

THE UNIVERSITY of TEXAS SYSTEM

Nine Universities. Six Health Institutions. Unlimited Possibilities.

2010 ANNUAL REPORT



PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

SEPTEMBER 1, 2009 – AUGUST 31, 2010

For FY 2010, stability has been the key focus of management of The University of Texas Professional Medical Liability (Plan). Even in these uncertain economic times, the continued stability of the Plan has enabled the Board of Regents to significantly reduce premiums again this year and return excess premiums to participating institutions.

Overall exposures increased by 2.3% over 2009 with the Plan insuring approximately 12,000 Plan Participants, including medical students, residents, fellows and faculty. In addition, the Plan provided coverage to 173 medical students for out of state externships, with California being the favored destination. This year, with the continuing decline in the number of claims and lawsuits, the Board of Regents reduced premiums by an average of 35%. This is the sixth premium reduction in the seven years since the passage of tort reform measures in 2003. While direct comparison with commercial carriers is always difficult due to variations in policy terms, the average Plan premium was \$2,714 for greater coverage than commercial carriers whose premiums averaged approximately \$18,500. The operational costs of the Plan increased slightly during the fiscal year.

This year the Plan paid out slightly more in settlement of claims and lawsuits than in 2009. For its almost 12,000 insureds, the Plan paid a total of \$965,649 in settlements, a seven percent increase over 2009. Physicians at The University of Texas Health Science Center at Houston accounted for almost 41% of the total settlements. Despite a slight increase in Plan payments, the overall cost of defending claims and

lawsuits declined by 25%. Earlier evaluations of claim exposure along with earlier settlements when supported are the likely reason for this decline in defense costs.

In addition to coverage for defense of claims and lawsuits, the Plan provides coverage for professional disciplinary actions (usually by the Texas Medical Board) against Plan Participants. In FY 2010, the Plan covered 64 such new matters, an increase of 33% over 2009. In defending these actions, \$141,762 was expended in FY 2010 for an average cost of \$2,215 per disciplinary action; the average cost decreased by 37% from FY 2009.

While risk management education is a continued requirement for Plan coverage, the emphasis on patient safety and managing risk in the health care setting has increased demand for education. On-line education is available through the Plan with a focus on error prevention. In 2010, 4,066 physicians participated in risk management education by completing 21,262 risk management courses the Plan offered. This level of physician participation is a 92% increase from the previous year.

For the coming years, stability will continue to be the focus of Plan management so that UT institutions can rely on Plan defense without extraordinary rate changes.

4,526	Faculty Covered
1,058	Fellows Covered
2,019	Residents Covered
3,695	Medical Students Covered
173	Medical Student Externships
24	New Lawsuits
84	New Claims
166	Pending Claims and Lawsuits at August 31, 2009
0	Number of Trials (successful)
88%	Cases Closed with No Plan Payment
\$1,362,739	Administrative Costs
\$1,310,739	Defense Costs
\$965,649 ¹	Settlement (Indemnity) Costs
\$141,762	Texas Medical Board Defense Costs
\$1,822	Plan Average Premium Occurrence (\$500,000/\$1,500,000)
\$18,665	TMLT Average Premium Mature Claims-Made Rate (\$500,000/\$1,000,000)
\$18,398	Advocate, MD Average Premium Mature Claims-Made Rate (\$500,000/\$1,000,000)
\$12,247,178	Premiums Collected
\$94,260,043	Market Value of Professional Liability Fund

¹ This amount and the amount indicated for Claim Liability Expenses in the Income Statement on page 8 differ slightly due to timing of payments.

PREMIUM COMPARISONS

Plan premium rates are significantly lower than Texas commercial insurance carriers. The chart below compares Plan rates by risk class in Harris County with two commercial carriers, Texas Medical Liability Trust (TMLT) and Advocate, MD. Although variations in risk class structures among carriers prevent a precise comparison, the chart is demonstrative of rate differences.

Risk Class		TMLT*	Advocate, MD**	UT Faculty Rates***
I	General Practice No Surgery	\$11,408	\$10,670	\$528
II	General Practice Minor Surgery	\$12,438	\$13,641	\$828
III	Emergency Medicine/Minor Surgery	\$17,154	\$23,755	\$1,020
IV	General Surgery	\$31,371	\$33,617	\$2,460
IV	Anesthesiology	\$14,729	\$15,065	\$2,460
V	Gynecology Minor Surgery	\$24,888	\$13,641	\$3,636

* Mature Claims-Made Rate (\$500,000 / \$1,000,000 Limits) Effective January 1, 2010

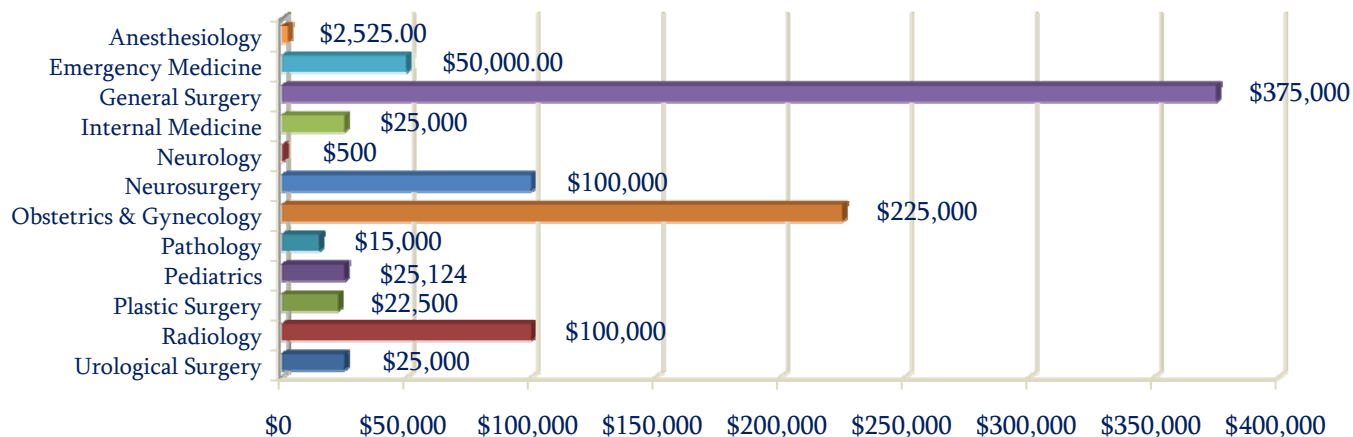
** Occurrence (\$500,000 / \$1,000,000 Limits) Effective November 1, 2009 (New Business) & February 1, 2010 (Renewal Business)

*** Occurrence (\$500,000 / \$1,500,000 Limits) Effective September 1, 2010

INDEMNITY PAYMENTS BY SPECIALTY

All U. T. System Institutions

September 1, 2009 – August 31, 2010

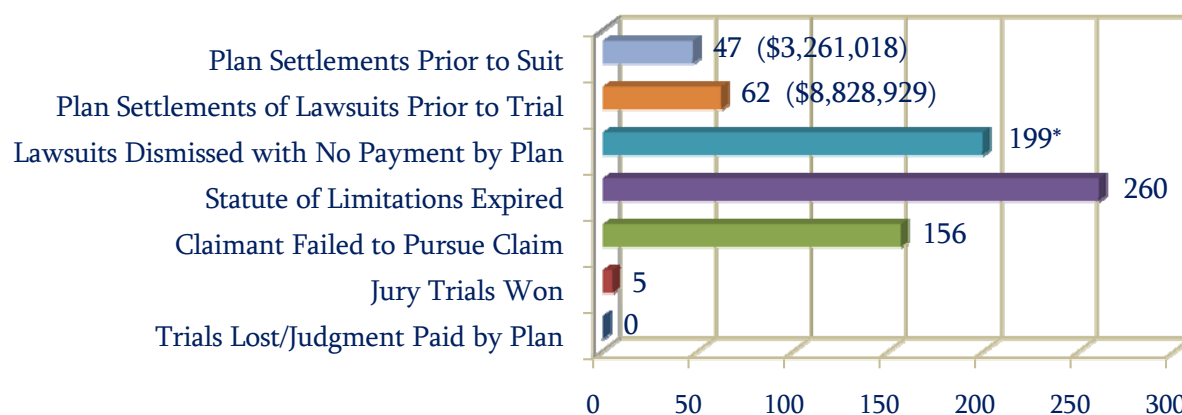


Includes payments made on behalf of both institutions and physicians

CLOSED CASES

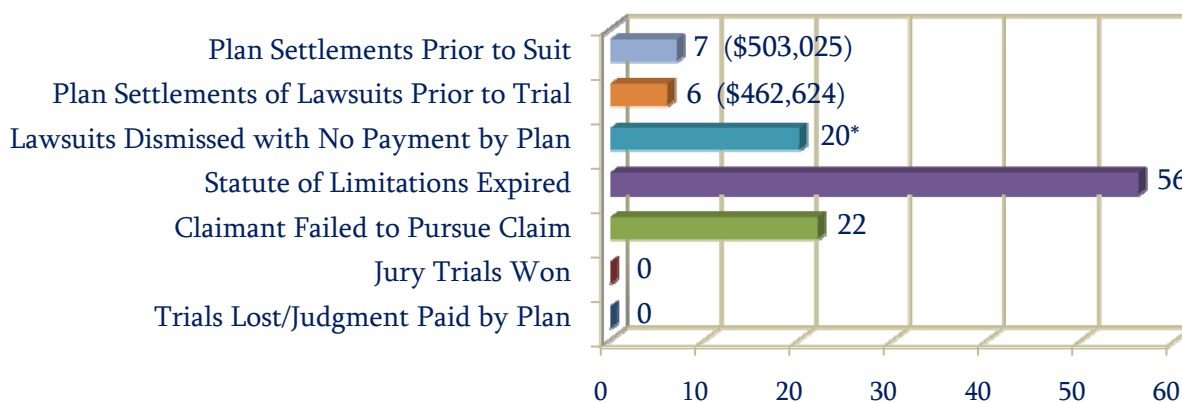
During the last five years, 729 claims and lawsuits filed against U. T. System physicians and institutions were closed with a total Plan contribution of \$12,089,947. Eighty-five percent were closed with no payment by the Plan.

All U. T. System Institutions Closed Claims & Lawsuits September 1, 2005 – August 31, 2010



In FY 2010, 88% of the cases closed required no payment by the Plan, a five percent decrease from last year.

All U. T. System Institutions Closed Claims & Lawsuits September 1, 2009 – August 31, 2010



*Includes Summary Judgments, Non-Suits, Dismissals, and Settlements by Codefendants at no cost to the Plan.

The University of Texas Health Science Center at Houston

	2010	2009	2008	2007
Faculty	921	868	770	749
Fellows	166	162	146	139
Residents*	381	373	361	361
Open Claims & Lawsuits	38	33	56	65
New Claims	21	20	15	17
New Lawsuits	6	7	4	15
Settlements Paid	\$393,025	\$546,000	\$574,937	\$294,990
New TMB Matters – Faculty	19	10	10	6
New TMB Matters – Residents	1	3	0	2

*Does not include U. T. residents on rotation at Memorial Hermann Hospital (in 2010 a total of 451)

The University of Texas Health Science Center at San Antonio

	2010	2009	2008	2007
Faculty	848	809	760	759
Fellows*	85	80	57	50
Residents*	452	481	436	440
Open Claims & Lawsuits	32	29	38	38
New Claims	15	10	19	14
New Lawsuits	7	0	1	8
Settlements Paid	\$0.00	\$0.00	\$355,500	\$532,500
New TMB Matters – Faculty	9	7	10	5
New TMB Matters – Residents	1	0	1	1

*Does not include U. T. residents on rotation at V.A. Hospital (in 2010 a total of 163 U. T. residents and 30 fellows)

The University of Texas Health Science Center at Tyler

	2010	2009	2008	2007
Faculty	61	62	68	67
Fellows	1	0	1	0
Residents	27	25	24	24
Open Claims & Lawsuits	2	3	6	7
New Claims	2	2	2	4
New Lawsuits	0	0	0	0
Settlements Paid	\$0.00	\$0.00	\$1,618	\$0.00
New TMB Matters – Faculty	0	0	2	1
New TMB Matters – Residents	0	0	0	0

The University of Texas M.D. Anderson Cancer Center

	2010	2009	2008	2007
Faculty	787	785	767	715
Fellows	346	365	325	296
Residents	2	1	3	3
Open Claims & Lawsuits	17	17	26	22
New Claims	12	14	15	14
New Lawsuits	2	0	2	3
Settlements Paid	\$350,000	\$310,604	\$293,497	\$490,000
New TMB Matters – Faculty	9	8	5	3
New TMB Matters – Residents	0	0	0	0

The University of Texas Medical Branch at Galveston

	2010	2009	2008	2007
Faculty	533	640	651	592
Fellows	71	66	103	107
Residents	463	443	612	605
Open Claims & Lawsuits	36	42	51	49
New Claims	11	13	17	27
New Lawsuits	5	3	5	3
Settlements Paid	\$50,000	\$15,750	\$770,000	\$689,291
New TMB Matters – Faculty	9	8	19	12
New TMB Matters – Residents	1	1	6	4

The University of Texas Southwestern Medical Center

	2010	2009	2008	2007
Faculty	1,345	1,236	1,125	1,047
Fellows	386	353	352	320
Residents*	694	650	643	630
Open Claims & Lawsuits	39	52	87	75
New Claims	22	26	28	34
New Lawsuits	4	6	14	11
Settlements Paid	\$172,624	\$29,000	\$91,000	\$150,000
New TMB Matters – Faculty	14	10	10	16
New TMB Matters – Residents	1	1	3	1

*Does not include U. T. residents on rotation at Parkland Hospital (in 2010 a total of 276)

The University of Texas at Austin

	2010	2009	2008	2007
Faculty	25	24	28	29
Fellows	3	3	0	0
Residents	0	0	0	0
Open Claims & Lawsuits	2	1	1	2
New Claims	1	1	0	0
New Lawsuits	0	0	0	0
Settlements Paid	\$0.00	\$0.00	\$77,766	\$0.00
New TMB Matters – Faculty	0	0	0	0
New TMB Matters – Residents	0	0	0	0

Balance Sheet

	8/31/2010	8/31/2009
Assets		
Operating Cash	\$ 2,289,060	\$ 1,960,637
Investments	91,729,701	100,488,029
Accounts Receivable	241,282	243,718
Total Assets	<u>\$ 94,260,043</u>	<u>\$ 102,692,384</u>
Liabilities		
Accounts Payable	91,422	61,052
IBNR	19,409,054	23,941,448
Total Liabilities	<u>19,500,476</u>	<u>24,002,500</u>
Net Assets	<u>74,759,566</u>	<u>78,689,884</u>
Total Liabilities and Net Assets	<u>\$ 94,260,043</u>	<u>\$ 102,692,384</u>

Income Statement

	8/31/2010	8/31/2009
Revenue		
Premium Income	\$ 12,247,178	\$ 13,026,904
Investment Income	3,018,784	2,915,106
Total Revenue	<u>15,265,963</u>	<u>15,942,010</u>
Less Premium Refund	<u>(23,000,000)</u>	<u>(10,000,000)</u>
Net Revenue	<u>(7,734,037)</u>	<u>5,942,010</u>
Expenses		
Legal Expenses	1,310,739	1,750,333
Claim Liability Expenses	1,210,649	878,270
Medical Board Expenses	141,762	168,449
Administrative Expenses	1,362,739	1,366,955
Other Expenses	24,240	35,908
Total Expenses	<u>4,050,128</u>	<u>4,199,916</u>
Change in IBNR	<u>(4,532,394)</u>	<u>(5,926,536)</u>
Net Expenses	<u>(482,266)</u>	<u>(1,726,620)</u>
Excess Revenue Over Expenses	<u>(7,251,772)</u>	<u>7,668,630</u>
Other Changes in Net Assets		
Investments Market Value Increase (Decrease)	7,321,454	(10,207,334)
Transfer to special funds	(4,000,000)	(3,125,000)
Total Other Changes	<u>3,321,454</u>	<u>(13,332,334)</u>
Change in Net Assets	<u>(3,930,318)</u>	<u>(5,663,704)</u>
Beginning Net Assets	78,689,884	84,353,588
Ending Net Assets	<u>\$ 74,759,566</u>	<u>\$ 78,689,884</u>