

# PHARMACY

## Risk Management

Pharmacists Mutual Ins. Co. • Pharmacists Life Ins. Co. • Pharmacists National Ins. Corp. • Pro Advantage Services, Inc.

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**Pharmacists  
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## Professional liability in the future

The practice of pharmacy has changed rapidly in the last few years and many more changes are predicted for the future.

**Pharmacy practice now includes drug administration (including immunizations), prescribing by protocol, patient counseling and education, and prescribing of a legally-recognized pharmacist-class of drugs.**

Practices that are becoming commonplace were unheard of as little as twenty years ago. One of the most common questions from pharmacists is whether these new practice modes expose them to increased risk of liability. The simple answer is yes. However, the profession cannot grow and change without an accompanying change in risk exposure.

To understand the increased risk exposures of these new practice types, and how to manage those exposures, it would be useful to review the necessary elements that must be proven in order to be held liable for negligence. A plaintiff must prove that a duty to the plaintiff existed; there was a breach of that duty; this breach was the proximate cause of some harm; and that there was actual harm suffered. When we talk about the new modes of pharmacy practice, we are essentially adding new duties to our practices. To determine when a pharmacist has breached his or her duty to a patient, the **pharmacist's conduct is compared to the standards of the profession.** Selection of good risk management techniques that help ensure conformity to these standards minimize the chance that a breach will occur.

A good risk management program is essential to any pharmacy practice. The risk management process was discussed in the Summer 1995 issue of this newsletter and consists of five steps:

1. Identify steps in your processes where errors may occur.
2. Analyze those steps for possible prevention or control techniques.
3. Select the technique or techniques

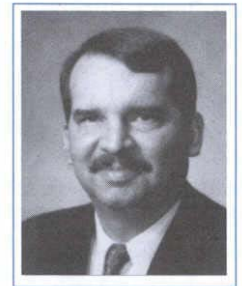
which best fit(s) your needs.

4. Implement the technique.
5. Monitor the results and make any necessary changes.

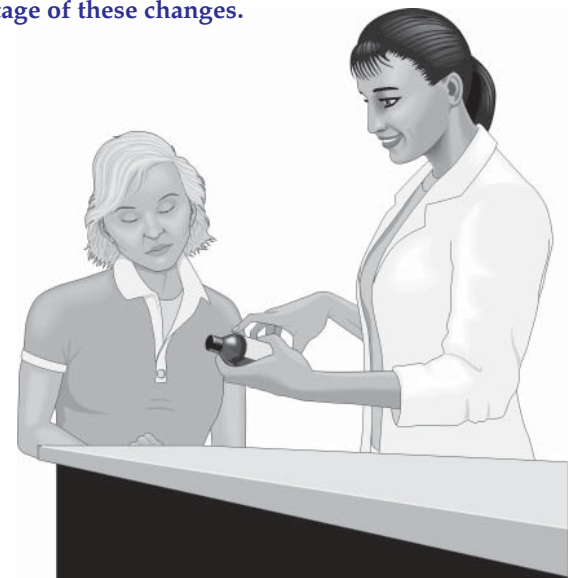
The **most valuable technique for these new practices is a competent, well-trained pharmacist.** Another important risk management technique is insurance. It is important to know that you are covered for claims resulting from these new practice modes prior to actually having a claim.

Review your Professional Liability Policy for the definition of pharmacy services and for any exclusions. A definition of professional pharmacy services that is tied to an outdated model of product dispensing may not adequately insure against these new risks. Pharmacists Mutual's definition of pharmacy services includes these new modes of pharmacy practice (where they are permitted by state or federal law). Pharmacists Mutual also monitors the changing nature of pharmacy practice so that our policy can change as the pharmacy profession changes.

Change is the one constant in the modern world. **With proper preparation, you can minimize your risks while positioning yourself to take advantage of these changes.**



Don McGuire,  
R.Ph., J.D.



A **record of your personal property** can be an invaluable tool should you have a loss claim at your home or business. You have all heard others champion the cause for making a videotape recording of all your possessions. This is an excellent idea, but let me add two common sense ideas that sometimes slip through the cracks. As you are taping, **provide a vocal narrative** of what is being taped. i.e. "This Broyhill sofa was purchased in 1997 for \$1,800," "these are my wife's shoes, there are 27 pair purchased for between \$25 and \$125," or "this Gateway Pentium 3 PC was bought in early 1999 for \$2600." The other point seems almost too silly to mention, but the opposite has happened. **Store the tape in a secure location off-site.** That's right, we have had clients whose inventory records burned up with the inventory.

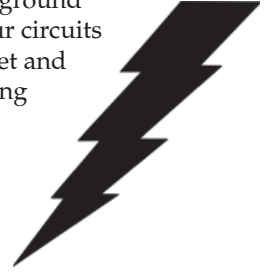
In lieu of the videotape method, we can still fall back to the pen and paper method. The Insurance Information Institute ([www.iii.org](http://www.iii.org)) has a very good "**Home Inventory Checklist**" available on their website. Those without Internet access can obtain a copy from Pharmacists Mutual's Risk Management Department 800-247-5930 extension 229. Even if you are planning to videotape, this checklist would serve as a good guide to ensure you don't forget something.

Using either method can make a harrowing claims experience a whole lot easier.

**When lightning strikes, a simple little bottle can save the day.** Direct lightning strikes can be sent to the ground through lightning rods. However, lightning rods can't save your electric equipment from a strike reaching your circuits through the power distribution system. The surge protectors many people use (the ones that plug into an outlet and have 4 or 6 outlets to plug in appliances) will fry, along with the equipment they are supposed to protect, during even relatively minor strikes.

Small **bottle shaped surge protectors**, containing zinc-oxide varistors, can be installed directly on your electric service panel and will stop such a utility line borne strike. They are relatively inexpensive for the protection they provide. They cost between \$35 and \$50 dollars and can be installed in minutes by a licensed electrician. Many electricians will do the job at cost if they are already working on another job.

For more information, ask your electrician or contact the Pharmacists Mutual Risk Management Department.



**The average retail store loses an estimated 2% of gross sales to shoplifting.** Even if you don't think you have a problem, you probably do. Assuming the estimates are right, let's do the math. A \$500,000 a year store would lose \$10,000 to shoplifters. If your margin is 5%, you would need to do an additional \$200,000 in sales to make up for that \$10,000 hit to your bottom line. Those are staggering numbers! But, you can do something about it!

**Shoplifting loss control** -Train your employees to be vigilant of all customers. Make them aware of especially suspicious behaviors. Teach them how to respond to a possible violation. Implement better inventory controls. Review your refund or exchange policy. Finally, promote the fact and cultivate a reputation that your company is tough on shoplifting, and will prosecute all offenders. For help with a policy or more information, fax PhMIC Loss Control at (515) 295-9306 or e-mail Jack\_Williams@phmic.com.

**Alarm system "white paper" available.** The Risk Management Department has posted an alarm system primer on the Pharmacists Mutual website ([www.phmic.com/Risk Management/Alarm System White Paper](http://www.phmic.com/Risk Management/Alarm System White Paper)).

While primarily aimed at commercial clients, the document presents basic facts applicable to home security systems as well.

The paper addresses the basic types of sensors available, the different types of communication links to consider, and the basics of line security and installation competence factors that should be a part of any decision to purchase or upgrade a system.

Those without Internet access can request a hard copy via **fax at (515) 295-9306.**

#### **Commercial policy quick claim facts:**

- Question: **Why should you go to the extra expense of specifically insuring your computer** when it already qualifies for coverage as business personal property under your businessowners insurance policy? Answer: Breadth of coverage. Even though your computer and peripherals are covered as business personal property just like your inventory, there are several unique risks your computer faces that demand special attention. Your businessowners policy covers your computer for things like theft, fire, water damage, tornado damage, etc. It even covers you for lightning damage. There are exclusions, however, for several common and costly computer losses: reduced/increased voltage (brownouts and surges), mechanical breakdown, and magnetic/electronic erasure of data. Specifically insuring your computer will provide coverage for these common causes of loss.
- If you are a tenant, you need to be aware that there are special risks you face. These risks generally arise from provisions in your lease. If you don't read your lease, you may not know that you could be responsible for loss to heating/air conditioning apparatus, lighting/plumbing fixtures, window glass, and/or entry/exit doors in your building. **Landlords often attempt to shift the responsibility for these items to their tenants.** They sometimes shift the burden of insuring the entire building to their tenants! How does this affect you, the tenant?



There is no automatic coverage on your policy, as a tenant, for *any* of your landlord's property. Even if your lease makes you responsible for the equipment mentioned above, you must specifically ask us for and pay for additional coverage for these items. It is a very common misconception by tenants that their insurance policies provide coverage for items for which their lease makes them responsible. Without adding additional coverage for the above-mentioned items, you may find yourself *personally* responsible for repairing or replacing property that belongs to your landlord. **Read your lease to discover this hidden risk.** If you are unsure what your lease says, contact your attorney. A recent case handled by Pharmacists Mutual

resulted in denial of a lightning damage claim and a tenant being personally responsible for \$22,000 in air conditioner repairs. Don't let this happen to you.

#### Auto policy quick claim facts:

- **Do you carry a cell phone?** What happens if it's stolen from your car? Your auto policy specifically excludes equipment that receives or transmits audio signals unless it is permanently installed in the vehicle. Your Pharmacists Mutual homeowners policy has a new additional coverage: up to \$1,500 for electronic equipment that can be operated from the electrical system of your car. Not only would this include most cell phones, but it would also include portable CD players and CDs as well as radar detectors. Remember, though, that your deductible still applies.
- **Have you ever hit a deer, bird or other animal?** It's not uncommon for damage from any of these to run into the thousands. Generally, hitting another object with your car would fall under your "collision" coverage. Special exception is made for collisions with animals. Damage from animal collision falls under your comprehensive or "comp" coverage. Remember that your comprehensive deductible still applies. Many drivers assume that since hitting an animal is not "their fault," their deductible does not apply. Your deductible always applies, no matter what you hit and regardless of fault.



#### RX for Success: "A New Company for the New Millennium"

Year 2000. Y2K. Internet. E-Commerce. Cornerdrugstore.com. Pharmacy and the business world is changing at a fast pace. Customer expectations are high. How we serve customers is being redefined.

**Pharmacists Mutual just completed the largest project in our history** with the installation of a Y2K compliant Business Information System. Although the new system is fully operational, modifications to enhance it are still being made. This will be an ongoing process until we have a state of the art customer friendly system.

Pharmacists Mutual is a well managed company with excellent financial credentials and a strong dedication to customer service. Still, **we can improve and be an even better** nationwide provider of specialty insurance and financial products and services to pharmacists, pharmacies and associated businesses.

**A new "fundamental change" management project** was initiated June 1. The object of the project is to **redesign the company** to better respond to the wants, needs and expectations of customers and employees. Faster, more efficient work processes is also an expected outcome with increased customer satisfaction and a substantial expense savings.

Under the guidance of McDonald Consulting, a group of **Pharmacists Mutual's best and brightest key people** have formed a **Design Team** to do the project work. Team members represent a cross section of experience and share a common vision of the company's future. The team, as part of the project, reviewed basic principles and concepts of organizational design, process reengineering, as well as goal and success measurement. They have identified primary work processes and subprocesses in each area of the company as they clearly identify what is working and not working. Data has been gathered on costs, timeliness of service, customer satisfaction, quality and complaints. Both internal and external customers have been surveyed and gaps between what we need to do and what we are doing have been identified.

**The Design Team is on schedule** to present its important recommendations to the Board of Directors in August. After a final design is approved, implementation is expected to take 10-12 weeks.

With change comes opportunity and Pharmacists Mutual is aggressively reaching out to capture and take advantage of our opportunities. This is an exciting project and **we thank everyone** who completed a customer survey or participated in a telephone interview.

Pharmacists Mutual is a **customer owned company** and our MUTUAL philosophy speaks directly to customers coming together to make a difference. Better service, better customer satisfaction, better efficiency, lower costs and **"a new company for the new millennium."**

Winter will be back before we know it. With the cold weather will come the **use of supplemental space heaters**, electric and gas. Both can be dangerous to life and property if not used safely. The operating instructions included with these units should be followed to the letter.

What? You say you don't have the owner's manual anymore, and you didn't read it very closely when you did have it. For those of you in that predicament, here are some general safety rules:

**Electric models:** We recommend plugging directly into an outlet. If an extension cord must be used, be sure it is sized to handle the electrical load. Use only those models with a "tip-over" off switch. Never leave the unit running when out of the room.

**Gas or kerosene models:** Do not use in bedrooms, mobile homes, or recreational vehicles. Maintain 36 inches between the unit and any flammable material. If using a flexible supply line, be sure that anyone who might move the unit knows the setback requirements. Units are available with dual purpose safety pilot system; oxygen depletion or fuel delivery interruption causes burner shutdown. These units are much safer than the others. Remember you are literally "playing with fire." Respect the damage it can do, and act accordingly.

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**There will be no deadline extensions on the Y2K situation.** By now, you all should be through the testing process and well into the process of replacing your electrical equipment, programs, and vendor / suppliers that are not Year 2000 compliant. If you are not at that point, you must identify your most "mission critical" situations, and take care of them first. It's too late to fix everything, get it tested, and integrated; but it's not too late to fix your most important processes.

Individuals with older computers, TVs, VCRs, thermostats or just about anything else electronic need to be aware that some of these items may well malfunction as the date changes to 01/01/2000. *Risk Management in Pharmacy* has previously listed websites and addresses of organizations or companies that can help with the verification problems you face. Check out the newsletter archives in the Risk Management section on our website, [www.phmic.com](http://www.phmic.com) or call 800-247-5930 ext. 229 for these listings.

### Do you have any questions or requests concerning

- ✓ The contents of this newsletter?
- ✓ Safety Consultation Services?

Call 800-247-5930 ext. 229  
or E-mail [Jack\\_Williams@phmic.com](mailto:Jack_Williams@phmic.com)

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