

Approved

2/6/89

Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at
Chairperson

9:14 a.m./~~p.m.~~ on THURSDAY, FEBRUARY 2, 1989 in room 529-S of the Capitol.

~~All~~ members ~~were~~ present ~~except~~ Senators Bond, Anderson, Karr, Kerr, McClure, Moran, Parrish, Reilly, Salisbury, and Strick.

Committee staff present:

Bill Edds, Revisors Office
Bill Wolff, Research Department
Louise Bobo, Committee Secretary

Conferees appearing before the committee:

Marlin Rein, Associated Director for Business Affairs, UKMC
Ron Todd, Assistant Commissioner of Insurance

The meeting was called to order at 9:14 a.m. by Chairman Bond.

Marlin Rein, Associated Director for Business Affairs, UKMC, spoke to the committee during the continuing hearing on :

SB 18 - Mr. Rein said that he felt that he and Dr. Clawson failed to adequately address the reasons why the passage of SB 18 was so important to UKMC. He said that their organization pays significantly more in coverage than organizations in other states. Increasing medical malpractice premiums make it increasingly difficult for the foundation to recruit additional faculty members. One of the problems that make the situation at UKMC unique is that they have teaching physicians who spend a great portion of their time in non-income producing activity. (attachment 1) For example, Mr. Rein referred to a certain physician whose practice income would not even cover his malpractice insurance. He is an outstanding teacher and most of his practice work is at a Veteran's hospital where he can be covered by the Federal Tort Claims Act. Even though all of the faculty at KUMC are not full time physicians, they must pay insurance premiums as if they were. (attachment 2)

If the various medical foundations serving KUMC become weaker because of increasing premiums, declining faculty, etc., the impact on the medical school becomes critical not only to the educational program but also to the hospital. The cost of malpractice insurance is a major reason they have trouble recruiting faculty. The bill as it is written would only cover full time faculty which numbers about 260.

A committee member inquired of Mr. Rein what the occupancy rate of the hospital was at this time. Mr. Rein responded that it was about the same this year as last, however, since 1982, when they stopped taking Missouri Medicaid recipients for whom they received no reimbursement, the occupancy rate has been reduced.

A committee member inquired about the meaning of "incurred loss." Ron Todd, Assistant Commissioner of Insurance, replied that this term referred to losses that have either been paid or that are still in process, in other words, their "anticipated liability". (attachment 3)

Mr. Rein continued his testimony by saying that during the six years, July 1982-September 1988, there was a total of 25 payouts with 24 claims still open. In 49 cases that were closed there were no payouts at all. The insurance companies base their premiums on the anticipated claims rather than the claims actually paid.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529 S Statehouse, at 9:14 a.m./~~p.m.~~ on THURSDAY, FEBRUARY 2, 1989.

Chairman Bond stated that because of the complexity of SB 18 and the substantial fiscal notes, hearings on this bill would be continued on Monday, February 6, 1989, at 9:00 a.m. (attachment 4)

The meeting adjourned at 10:00 a.m.

KUMC-School of Medicine
Faculty Salaries by Source: FY 1988

Dept.	Corporation	VA/Mil.	Endowment	Grant	Other	State	Total	% State
Pathology	\$712,982	\$0	\$73,780	\$121,220	\$114,875	\$751,650	\$1,774,507	42.4%
Medicine	1,684,109	1,032,040	209,457	209,617	0	1,611,578	\$4,746,801	34.0%
Rehab. Medicine	82,568	105,836	2,090	8,350	0	86,728	\$285,572	30.4%
Diag. Radiology	1,425,942	0	87,737	16,875	30,720	344,265	\$1,905,539	18.1%
Anesthesiology	1,863,235	0	0	0	40,000	142,143	\$2,045,378	6.9%
Psychiatry	170,371	56,965	113,987	0	0	708,842	\$1,050,165	67.5%
Pediatrics	325,634	10,000	205,287	238,239	0	1,297,614	\$2,076,774	62.5%
Family Practice	195,157	0	117,576	119,250	0	470,121	\$902,104	52.1%
Neurology	173,220	228,863	0	0	0	251,876	\$653,959	38.5%
Ophthalmology	283,234	0	114,658	50,630	0	258,321	\$706,843	36.5%
Ob/Gyn	816,995	0	20,000	40,219	0	447,488	\$1,324,702	33.8%
Rad. Oncology	759,831	0	41,922	12,303	0	284,484	\$1,098,540	25.9%
Otorhinolar.	180,811	138,283	3,616	0	0	112,357	\$435,067	25.8%
Surgery	2,818,217	628,633	8,090	13,184	14,651	691,832	\$4,174,607	16.6%
CT Surgery	646,506	0	0	0	0	79,267	\$725,773	10.9%

	\$12,138,812	\$2,200,620	\$998,200	\$829,887	\$200,246	\$7,538,566	\$23,906,331	31.5%
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Attachment 1

Professional Liability Insurance Costs
Clinical Foundations, KUMC

Department	1986	1987	1988	1989
Anesthesiology	\$345,294	\$313,650	\$281,237	\$341,371
CT Surgery	6,452	24,097	45,111	91,126
ENT	44,368	96,710	47,975	89,499
Family Practice	48,004	50,656	70,942	114,265
Medicine	192,493	226,873	231,225	587,250
Neurology	31,786	38,541	37,018	73,029
Ob/Gyn	232,081	243,590	381,148	625,166
Ophthalmology	12,151	20,052	31,191	61,629
Pathology	58,153	55,427	88,619	107,126
Pediatrics	115,877	97,823	126,100	244,946
Psychiatry	53,050	62,521	72,837	82,142
Radiation Oncology	34,455	50,091	49,443	78,874
Radiology	93,006	163,458	128,753	204,861
Rehab Medicine	18,090	15,946	20,435	38,002
Surgery	422,328	629,068	616,533	893,606
	\$1,707,588	\$2,088,503	\$2,228,567	\$3,632,892

NOTE: Some variation in costs may be attributable to vacant faculty positions.

Attachment 2
2/2/89
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UKMC TEACHING PHYSICIANS
SUMMARY OF CURRENT INSURANCE PROGRAMS
(Basic Professional Liability Insurance Costs)

I. For Teaching Physicians Insured By St. Paul Fire & Marine

1. OB/GYN	}	Premiums, Current Year:
2. Surgery		Approximately \$1,100,000
3. Radiation Therapy		Total Claims During
4. Neurology		Latest 5 years: 67
5. Rehabilitation Medicine		Five Year Loss
6. Pediatrics		Ratio: 124%
7. Cardiovascular		Incurred Losses For
8. Thoracic Surgery		Latest 5 years: \$3,880,996
9. Clinical Radiology		
10. Psychiatry		
11. Anesthesiology		

II. For Teaching Physicians Insured By The Medical Protective

1. Internal Medicine (3 year)	}	Premiums, Current Year:
2. Family Practice (5 years)		Approximately \$384,000
3. Opthomology (1 year)		Total Claims During
4. Ear, Nose & Throat (5 years)		Latest 1-5 years: 12
		Five Year Loss Ratio: Not Available because The Medical Protective did not insure all of these programs for all five years
		Incurred Losses for Latest 1-5 Years: \$201,000

III. Total Current Year Premiums: \$1,484,000

IV. Total Incurred Losses for latest 1-5 years \$4,081,996

PROJECTED FUTURE LOSSES

If there are no other changes, the future losses for a five year period for this group of doctors could be reasonably expected to be approximately the same as the incurred losses have been during the most recent five year period. Therefore, the projected losses for 1989 through 1994 could be estimated to be \$4,081,996

If the future losses are increased at a rate of 15% per year then the projected losses for 1989 through 1994 would be \$6,330,152.

The volatility of the medical malpractice environment makes any kind of prediction questionable. However, past loss experience is the only information that can be relied upon and we have therefore, used the historical data to arrive at the above projections.

Attachment 3
2/2/89
Jim Dent & Son

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University of Kansas Medical Center
 FY 1989 Clinical Department Budget Information

Department	Gen. Use Sal/Wages	Gen. Use OOE	Endowment Sal/Wages	Endowment OOE	Foundation Sal/Wages	Foundation OOE	Total	Percent Gen. Use
Anesthesiology	\$386,078	\$4,810	\$70,332	\$0	\$4,272,281	\$825,027	\$5,558,528	7.0%
Family Practice	1,313,516	117,275	392,137	0	621,135	634,960	3,079,023	46.5%
Medicine	2,568,953	162,804	1,182,895	0	5,600,730	1,253,950	10,769,332	25.4%
Neurology	379,303	15,219	122,560	0	643,585	180,050	1,340,717	29.4%
Ob/Gyn	652,566	107,972	24,671	0	3,468,517	450,563	4,704,289	16.2%
Ophthalmology	403,053	11,106	286,537	173,720	918,131	404,883	2,197,430	18.8%
ENT	214,983	17,924	27,911	0	850,726	237,443	1,348,987	17.3%
Pathology	1,106,137	80,553	599,289	0	1,397,259	259,865	3,443,103	34.5%
Pediatrics	1,782,455	102,583	712,445	0	1,375,563	753,500	4,726,546	39.9%
Psychiatry	933,845	64,906	282,001	0	964,015	335,990	2,580,757	38.7%
Rad. Oncology	511,713	11,909	181,728	0	1,651,700	359,040	2,716,090	19.3%
Diag. Radiology	539,356	50,982	396,862	0	2,652,127	1,387,500	5,026,827	11.7%
Rehab. Medicine	272,934	7,319	15,606	0	292,500	107,100	695,459	40.3%
Surgery	1,134,252	90,526	743,242	0	5,716,300	1,898,200	9,582,520	12.8%
CT Surgery	121,666	8,887	24,979	0	940,402	122,916	1,218,850	10.7%
	<u>\$12,320,810</u>	<u>\$854,775</u>	<u>\$5,063,195</u>	<u>\$173,720</u>	<u>\$31,364,971</u>	<u>\$9,210,987</u>	<u>\$58,988,458</u>	<u>22.3%</u>

Attachment 4