



CNA HealthPro

Hired Contractors and Insurance

Dentists most often think about insurance in the context of patient care benefits or malpractice claims. While both these insurance products are important to dental professionals, other forms of insurance can be equally vital.

Consider the following scenario:

Until recently, Dr. Jackson had used his office's computer system mainly for billing and letter writing. Last year, he decided to move toward a paperless office and began storing clinical information in the computer. However, it soon became evident that the hard drive on the system he had purchased four years ago was about to reach its maximum capacity. Therefore, it would be necessary either to add additional storage capacity or upgrade the hard drive. After some deliberation, he resolved to replace the old hard drive with a newer model possessing greater capacity.

Dr. Jackson found a computer consultant who claimed to be able to perform the work and arranged for the upgrade to be done on a day when patients were not being seen. Much to Dr. Jackson's chagrin, the computer consultant accidentally erased his hard drive as well as his backup tape, leaving him with a useless system devoid of information.

Faced with the daunting task of manually re-entering massive amounts of patient information, Dr. Jackson sought redress from the computer consultant, assuming the service vendor's errors and omissions business insurance policy would pay for whatever was needed to get the system up and running again. Unfortunately, Dr. Jackson learned too late that the consultant did not have errors and omissions insurance for his business, leaving Dr. Jackson caught in the middle of a messy financial and legal situation.

Whether the contractor you hire is a computer consultant, plumber, roofer or dental equipment repair person, always ascertain ahead of time whether he or she carries liability and/or errors and omissions insurance with limits sufficient to cover the value of your most severe potential loss.

The Importance of Insurance

Errors and omissions (E&O), liability, and completed operations insurance protects businesses and vendors from whom you purchase services – and your own practice – by paying for damages arising from unintended adverse outcomes. In Dr. Jackson's case, a properly insured computer consultant would have had E&O coverage in force with limits high enough to address his and his clients' business needs.

The loss of use suffered by Dr. Jackson is not the only potential risk that a dentist could experience at the hands of vendors. Make sure your service contractors are adequately insured against

- *property damage* – e.g., a plumber leaves a leaky pipe after a job that results in water damage to your office and the office below yours
- *bodily injury* – e.g., an electrician installs faulty wiring that short-circuits and injures you, a patient, a visitor, or a staff member
- *loss of income* – e.g., a dental service contractor improperly repairs your dental chairs, rendering all three chairs inoperable until new parts can be obtained

As the preceding examples demonstrate, a vendor's actions might adversely affect your practice in many ways. In most instances, the contractor's basic business E&O or liability policy will address your interests as the vendor's client. When professional services are retained, as from an attorney or accountant, that person's professional liability insurance would protect you, the client, from negligence arising from unintended errors and omissions.

To minimize such losses, be cautious and thorough when assessing and selecting vendors to perform jobs for your practice.

Select a Qualified Vendor

The selection of a qualified vendor is the first step in protecting yourself against losses arising from the acts or omissions of outside contractors. Hire vendors that have a good reputation and are known for quality work. Ask for references before agreeing to hire a vendor, and call the references to inquire about any problems they may have had with the vendor.

If the vendor's profession requires licensure or certification in your state, verify current licensure or certification as a component of your selection process. It is also a good idea to check with consumer agencies, such as the Better Business Bureau or the local department of consumer affairs. Just as you would not wish to be treated by a physician who has had a suspension or disciplinary action of his or her license, you should avoid engaging a roofer with a history of licensure actions or consumer complaints.

Even properly licensed vendors can have a bad day, however. It is essential, therefore, that each potential vendor be able to produce a current and valid certificate of insurance protecting your practice from their liability. Most reputable vendors are accustomed to clients requesting such documentation and can obtain a certificate from their insurance carrier in a relatively short period of time.

Put It in Writing

Another way to protect your practice is to enter into a written contract with the vendor. The contract should outline the scope of services to be provided and certify that the vendor holds a valid license, if such activity requires a license in your state. It should impose responsibility on the vendor to comply with all federal, state and local laws and regulations in the provision of services to you. Of course, provisions addressing questions of compensation and warranty must also be carefully delineated.

The contract should stipulate that the vendor assumes financial responsibility for his or her liability that results in a loss to you, the client. Be sure to review the contract's fine print carefully, as some vendors have been known to insert contract language waiving their own liability. Signing such a contract is inadvisable.

The combination of a signed contract, a verified license and a current certificate of insurance will reduce your risk of experiencing an unrecoverable loss due to a vendor's error or omission. Purchasing services from a vendor without first assessing and managing potential liability is risky business indeed.

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