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ACCOUNTABILITY REPORT FISCAL YEAR 1999/2000

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ACCOUNTABILITY REPORT
FISCAL YEAR 1999/2000

Mr. Les Boles
Director
Office of State Budget
1122 Lady Street, 12th floor
Columbia, S. C. 29201

Dear Mr. Boles:

I am pleased to submit the S. C. Medical Malpractice Patients Compensation Fund Accountability Report for FY 1999-2000.

The South Carolina Medical Malpractice Patients Compensation Fund serves the health care providers of the state. The PCF's mission is outlined in section 38-79-410 through 38-79-490 of the S. C. Code of Laws.

The Fund is an Enterprise Fund and began operation in 1977 and its mission is to provide excess medical liability coverage to its members.

The goals, objective and performance measures included in this report were established by the Board of Governors to ensure that internal controls and policies are in place to safeguard and protect the fund.

You may contact Mary Ann West, Interim Executive Director at 731-1687 regarding this report.

Sincerely,

Mary Ann West
Interim Executive Director

EXECUTIVE SUMMARY

All health care providers licensed by the state of S. C. are eligible for membership in the South Carolina Patients' Compensation Fund (PCF). PCF membership is contingent on the members maintaining medical professional liability insurance with minimum limits of \$100,000/\$300,000 and the PCF member has unlimited protection in excess of their basic insurance coverage. There is no limitation of the amount the PCF will pay per claim or judgement.

All PCF members pay annual membership fees which are based on 110% of the current applicable Medical Malpractice Liability Joint Underwriting Association (JUA) premiums. The PCF is self supported through member fees and assessments and no federal, state or other funding is involved.

The PCF operates under the direction of a thirteen member Board of Governors. The fund issues certificates of membership; and collects and deposits membership fees in a restricted account with the State Treasurer. The PCF monitors claims and suits against it's members and pays any portion of settlements and awards in excess of the member's basic coverage. The PCF currently has approximately 8425 members including: 19 hospitals; 5409 physicians; 1199 dentists, 62 oral surgeons and 17369 other health care providers.

The Board of Governors determines the level of the fees and assessments needed to fund the member's medical liabilities. The PCF Claims Committee is composed of members of the Board of Governors reviews and authorizes payment of each claim.

The PCF staff provides information to the Board and its committees as well as provides the necessary services to the healthcare provider members.

There was a review of the Medical Malpractice Patients Compensation Fund by the South Carolina Legislative Audit Council and this report was presented to the General Assembly in January, 2000. In April of 2000, a new 13 member Board was appointed by the Governor.

On May 13, 2000, Act 313 became law in South Carolina which changed the required minimum basic limits of coverage of \$100,000 per claim and \$300,000 annual aggregate to \$200,000 per claim and \$600,000 annual aggregate to be effective on or after November 26, 2000.

Section 6. Section 38-79-450 of the 1976 Code was amended by adding

at the end: "Any deficit must be paid by the members of the fund. The State is not responsible for any costs, expenses, liabilities, judgements, or other obligations of the fund."

Section 5. Section 38-79-430 of the 1976 Code as last amended by Act 19 of 1997, was amended by adding at the end:

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"The board shall develop a plan of operation for the efficient administration of the fund consistent with the provisions of this article. The fund must operate pursuant to a plan of operation which shall provide for the economic, fair, and nondiscriminatory administration and for the prompt and efficient provision of excess medical malpractice insurance and which may contain other provisions including but not limited to, assessment of all members for expenses, deficits, losses, commissions arrangements, reasonable underwriting standards, acceptance and cession of reinsurance appointment of servicing carriers and procedures for determining the amount of insurance to be provided by the association. The fund may not grant retroactive coverage to members. The plan of operation and any amendment to the plan are subject to the approval of the director or his designee. If the board fails to develop a plan of operation within the time frame established by the Governor or his designee, the director or his designee shall develop the plan of operation for the fund."

A full actuarial review will be conducted under the direction of the South Carolina Department of Insurance. The agency will also obtain an actuary on an annual basis to determine the liabilities of the Fund.

The Fund has operated with a very small staff and while the PCF membership has increased over the last 14 years, the staff has remained the same. In July of 1986, the Fund had 2,012 active healthcare provider members compared to the present 8,246. The original staff of 3 FTEs have found it very difficult to handle the increase volume of services due to the increase in membership and will need additional staff in the future to provide the services to the healthcare providers of the State appropriately.

MISSION STATEMENT

The PCF's only mission is to provide excess medical liability coverage to its' member South Carolina providers. It is a unique self-funded pool which pays its' members liabilities that are in excess of their basic liability insurance without limitation as to the amount to be paid.

The PCF's goal is to provide excess medical liability coverage to South Carolina healthcare providers at an affordable cost and to ensure

that the PCF remains solvent.

LEADERSHIP SYSTEM

The Fund is governed by a 13 Member Board which are appointed by the Governor. The Board of Governors was created to manage and to operate the fund. They serve on a voluntary basis and meet monthly.

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The Executive Director of the PCF retired in February, 2000 and the Board is in the process of hiring a new director. The fund also has two full time employees that have been with the agency since 1986 and are very knowledgeable about the agency's entire operation. An additional FTE was requested for FY 2000/2001 and was granted. This will enable the agency to better handle the increased volume of services on the timely basis required by its' health care provider members. The PCF staff goes the extra mile to provide a high quality of service to each and every member.

CUSTOMER FOCUS AND SATISFACTION

The Fund provides membership to all qualified health care providers. These provider qualifications include an unrestricted license from the State of South Carolina and the required basic professional liability insurance. Fund membership is suspended and no benefits are paid by the fund during the period of time when there is no basic professional liability coverage in force. In addition, if any membership fees and assessments are not paid on a timely basis, the member's coverage may be suspended until the fees and assessments are paid.

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.

OTHER PERFORMANCE EXCELLENCE CRITERIA

At the present, the Fund has no established guidelines developed for this area. However, the new board and staff shall develop future criteria which would include the effectiveness of strategic planning, information collection and analysis, human resource focus, and systems and processes for assuring the quality of services.

DESCRIPTION OF PROGRAMS OR KEY RESULTS AREAS

The PCF is funded entirely by the healthcare members' fees and assessments and has 3 FTE's. The cost of administering the Fund for FY 99/00 was \$273,876.00. The total active membership in the Fund as of June 30, 2000 was 8,380 and a total of \$18,495,365 was paid on claims in 1999-2000.

The PCF goal has not changed since the inception of the Fund. This goal is to provide the most viable excess medical liability coverage to South Carolina healthcare providers in an equitable and economic fashion.