

<b>AGENCY NAME:</b>	<b>SC Patients' Compensation Fund</b>		
<b>AGENCY CODE:</b>	<b>R140</b>	<b>SECTION:</b>	<b>39-79-410</b>

## Fiscal Year 2016-2017 Accountability Report

### SUBMISSION FORM

<b>AGENCY MISSION</b>	<p>The South Carolina Patients' Compensation Fund was created for the purpose of paying that portion of a medical malpractice or *general liability claim, settlement, or judgment which is in excess of two hundred thousand dollars for each incident or in excess of six hundred thousand dollars in the aggregate year for one year. The Fund is liable only for payment of claims against licensed health care providers in compliance with the provisions of the Enabling Statute Title 38, Chapter 79, Article 5 and includes reasonable and necessary expenses incurred in payment of claims and the Fund's administrative expense.</p>
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<b>AGENCY VISION</b>	<p>To be the premier provider of excess professional liability insurance and risk management services in South Carolina.</p> <p>Our Values:</p> <ul style="list-style-type: none"> <li>• Focus on the needs of our members.</li> <li>• Support and respect all healthcare providers and related relationships.</li> <li>• Establish a culture of consistency and fairness in our performance.</li> <li>• Provide leadership with knowledge-based decisions and operate with integrity.</li> <li>• Embrace change through continuous improvement.</li> <li>• Work together as a team.</li> <li>• Make a difference in the community.</li> <li>• Utilize best business practices.</li> </ul> <p>The Fund provides customer services to its members through enrollment of new members, renewal of current members, collection of fees and assessments and payment of claims. It provides credentialing information to hospitals and managed care organizations.</p>
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Please select yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.

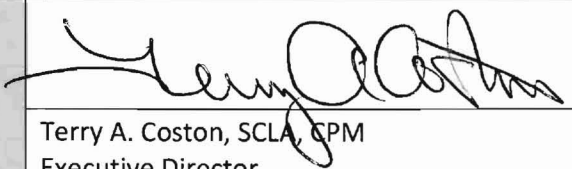
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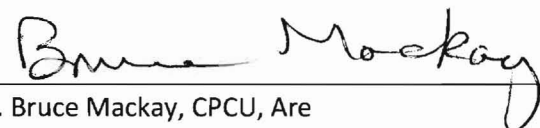
<b>RESTRUCTURING RECOMMENDATIONS:</b>	<b>Yes</b>	<b>No</b>
	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please identify your agency's preferred contacts for this year's accountability report.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
<b>PRIMARY CONTACT:</b>	Terry A. Coston	803-896-5291	Terry.coston@pcf.sc.gov
<b>SECONDARY CONTACT:</b>	Leigh Brazell	803-896-5293	Leigh.brazell@pcf.sc.gov

I have reviewed and approved the enclosed FY 2016-2017 Accountability Report, which is complete and accurate to the extent of my knowledge.

<b>AGENCY DIRECTOR (SIGN AND DATE):</b>	
	<b>(TYPE OR PRINT NAME):</b> Terry A. Coston, SCLA, CPM Executive Director

<b>BOARD/CMSN. CHAIR (SIGN AND DATE):</b>	
	<b>(TYPE OR PRINT NAME):</b> D. Bruce Mackay, CPCU, Are PCF Board Chairman

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## **AGENCY'S DISCUSSION AND ANALYSIS**

The PCF Board of Governors is composed of three physicians, two dentists, two hospital representatives, two insurance representatives, two attorneys, and two representatives of the general public, all appointed by the Governor. The appointed members serve a term of six years. Currently, we are awaiting the replacement of one hospital member.

The Board continues to amend its Plan of Operation and Manual of Rules and Rates for efficient administration of the Fund, consistent with the provisions of the Plan of Operations and Article 5 of the enabling legislation.

The Executive Director is charged with the day-to-day operations of the Fund. Quarterly newsletters are sent to the members/stakeholders providing updates concerning underwriting changes, news, risk management initiatives and spotlights on our members.

The PCF functions with a staff of four full-time equivalent employees. Included is one Administrative Assistant, one Program Coordinator, one Program Manager and the Executive Director. One FTE position remains unfilled which is an administrative assistant position.

At the close of the fiscal year, the PCF had a membership total of 2,686. This includes 44 Clinics and Hospitals, 148 professional associations, 1,465 physicians, 708 dentists and oral surgeons, 312 Midlevel healthcare providers, 9 Full Time Equivalent positions (shared memberships with 32 physicians). The PCF paid a total of \$4,790,000 for claims, settlements and judgments during the fiscal year. This represents 48% decrease in claims payments made from the prior fiscal year. The PCF collected \$9,634,641 in membership fees which constitutes an approximate decrease of 6% from the prior fiscal year.

The PCF is an organization that works extensively with legal counsel for claims defense, expert witnesses, and claims investigations, all in conjunction with the primary carrier. The effective selection, coordination and management of these professionals are critical to the success of the PCF. It requires professionals with special skills and a high work ethic. For all of the PCF claims that went to trial during this fiscal year, 90% of the claims resulted in defense verdicts. This fiscal year continued to show a downward trend in the total number of claims, however, the severity of the claims reported increased minimally. This appears to be in line with the national trend, which continues to show a soft market for Medical Malpractice insurance.

The PCF has maintained our membership numbers in spite of the continuing practice of South Carolina hospitals purchasing physician practices and to competitive pricing by other carriers coming into the state as a result of a soft medical malpractice market. Retirement has played a small part in the total number of cancellation of memberships. These factors, along with the increasing number of members choosing lower PCF limits, increased shared limit options, and increased use of credits on membership account for the decrease in membership fees. The Board has engaged in strategic planning efforts throughout the fiscal year, which included the continual review and revision of the PCF Plan of Operations, Underwriting Manual of Rules and Rates and claims handling procedures. The Plan of Operations details procedural information that provides for economic, fair and nondiscriminatory administration and for the prompt and efficient provision of excess medical malpractice insurance. The Plan contains other provisions including, but not limited to, assessment of all members for expenses, deficits, losses, reasonable underwriting standards, acceptance and cession of reinsurance, appointment of servicing carriers, and procedures for determining the amounts of insurance to be provided by the Fund. The Plan of Operations and any amendments to the Plan are subject to the approval of the Board and of the Director of Insurance or his designee. The Board continues

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to review and consider legislative changes that will allow for the more efficient operation and management of the Fund.

At the end of this fiscal year the PCF memberships consisted of the following limits:

\$10 Million per occurrence \$12 Million annual aggregate	28%
\$5 Million per occurrence \$7 Million annual aggregate	8%
\$3 Million per occurrence \$6 Million annual aggregate	18%
\$2 Million per occurrence \$4 Million annual aggregate	2%
\$1 Million per occurrence \$3 Million annual aggregate	44%

Active memberships with unlimited coverage ended with May 1, 2010 renewals.

The Fund provides a high level of customer services to its members through enrollment of new members, renewal of current members, collection of fees and payment of claims. It provides credentialing information to hospitals and managed care organizations. The Fund also provides free Locum Tenens coverage for up to 45 days per year for substitutions for our members.

The Board has authorized the revision of the membership agreement and the development of applications to better serve its members. The Board continues to allow its members to pay their annual membership fee on a quarterly basis, with a small administrative fee.

The PCF website now allows new members to apply on-line for a PCF membership, existing members to pay membership fees, and direct access to renewal information for hospitals and managed care organizations credentialing agents.

Physicians and dentists who attend the South Carolina Medical Association and the South Carolina Dental Association Risk Management Seminar, which is co-sponsored by the JUA, receive a discount in their annual membership fee. The new Dentists discount now includes a 40% discount for first year of practice with a 10% discount for the second year. If new dental graduates attend the Risk Management Seminar held at the MUSC Dental School they will also receive a 25% discount on their first year's membership fees. It is a one-time discount. The discount does not apply to a physician's professional association.

The PCF Board of Governors approved a new on-line Risk Management program in partnership with The MRM Group and The South Carolina Joint Underwriters Association. This program provides online modules to our member physicians, oral surgeons & allied healthcare provider. There are three modules that when completed will provide our members CME credits at no charge to the members. The first year's topic is Electronic Health Records. The program began in June. Each provider who completes the online program will receive up to 6% credit on their next year's PCF renewal fees.

The PCF consists of four full-time employees. There is one vacant position due to the retirement of one administrative assistant. The Executive Director, along with the Board of Governors, closely monitors the staff's ability to meet the demands and needs of its members, which continue to increase. The PCF is a highly complex organization that works extensively with legal counsel for claims defense, expert witnesses and claims investigations, all in conjunction with the primary carrier. The effective selection, coordination and management of these professionals are critical to the success of the PCF. It requires a staff with specialized skills and a high work ethic.

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***Economic Outlook***

The principal challenge facing the PCF is to retain current members and at the same time, adjust membership fees appropriately to reduce the loss reserve liability. The other significant challenge the PCF faces is to manage the claims process effectively and coordinate with the primary carriers for satisfactory resolution of all claims. The PCF's ultimate goal is to provide medical professionals with effective medical malpractice liability coverage, while ensuring that the PCF is in a sound financial position to pay all of its liabilities. There are no pending judgments on appeal that affect the PCF.

Based on actuarial reviews and recommendations, the PCF Board of Governors feels confident that the rates established this fiscal year are appropriate. The PCF continues to rate members for claims experience as well as surcharge members for state licensing issues. New underwriting initiatives have been established to assist in maintaining and improving membership numbers such as discounts based on group size, number of years of continued coverage through the PCF and positive loss experience. Coverage enhancements have also been added which consists of nose coverage for converting a claims-made membership back to an occurrence membership. Step factors for claims-made memberships have been reduced to be more in line with other admitted medical malpractice insurers.

The South Carolina Patients' Compensation Fund shows an overall deficit on its books due to the fact that, since 2002, it has recorded the actuarial liability for unpaid claims as well claims that are "incurred but not reported." Prior to 2002, the Fund's accounts did not reflect such reserves operating on a cash basis. Over the past 13 years the PCF Board of Governors has taken steps to reduce the net deficit of the PCF by \$181,000,000. As a result, the PCF continues to show an upward trend in its overall financial outlook. During the fiscal year, the PCF met all its financial and legal obligations in a timely manner.

The Fund is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the Fund's economic outlook during the fiscal year beginning July 1, 2017.

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Strategic Planning Template

Type	Goal	Item # Strat	Object	Associated Enterprise Objective	Description
<b>G</b>	<b>1</b>			<b>Education, Training, and Human Development</b>	<b>Risk Management Services to reduce medical errors by PCF members</b>
<b>S</b>		<b>1.1</b>		<b>Education, Training, and Human Development</b>	<b>On-line Risk Management course 2016 implementation</b>
<i>O</i>			<i>1.1.1</i>	<i>Education, Training, and Human Development</i>	<i>60% completion by PCF members</i>
<i>O</i>			<i>1.1.2</i>	<i>Education, Training, and Human Development</i>	<i>Provide CME credits and membership discounts for each completed module</i>
<b>S</b>		<b>1.2</b>		<b>Education, Training, and Human Development</b>	<b>Assist to facilitate New Physician &amp; Dentist Risk Management program</b>
<i>O</i>			<i>1.2.1</i>	<i>Education, Training, and Human Development</i>	<i>Attendance by 90% of new physician &amp; dentist members</i>
<i>O</i>			<i>1.2.2</i>	<i>Education, Training, and Human Development</i>	<i>Provide discount to course completion</i>
<b>G</b>	<b>2</b>			<b>Government and Citizens</b>	<b>Reduce total Claims Expense by 25%</b>
<b>S</b>		<b>2.1</b>		<b>Government and Citizens</b>	<b>ADR (Alternative Dispute Resolution)</b>
<i>O</i>			<i>2.1.1</i>	<i>Government and Citizens</i>	<i>Early resolution reduces claims expenses on meritorious claims</i>
<b>S</b>		<b>2.2</b>		<b>Government and Citizens</b>	<b>Defend claims with no merit</b>
<i>O</i>			<i>2.2.1</i>	<i>Government and Citizens</i>	<i>Decrease number of frivolous claims</i>
<b>S</b>		<b>2.3</b>		<b>Government and Citizens</b>	<b>Claims Review</b>
<i>O</i>			<i>2.3.1</i>	<i>Government and Citizens</i>	<i>To maintain adequate claim file reserves</i>
<b>G</b>	<b>3</b>			<b>Government and Citizens</b>	<b>Marketing to increase PCF membership</b>
<b>S</b>		<b>3.1</b>		<b>Government and Citizens</b>	<b>Recruit key agents/brokers involved in writing excess medical malpractice coverage</b>
<i>O</i>			<i>3.1.1</i>	<i>Government and Citizens</i>	<i>Higher commissions to agents for new and returning members</i>
<i>O</i>			<i>3.1.2</i>	<i>Government and Citizens</i>	<i>8% commission to agents on PCF membership fees</i>
<b>S</b>		<b>3.2</b>		<b>Government and Citizens</b>	<b>Education to members and agents/brokers of new PCF products and/or changes to the PCF</b>
<i>O</i>			<i>3.2.1</i>	<i>Government and Citizens</i>	<i>Electronic billing and correspondence</i>
<i>O</i>			<i>3.2.2</i>	<i>Government and Citizens</i>	<i>E-news blasts with education, risk management &amp; underwriting news</i>

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Strategic Planning Template

Type	Goal	Item # Strat	Object	Associated Enterprise Objective	Description
O			3.2.3	Government and Citizens	Educate licensed healthcare providers on adequate protection
S		3.3		Government and Citizens	Incorporate print media and Social Media
O			3.3.1	Government and Citizens	Advertise in professional periodicals
O			3.3.2	Government and Citizens	Maintain and update Facebook with current PCF information
G	4				Increase Revenue by 10%
S		4.1		Government and Citizens	Use of independent Actuary firm
O			4.1.1	Government and Citizens	Complete annual rate study & rate comparison
O			4.1.2	Government and Citizens	Complete quarterly reserve study
S		4.2		Government and Citizens	Provide affordable malpractice rates
O			4.2.1	Government and Citizens	To be competitive in the market place
O			4.2.2	Government and Citizens	To maintain affordable rates by admitted medical malpractice carriers
O			4.2.3	Government and Citizens	To provide adequate protection
G	5			Government and Citizens	Customer Service improvements
S		5.1		Government and Citizens	Implement ongoing communication with agents and PCF members
O			5.1.1	Government and Citizens	Broadcast changes authorized by the PCF Board of Governors
O			5.1.2	Government and Citizens	Develop information sharing
O			5.1.3	Government and Citizens	Re-design PCF Website to facilitate faster and more efficient membership changes
G	6			Maintaining Safety, Integrity and Security	IT Security
S		6.1		Maintaining Safety, Integrity and Security	Develop and implement IT security protocols
O			6.1.1	Maintaining Safety, Integrity and Security	Compliance with the State Division of Technology
O			6.1.2	Maintaining Safety, Integrity and Security	To prevent data breach of PCF servers
O			6.1.3	Maintaining Safety, Integrity and Security	Installed lock to server room/monitor entrance

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Strategic Planning Template

Type	Goal	Item # Strat	Object	Associated Enterprise Objective	Description
S		6.2		<b>Maintaining Safety, Integrity and Security</b>	<b>Education and training</b>
O		6.2.1		<i>Maintaining Safety, Integrity and Security</i>	<i>Data Loss prevention</i>
O		6.2.2		<i>Maintaining Safety, Integrity and Security</i>	<i>Onsite data security training for passwords, malware &amp; new internet threats</i>
S		6.3		<b>Maintaining Safety, Integrity and Security</b>	<b>Network Traffic Monitoring</b>
O		6.3.1		<i>Maintaining Safety, Integrity and Security</i>	<i>Independent Third Party security audit</i>
O		6.3.2		<i>Maintaining Safety, Integrity and Security</i>	<i>Review and monitor monthly security reports</i>
O		6.3.3		<i>Maintaining Safety, Integrity and Security</i>	<i>Daily monitoring by offsite IT security firm</i>
O		6.3.4		<i>Maintaining Safety, Integrity and Security</i>	<i>Continued monitoring of blocks needed internet access by PCF employees</i>
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Program Template

Program/Title	Purpose	FY 2016-17 Expenditures (Actual)				FY 2017-18 Expenditures (Projected)				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
1. Administration	Operational budget including administration, operating expenses, employer contrabituion, salaries and other personal services		\$ 1,092,541		\$ 1,092,541		\$ 1,092,541		\$ 1,092,541	Government and Citizens
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Legal Standards Template

Item #	Law Number	Jurisdiction	Type of Law	Statutory Requirement and/or Authority Granted	Does this law specify who (customer) the agency must or may serve? (Y/N)	Does the law specify a deliverable (product or service) the agency must or may provide? (Y/N)
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1

38-79-420

State

Statute

There is created the South Carolina Patients' Compensation for the purpose of paying that portion of a medical malpractice or general liability claim, settlement or judgment which is in excess of two hundred thousand dollars for each incident or in excess of six hundred thousand dollars in the aggregate for one year. The fund is liable only for payment of claims against licensed health care providers in the complainance with the provisions of this article and includes reasonable and necessary expenses incurred in payment of claims and the fund's adminstrative expense.

Yes

Yes

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Customer Template

Divisions or Major Programs

Description

Service/Product Provided to Customers

Customer Segments

*Specify only for the following Segments: (1) Industry: Name; (2) Professional Organization: Name; (3) Public: Demographics.*

I. Administration

Operating budget including administration, operating expenses, salaries, employer contribuion and other personal services

Excess Medical Malpractice Coverage for Licensed Healthcare Providers

General Public

Licensed Healthcare Providers including physicians, dentists, midlevel practitioners, clinics, hospitals and other unspecified licensed healthcare providers

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Partner Template

Name of Partner Entity	Type of Partner Entity	Description of Partnership	Associated Objective(s)
SC Joint Underwriters Association	State Government	Basic carrier for approximately 99% of PCF members	Government and Citizens
Independent Agents & Brokers	Private Business Organization	Agents for PCF members assist in facilitating PCF coverage	Government and Citizens
All Admitted Medical Malpractice Insurance Carriers	Private Business Organization	Basic carriers that provide the required primary coverage	Government and Citizens
SC Hospital Association	Professional Association	Provides Risk Management & Risk Assessments to PCF	Government and Citizens
SC Medical Association	Non-Governmental Organization	Partnership to protect PCF members	Government and Citizens
SC Dental Association	Non-Governmental Organization	Partnership to protect PCF members	Government and Citizens

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Report Template

Item	Report Name	Name of Entity Requesting the Report	Type of Entity	Reporting Frequency	Submission Date (MM/DD/YYYY)	Summary of Information Requested in the Report	Method to Access the Report
1	Annual State Financial Audit	Office of State Auditor	State	Annually	September 8, 2016	Report of the audited PCF Financials	Website: <a href="http://www.osa.sc.gov">www.osa.sc.gov</a>
2	Accountability Report	Executive Budget Office	State	Annually	September 15, 2016	Accountability of the agency	Department of Administration
3	State Budget	Executive Budget Office	State	Annually	September 30, 2016	Requests for annual operating budget	Executive Budget Office
4	Data Collection for IT and IT Security	Department of Administration	State	Annually	October 1, 2016	Report to comply with IT and IT Security requirements	Department of Administration

