

1. U. T. System: Recommendation for Approval of Overall Increase in the Institutional Premium Charge of The University of Texas System Professional Medical Liability Benefit Plan Effective September 1, 2002, and Return a Portion of Excess Plan Reserves to Participating U. T. System Health Components

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the premium rates for The University of Texas System Professional Medical Liability Benefit Plan ("Plan") be increased by an average of 12.5% for U. T. System faculty physicians and 4% for resident physicians effective September 1, 2002. It is proposed that 50% of the premium be based on physician head count and the remaining 50% be based on the actuarially determined experience of each U. T. System health component over the life of the Plan, and that the revised experience factor be phased in over a two-year period. The current and recommended premium rates are set forth below.

It is further recommended that an actuarially determined portion of excess reserves from the Plan be returned to the participating U. T. System components.

RISK CLASS 1

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,004	\$ 1,080	\$ 1,985	\$ 997	-0.9%	-7.7%
UTSMCDAL	1,800	972	1,833	920	1.8%	-5.3%
UTMB	2,532	1,368	2,705	1,357	6.8%	-0.8%
UTHSCHOU	2,208	1,200	2,440	1,226	10.5%	2.2%
UTHSCSA	2,148	1,164	2,201	1,107	2.5%	-4.9%
UTHCTY	2,304	1,248	2,441	1,226	5.9%	-1.8%

RISK CLASS 2

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,508	\$ 1,356	\$ 3,107	\$ 1,561	23.9%	15.1%
UTSMCDAL	2,256	1,224	2,868	1,440	27.1%	17.7%
UTMB	3,168	1,716	4,234	2,123	33.6%	23.7%
UTHSCHOU	2,760	1,500	3,819	1,918	38.4%	27.9%
UTHSCSA	2,688	1,452	3,445	1,733	28.2%	19.3%
UTHCTY	2,880	1,560	3,820	1,919	32.6%	23.0%

RISK CLASS 3

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 4,008	\$ 2,172	\$ 4,963	\$ 2,493	23.8%	14.8%
UTSMCDAL	3,600	1,956	4,582	2,301	27.3%	17.6%
UTMB	5,064	2,748	6,783	3,392	33.9%	23.4%
UTHSCHOU	4,416	2,388	6,101	3,064	38.2%	28.3%
UTHSCSA	4,296	2,328	5,503	2,768	28.1%	18.9%
UTHCTY	4,608	2,496	6,102	3,065	32.4%	22.8%

RISK CLASS 4

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 9,324	\$ 5,052	\$ 9,232	\$ 4,637	-1.0%	-8.2%
UTSMCDAL	8,376	4,536	8,522	4,280	1.7%	-5.6%
UTMB	11,772	6,384	12,579	6,309	6.9%	-1.2%
UTHSCHOU	10,272	5,568	11,348	5,700	10.5%	2.4%
UTHSCSA	9,984	5,412	10,235	5,149	2.5%	-4.9%
UTHCTY	10,716	5,808	11,349	5,701	5.9%	-1.8%

RISK CLASS 5

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$13,032	\$ 7,056	\$13,600	\$ 6,831	4.4%	-3.2%
UTSMCDAL	11,700	6,336	12,554	6,304	7.3%	-0.5%
UTMB	16,464	8,916	18,531	9,294	12.6%	4.2%
UTHSCHOU	14,352	7,776	16,717	8,397	16.5%	8.0%
UTHSCSA	13,968	7,572	15,078	7,585	7.9%	0.2%
UTHCTY	14,976	8,124	16,718	8,398	11.6%	3.4%

BACKGROUND INFORMATION

Pursuant to the authority of Chapter 59 of the Texas Education Code, the U. T. Board of Regents adopted The University of Texas System Professional Medical Liability Benefit Plan to provide coverage for certain medical staff and medical students of the U. T. System. The Plan went into effect on April 1, 1977, and is funded by the payment of premiums from the Faculty Physician Practice Plans of the component health institutions of the U. T. System.

As of August 31, 2001, there were 6,261 staff and resident physicians of the U. T. System covered by the Plan, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents. In addition, more than 3,300 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 coverage.

Actuaries from Tillinghast-Tower and Perrin, the nation's largest medical liability self-insurance plan actuarial firm, have reviewed the Plan's 25-year experience and recommend experienced-based premiums related to the claims loss of each U. T. System health component. For the preceding five years, premiums have been reduced by 15%, the imputed value of Texas tort reform. Actual experience has not borne out that imputed discount. The absence of that imputed discount from this year's actuarial calculations is the reason for the increase in proposed premiums. Even with the recommended rate increase, the Plan's premium rates will still remain approximately 50% below the rate of commercial insurers for similar coverage.

The Plan has excess reserves well above the actuarially projected risks associated with the Plan, and it is also recommended that a return of \$25 million, representing a portion of such excess reserves, be returned to each participating U. T. System health component, proportionately to the premiums paid for fiscal year 2001-2002. This will be the sixth consecutive year for such partial return of Plan excess reserves.

2. U. T. Health Science Center - San Antonio - Regional Academic Health Center (RAHC) - Harlingen Medical Education Division (Project No. 402-994) and Hidalgo County Medical Research Division (Project No. 402-996); and U. T. Health Science Center - Houston - RAHC - Brownsville Public Health Division (Project No. 702-995): Request to Redesignate the Names of the Divisions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Cigarroa that approval be granted to the U. T. Health Science Center - San Antonio to redesignate the Harlingen Medical Education Division of the Regional Academic Health Center (RAHC) as the Medical Education Division and to redesignate the Hidalgo County Medical Research Division of the RAHC as the Medical Research Division.

The Chancellor also concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Willerson that approval be granted to U. T. Health Science Center - Houston to redesignate the Brownsville Public Health Division of the RAHC as the Public Health Division.

BACKGROUND INFORMATION

The Lower Rio Grande Valley Regional Academic Health Center (RAHC) was established by the U. T. Board of Regents on November 11, 1998, and funding for the divisions was approved on May 13, 1999. The McAllen portion of the RAHC, also established in 1998, was not implemented because of lack of anticipated funding by the City of McAllen.

The proposed name changes of the three RAHC divisions will eliminate the redundancy of having the locations included in the division names and will illustrate that the RAHC is a resource for the entire Rio Grande Valley and is not limited to a specific community. Approval of the revised names for the divisions will initiate revised non-honorific building/project names and conforming amendments to the FY 2002-2007 Capital Improvement Program and FY 2002-2003 Capital Budget.

As suggested by Regent Krier during the Health Affairs Committee meeting on July 2, 2002, signage for all divisions of the RAHC will also include The University of Texas name.