

# healthcare report

VICTOR O. SCHINNERER & COMPANY, INC.

Information and Risk Management Ideas for Healthcare Professionals

## HOSPITALS ARE PRIME TARGETS FOR KIDNAP, RANSOM, AND EXTORTION ATTEMPTS

**HOSPITALS** and other healthcare facilities, irrespective of size or location, have major exposures to a wide range of risks that are often misunderstood by administrators and downgraded in importance by risk managers. Healthcare facilities are subject to a constant flow of people. They have a large investment in computerized records and controls. They obviously have an obligation to protect both the safety and the confidentiality of patients. These factors lead to exposures that need to be addressed by proper operating procedures and prudent insurance coverage.

Most healthcare facilities have a large and diverse staff. They also accommodate transient patients and visitors who are often under extreme emotional and, at times, financial stress. The complexities of hospital facilities can lead them to be targeted by disturbed or rapacious individuals who use the environment to prey on the vulnerable. Because of this, healthcare facilities face security challenges that are unparalleled.

Security concerns, of course, go beyond just the management of physical access to a building. The preservation of patient privacy and the protection of entity information and control systems are essential for a healthcare facility to operate lawfully and effectively. Any disruption to the digital information flow in a facility could lead to service compromises resulting in malpractice claims and regulatory actions.

### Managing the Risk Includes Insuring Against the Peril

Hospitals and healthcare facilities are prone to a wide range of threats to patients, staff, and property, including incidents of violence, child abduction, and even threats of extortion.

Establishing and enforcing appropriate procedures and having in place a response and recovery plan is essential to any organization. Due to the varied risks hospitals and healthcare facilities face, security is of the utmost importance. Schinnerer's Hospital Security Risk Management policy goes far beyond traditional kidnap and ransom insurance coverage. The policy addresses the risks of extortion, abduction, and violence. It is vital in an institution's efforts to incorporate security and risk management practices into its operations.

### Common Scenarios Highlight Exposure to Kidnap, Ransom, and Extortion

Although risks can be dependent on the size, location, and clientele of healthcare facilities, the major risks are illustrated by these categories:

**Child Abduction:** Despite the significant levels of security in place at most facilities, child abductions still occur. Abductions can range from a baby stolen by a kidnapper posing

as staff to the abduction of a child by a non-custodial parent. While many insurance products that cover kidnappings exclude the legal liability of the institution and have exclusions for older children and abductions by parents, our policy can provide extended coverage that protects institutions from these significant risks.

**Hostage Crisis:** The emotional stress of a traumatic situation can lead to threatening behavior or impulsive action. A hospital emergency room, for instance, can become the scene of a hostage crisis when a distraught patient or relative endangers the lives of many. Other situations in medical facilities could lead to the unlawful detention of staff, patients, or visitors. When victims are detained against their will for over one hour for any reason, the hostage situation can trigger significant negotiation, control, and intervention costs, and possible lawsuits from the victims involved. These costs can be covered by Schinnerer's policy.

**Kidnap for Ransom:** Not all situations involving child abduction or the taking of hostages are the result of deranged or emotionally unstable individuals. Forms of kidnapping exist as profit centers. The kidnap for ransom of directors, officers, employees, and patients or visitors necessitates skilled

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negotiation and crisis management. An improperly handled kidnapping—where the facility does not have access to an experienced crisis management and response firm—may result in injury or death. But even if no one is physically harmed, the untrained reaction of a healthcare facility to such a crime can lead to psychiatric and medical costs, rest and rehabilitation expenses, and revenue loss due to adverse publicity.

## Threats Also Have Their Risks

Not all risks involve direct physical danger to individuals. Threats can paralyze a facility's operations and lead to massive unplanned costs and significant reputation damage. These situations can include the following:

**Patient Identity Threats:** Protecting the privacy of patients is basic to the operations of any healthcare facility. That privacy can be compromised; personal information can be obtained in many ways and used in an extortion threat. In addition to the direct costs related to the extortion demand, a facility can have major expenses, including those for the required notification of patients related to the real or threatened release of their identity information.

**Disruption of Computer Systems:** Even with firewalls, virus detection, and

many other safeguards, the integrity of computers can be breached. Whether because of malicious intent or the desire to extort money, computer systems can be held hostage. Facilities cannot function without computer systems providing records, controlling systems, and monitoring vital information flows. An immediate response to such a situation is critical; insurance coverage for the business interruption and loss of earnings in the event of cyber extortion is vital to a facility's continued existence.

**Products Extortion:** The real or threatened contamination of medical supplies can force a massive recall, tremendous examination and destruction costs, and the need to replace the affected products on an immediate basis. The costs of responding to such a crisis—both on an urgent basis and for investigating and correcting the harm—can be a covered expense.

**Hijacking:** Ambulances and other healthcare vehicles can be targets for criminal activity. Whether the goal is a quick recovery payment, stripping the vehicle of equipment or supplies after it is stolen (excluding carjackings where no kidnapping occurs), the damage such a hijacking can cause a facility can be far more than the cost of the vehicle and its contents.

## Travel Security and Evacuation:

Facilities that send staff outside of the U.S. could face the costly situation of having to quickly evacuate the individuals for security purposes. Danger might be anticipated, but a security risk cannot always be pinpointed in time. Having the resources to quickly respond to a situation by evacuating personnel is vital.

## Insurance and Risk Mitigation Are Essential

Any analysis of risk can envision these and many other scenarios that can disrupt or destroy the profitable and dependable operation of any healthcare facility. But it is also reasonable to mitigate the risk by striving to put prevention systems in place. Because of this emphasis on risk mitigation, hospitals and healthcare facilities insured with Schinnerer can use part of their premium to supplement the cost of preventative security services. These preventative measures include threat assessments, simulated exercises, and crisis management planning. If a situation occurs despite preparation, hospitals and healthcare facilities insured with Schinnerer not only have the insurance to protect them, but also access to a leading crisis management and response firm to lead them through the incident.