

## **MEDICAL MALPRACTICE INSURANCE GUIDELINES**

The University maintains a professional medical and hospital liability self-insurance trust fund which serves as the funding mechanism for the Professional Medical and Hospital Liability Program (Program). Additional coverage for the Program is provided through excess insurance. The Program's trust provides funding for claims up to specific limits (i.e., \$5 million per occurrence). The Medical Centers, Schools of Medicine and other health science schools (e.g., Optometry), neuropsychiatric hospitals and the University's medical professionals (those licensed in the healing arts) and hospital staff are covered for acts or omissions in the course and scope of employment, as defined by the California Tort Claims Act, at University-owned or affiliated medical facilities. The Professional Medical and Hospital Liability Program is funded by the following sources: State appropriation, income generated by the medical centers, neuropsychiatric hospitals and medical practice plans, and student health insurance fees charged by each campus.

The Office of Risk Management in the Office of the President determines the required program assessments following an annual review by outside consulting actuaries. The method for allocating cost is determined based on a combination of risk exposure and losses, both actual (i.e., paid and reserved claims) and incurred but not reported (IBNR), by specific campus. Cost is expressed in terms of exposure units (e.g., number of beds, number of surgeries - inpatient and outpatient, number of visits (clinic and emergency room), number of full-time-equivalent physicians and residents, etc.

The Actuary will determine the Program assessment by campus as well as a break down for Student Health Service Centers, and for the Schools of Medicine/Medical Centers. The apportionment of the campus assessment between the School of Medicine and Medical Center will be a local issue. The campus will be notified following the Actuary's Report (usually in April) of its assessment for the coming fiscal year.

In 1997-98, the base year for the change in methodology, the apportionment of the campus assessment related to medical malpractice will be established by the Office of the President at 50/50 between Schools of Medicine and Medical Centers. An equal split was used because data are insufficient to determine a more precise apportionment. A campus can change the apportionment in 1997-98 but the change must be in accordance with the guidelines below.

In 1998-99, the apportionment between the School of Medicine and Medical Center may be changed, but the change must be based upon and supported by analysis. If the change is less than five percentage points from the base year (1997-98), the Director of Risk Management must be notified by the campus, no later than September 30, so that an accurate assessment can be made. If the apportionment between the School of Medicine and Medical Center is a change of five percentage points or more from the base year (1997-98), the Director of Risk Management and the Associate Vice President of Business and Finance must be notified by the campus no later than September 30 and the notice shall be accompanied by an analysis which supports the change.

In subsequent years (i.e., after 1998-99), the apportionment between a School of Medicine and Medical Center will be established based upon the previous fiscal year's apportionment. The Director of Risk Management shall be notified by September 30 of any change in the apportionment in the current year. If the change is five percentage points or greater, the notice shall be accompanied by an analysis which supports the change. The analysis must be sent to both the Director of Risk Management and the Associate Vice President of Business and Finance.

In addition, if the cumulative change over any three consecutive fiscal years equals five percent or more, an analysis to support the redistribution is required. For example, FYI - 2% change, FYII - 1% change, FYIII - 2% change, the cumulative change for three consecutive fiscal years is 5%.

Because the medical center's financial statements are audited annually, the review and analysis that supports the change in the apportionment between the School of Medicine and its Medical Center must withstand a review by the external auditors. Until better information becomes available, an analysis shall consist of a review of a sampling of malpractice claims for the previous three fiscal years. The analysis submitted to the Office of the President shall be approved by the Vice Chancellor of Administration.