

Section I - Executive Summary

The South Carolina Medical Malpractice Patients Compensation Fund (PCF) has made great progress this past year. The newly appointed Board has considered many issues and has been involved in a number of educational meetings. They have met on a monthly basis and have considered:

- a) actuarial issues
- b) reserves & rates
- c) pending legislation
- d) reinsurance
- e) plan of operation

They have also joined forces with the S. C. Joint Underwriting Association and the S. C. Department of Insurance and have made significant progress with reform initiatives. Issues that have been addressed are:

- a) enactment of new legislation which provides for greater limits of liability for the JUA and places the Department of Insurance on both boards,
- b) implementation of rate increases,
- c) and completion of a study of claims handling

Other reform issues involve strengthening the ability of the PCF and JUA to handle claims, increase financial reporting and improve coordination between the two institutions.

The PCF and JUA Boards also voted to create a task force to address certain issues and make recommendations to their respective Boards. Some of the issues they considered were:

- a) outsourcing of the management and/or operation of the PCF and JUA to vendors
- b) proposed legislative changes
- c) distribution of a joint statement to PCF members and JUA insureds of the positive changes that are taking place within the organization.

Other major achievements during this period:

ASSESSMENT

The PCF Board determined that a premium assessment was necessary to preserve the financial viability of the fund. Therefore, on September 13, 2000, approximately 8300 members were assessed 100% of their last renewal premium and the fund collected \$15,717,000. The statute grants the Board the authority to make assessments. (Section 38-79-450), Code of Laws of South

Carolina, 1976.

CHANGE IN BASIC LIMIT REQUIREMENTS

On May 26, 2000, Act 313 became law in South Carolina. The Act requires that all professional liability policies, effective on or after November 26, 2000, be required to increase its coverage limits from \$100,000/300,000 to \$200,000/600,000. This increase reduces the amount of contribution necessary from the PCF toward claim payments.

RATE INCREASE

A full actuarial review was conducted under the direction of the South Carolina Department of Insurance. AON, a nationally known actuarial firm, made recommendations to the PCF Board based on the liabilities of the Fund. Based on the actuary's recommendations, the Board implemented a rate increase of 90.8%, which was effective on June 1, 2001. Some of the perimeters the Board considered for the rate increase included; reducing the PCF's deficit, and to stay competitive in the commercial market.

MISSION:

THE PATIENTS COMPENSATION FUND'S MISSION IS TO PROVIDE EXCESS PROFESSIONAL LIABILITY AND GENERAL LIABILITY COVERAGE TO LICENSED HEALTH CARE PROVIDERS OF SOUTH CAROLINA.

The Patients Compensation Fund's objective is to better serve the citizens of South Carolina through a viable and adequately funded malpractice program for physicians, dentists, hospitals and healthcare facilities. The PCF Board is committed to strengthening and preserving the Patients Compensation Fund in order to assure that the licensed healthcare providers of South Carolina have adequate liability and litigation protection.

Section II - Business Overview

The Fund operates with a very small staff of three FTEs. One of these employees, an administrative assistant, joined the fund in January 2001 and the other two employees, fund coordinator and administrative assistant, have been with the agency since 1986 and are very knowledgeable about the agency's operation. The agency's director retired in February 2000 and during this past year the Board of Governors has been actively searching for an executive director, but has been unsuccessful in their efforts. The Board recently made a decision to outsource some of the responsibilities of the

PCF and have contracted with JUA/Marsh to provide the following services: (1) replace and fulfill the responsibilities of what would typically be considered an executive director; (2) assure the fiduciary duties and responsibilities of the board are met; and (3) provide oversight of the administrative functions of the PCF.

The South Carolina Medical Malpractice Patients Compensation Fund (PCF) was created by the General Assembly in 1976 for the specific purpose of providing medical malpractice coverage in excess of South Carolina health care provider's basic insurance coverage. The PCF is authorized by sections 38-79-410 through 38-79-490 of the South Carolina Code of Laws.

The PCF is self supported through member fees and assessments and no federal, state or other funding is involved. The PCF issues certificates of membership; and collects and deposits membership fees and it also provides credentialing for its members. The fund monitors claims and suits against its members and pays any portion of settlements and awards that are in excess of the member's basic coverage. The PCF requires a minimum limit of \$200,000 per claim and \$600,000 annual aggregate of all claims under the member's basic coverage.

The PCF currently has approximately 8156 members including 12 hospitals; 5081 physicians; 1216 dentists; 63 oral surgeons and 1784 other health care providers. The cost of administering the Fund for FY 01 was \$260,643.00. A total of \$41,169,061 was paid on claims for this period compared to \$18,495,365 paid last fiscal year.

Section III - Elements of Malcolm Baldrige Award Criteria

Leadership

The Patients Compensation Fund Board of Governors is appointed by the Governor to manage and operate the fund and the executive director is appointed by the Board. Since the retirement of the agency's executive director, the Board of Governors' search for a replacement has been unsuccessful, therefore the Board has made the decision to outsource to JUA/Marsh the responsibilities of the executive director.

Strategic Planning

At the present time, the Fund has no established guidelines developed for this area. However, the new board and staff shall develop criteria in the future.

The Board is in the process of developing a plan of operation. These written policies and procedures will contain detailed procedural information that will provide a system of operating controls for the efficient administration of the fund and in compliance with the S. C. Code of Laws.

A joint task force created by the PCF and JUA Boards addressed certain issues involving the JUA and PCF. The task force with representatives from the JUA Board, PCF Board, Dental Association, Hospital Association, Medical Association and the Department of Insurance will consider rates, management and staffing issues and will make appropriate recommendations to their respective Boards. The joint task force has also distributed a joint statement to PCF members and JUA insureds of the positive changes that are taking place within the organizations.

Customer Focus

The fund provides the following customer services to its members: enrollment of new members, renewal of current members, collection of fees and assessments, payment of claims and it provides credentialing information to hospitals and managed care organizations.

The Board is in the process of developing a membership agreement that would serve as a PCF policy for its members. This membership agreement would formally define the responsibility of the PCF to the member and the member to the PCF.

Also, this year the Board voted to allow PCF members to pay their annual membership fees on a quarterly basis. This option was offered to the members due to the increase in the PCF rates. Approximately 50% of the PCF members have taken advantage of the option to pay quarterly and this option was well received by the members of the fund.

Physicians and dentists that attend the SCMA and SCDA Risk Management Seminar and are in their first or second year of practice are eligible to receive a discount on their PCF membership fee.

A 50% discount is given in their first year of practice and a 25% discount in their second year of practice.

The healthcare providers are credentialed by hospitals, insurance companies and managed care organizations. In order to obtain hospital privileges and participate in managed care organizations, healthcare providers must show proof of professional liability insurance coverage as well as any claims history. The PCF receives approximately 6,000 requests for this information annually and the PCF provides a five-day turn around on these requests as this information is very critical to our members.

All employees are cross-trained to ensure that the agency's operations will always be carried out in a very efficient manner without jeopardizing customer service.

The PCF staff goes the extra mile to provide a high quality of service to each and every member. The staff works as a team and with great professionalism. Each PCF member receives special attention and excellent customer service is always a top priority.

Information and Analysis

The agency has a very small staff and it is imperative that our computer system is effective and efficient. We are always making improvements in our programming that allows the most desired results. The agency's database is very accurate with only a small amount of data input errors. We continually strive to have appropriate controls in place to ensure the accuracy of information in the agency's database.

This coming year, the agency plans to obtain on-line access for all staff.

Human Resources Focus

Since we are a small staff of three, we have to work well as a team. Two of our employees have been with the agency for fifteen years. We have recently hired a new employee and this has helped relieve some of the workload on the other two employees. This additional FTE will enable the agency to better handle the increased volume of services on a timely basis.

Process Management

The agency is constantly making improvements to our computer software to ensure that our members receive the most efficient and accurate information. The most recent changes in our software programs allowed the agency to bill our members on a quarterly basis. This was a positive change and was well received by our members. The agency would like to expand its technological abilities that will allow the agency to meet the future needs of our members.

Business Results

The PCF is in the midst of making many changes both financially and internally in the management of the agency. The adoption of the actuarial recommendation from the recent audit and the implementation of an increase in the rates will provide financial strength and begin the process of the preservation of the financial viability of the fund. Our staff works very hard to implement changes that will improve our agency's effectiveness and produce positive results for the PCF members.