serving as a consultant, does your MPL coverage protect you?
- If you are the subscriber, do you have a coverage gap if you use this service?
- What about documentation of the consult?
- Practices should and must call their broker and underwriter before engaging with a service like this...



Sept. 1, 2022: Med Mal Suit in VA Against NC Doctor Survives Dismissal

- Telemedicine visit
- Doctor in NC, patient in VA
- Bad outcome
- Med mal suit filed in VA Federal Court – UH-OH
- NC doctor is defendant in that case
- Tortious acts "took place" in VA
- Personal jurisdiction exists
- VA court denied motion to transfer to NC court

Source: Virginia Lawyers Weekly



Resource:







What about REALLY Virtual "Consults"? ...Dr. ChatGPT is in

- Will your clinicians "consult" ChatGPT?
- Are they doing so already? "That is exactly how we treated the patient"*
- Will patients?
- Will jurors?
- Will job candidates?

*https://www.nytimes.com/2023/03/14/technology/openai-new-gpt4.html



AI in practice (Aside from ChatGPT)

- Should you do a demo before adoption?
- Do you advertise it?
- Do you disclose it?
- Do you document it?
- Does rollout do a retrospective review?
- Do you blame it?
- Will it blame you?
- Should you expect it to be perfect?
- What do your contracts say?





Software as a co-defendant

Skounakis v. Dr. Sotillo and Dr. G's Franchising Companies, LLC (A-2403-15T2 (NJ Super. Ct. App. Div. March 19, 2018)



Plaintiff's Expert Cardiologist: Dr. G's program deviated from the standard of care by including a combination of phendimetrazine and liothyronine.



Appellate Court: Plaintiff's expert 1) does not have to be a computer software expert, and 2) may testify about the propriety of the medications Dr. G's program prescribed.



Preview of AI Discovery

- In Re: Acclarent, 2024 WL 2873617 (Tex. App. 2024)
- Pre-complaint deposition request of physicians and a medical device manufacturer surrounding an event involving a sinus surgery sought:
 - identity of the AI provider;
 - how the device engineers interacted with the AI provider in enhancing the medical device;
 - communications with and submissions by the device manufacturer, if any, to the Federal Drug Administration (FDA) about the AI enhancement;
 - any product recalls due to faulty AI;
 - all communications between the potential physician defendant and the product manufacturer on the use of the AI-enhanced device; and,
 - reports of other patient injuries due to errors by the AI enhanced medical device.

Source: 2024.08.27 Generative Al- The Impact on Healthcare, Marshall Dennehey Law Firm



Liability risks

- "Explainability"
- Information overload from patients monitoring every second of their lives
- Due diligence on products/software used
- What is the applicable standard of care?
- What do vendor contracts say about indemnification?

Who's responsible?



Practical advice

- Don't get overwhelmed; there's "a lot" of information out there
- Keep up to date on this topic with your already trusted advisors – ASHRM, AHA, AMA, MGMA, AHLA, IHI, Curi
- Be on the lookout for legislation (already in CO, coming in CA)
- Engage your leaders and physicians in conversations about AI; chances are they're already using it in some form





OCR Enforcement Actions - \$1.3m





U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Office for Civil Rights

September 11, 2023

HHS Office for Civil Rights Settles with L.A. Care Health Plan Over Potential HIPAA Security Rule Violations

LA Care, the largest publicly operated health plan in the country paid \$1,300,000 to settle



OCR Enforcement Actions - \$100,000





U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Office for Civil Rights

October 31, 2023

HHS' Office for Civil Rights Settles Ransomware Cyber-Attack Investigation

OCR Settles with Business Associate in attack affecting over 200,000 individuals



OCR Enforcement Actions - \$80,000





U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Office for Civil Rights

November 20, 2023

HHS' Office for Civil Rights Settles HIPAA Investigation of St. Joseph's Medical Center for Disclosure of Patients' Protected Health Information to a News Reporter

St. Joseph's Medical Center provided a national media outlet access to COVID-19 patients' protected health information



OCR Enforcement Actions - \$480,000





U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Office for Civil Rights

December 7, 2023

HHS' Office for Civil Rights Settles Landmark Phishing Cyber-Attack
Investigation

Louisiana Medical Group settles after investigation reveals large cybersecurity breach affecting nearly 35,000 patients



Resource





Cybersecurity Insurance for Medical Practices

Curi's Guide to Acquiring and Retaining Coverage





OCR Security ListServ Email March 21, 2024



OCR Update and 2024 Priorities

Melanie Fontes Rainer, Director
Office for Civil Rights (OCR)
U.S. Department of Health and Human Services

HIPAA Summit 41 February 27, 2024





OCR Security Risk Assessment Tool 9/10/24 Webinar Hosted by OCR



The Security Risk Assessment Tool

Overview for Small and Medium Practices

Presenters: Ryan Callahan, Dawn Bishop, Nick Heesters



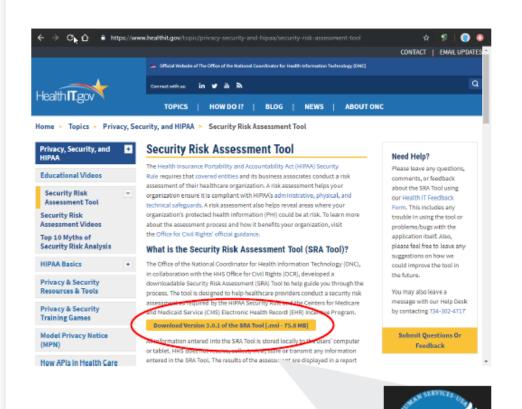






OCR Security Risk Assessment Tool 9/10/24 Webinar Hosted by OCR





Download & Installation

The tool can be downloaded from HealthIT.gov.

The downloaded file is the tool installer. Double click to run the installer and walk through the install steps Once downloaded, a blue "SRA-Tool" icon will appear on your desktop.

The SRA Tool runs on Windows 8, 10, and 11.

All information entered into the tool is contained locally. No information is transmitted to DHHS, ASTP/ONC, or OCR.

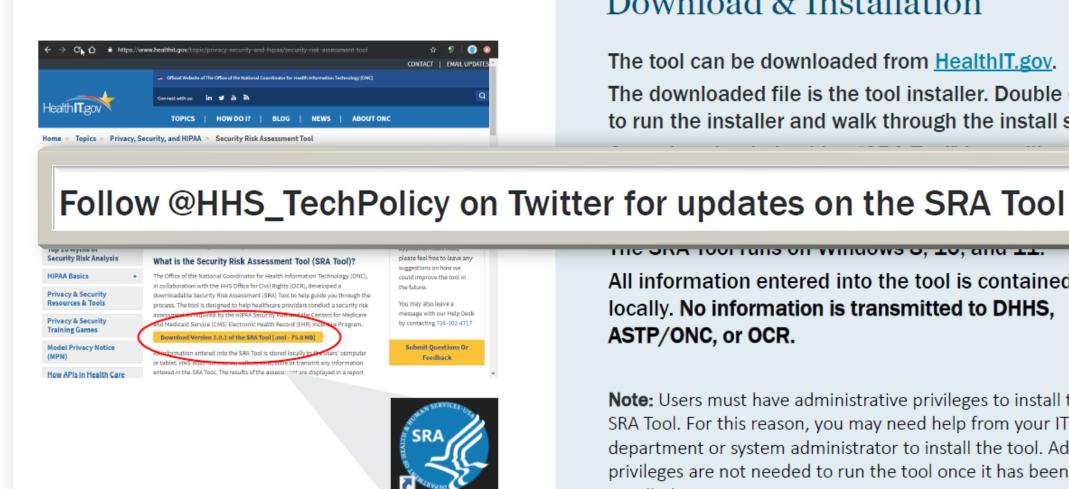
Note: Users must have administrative privileges to install the SRA Tool. For this reason, you may need help from your IT department or system administrator to install the tool. Admin privileges are not needed to run the tool once it has been installed.



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NIST Special Publication 800 NIST SP 800-66r2

Implementing the Health Insurance Portability and Accountability Act (HIPAA) Security Rule

A Cybersecurity Resource Guide

Jeffrey A. Marron Applied Cybersecurity Division Information Technology Laboratory This publication is available free of charge from: https://doi.org/10.6028/NIST.SP.800-66r2





February 2024



U.S. Department of Commerce Gina M. Raimondo, Secretary

National Institute of Standards and Technology
Laurie E. Locascio, NIST Director and Under Secretary of Commerce for Standards and Technology



backtable 📑 VI 🖯 MSK 🖯 ENT 📑 URO 📑 OBGYN 📑 Innovation

















BackTable / VI / Podcast / Episode #349









Practical Cyber Advice

- Again, don't get overwhelmed; there's "a lot" of information out there
- Some ideas:
 - Fractional CISO? Managed Service Provider?
 - Stealth network?
- Perhaps best defense is offense?
 - Great backups and resiliency plan
 - Downtime procedures
 - Charting and communication





Homework

- Lock down asset protection with an expert.
- Don't let your providers do work for litigation funders.
- Make sure staff understands pitfalls (and benefits) of audit trails.
- Assume your medical license ends at your state's border.
- Apply traditional regulatory lens to new technology.
- Don't use "free" Generative AI for clinical care.
- Contract carefully for fee-based Gen AI, and don't do retro data dumps.
- Cybersecurity: Must have incident response plan and downtime procedures.
- Need practice SME when it comes to cybersecurity.

Thank you!





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