

THE UNIVERSITY of TEXAS SYSTEM

*Nine Universities. Six Health Institutions. Unlimited Possibilities.*

## 2009 ANNUAL REPORT



## PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

SEPTEMBER 1, 2008 – AUGUST 31, 2009

Although another year has passed in the 32-year history of The University of Texas System Professional Medical Liability Benefit Plan (Plan), much has remained the same—continued reductions in premiums, continued reduction in new claims and lawsuits, continued reduction in settlement amounts, and continued trial successes. In a year that saw general economic instability, the market value of the Plan remained stable enabling the Board of Regents to again approve a reduction in premiums and the issuance of rebates to participating institutions.

In 2009, the Plan increased its overall exposure by providing medical liability coverage to 2.7% more physicians than in 2008. While increasing exposure, operational costs declined significantly. Administrative costs remained the same as in 2008 but defense costs declined by 16.4%, and there was a 58.3% reduction in settlements (indemnity) paid compared to last year. The total amount paid in settlements for the 10,325 insureds was \$901,354. Although records do not exist to completely confirm, it is probably safe to say that this is the lowest annual indemnity paid in the history of the Plan.

Reduced defense and settlement costs are at least partially due to a decline in claims and lawsuits. Only 16 new lawsuits were opened in 2009, and there was a reduction in new claims of just over 10%.

Likewise, there was an overall reduction in the number of new matters defended before the Texas Medical Board (TMB) on behalf of U. T. physicians. In 2008, 66 TMB matters were handled and in 2009, 48 TMB matters were handled. This decline is primarily attributable to a significant reduction in these matters for UTMB physicians, probably due to reduced operations as a result of Hurricane Ike. The costs associated with these matters declined by 54.6% due in part to the overall reduction in TMB matters and in part to more active participation in defense by the Office of General Counsel.

Effective for 2010, the Board of Regents adopted an average 10% premium reduction. This is the fifth premium reduction since the passage of tort reform legislation in 2003, which was expected to reduce medical liability lawsuits. The average premium under the Plan has declined from \$8,629 in 2003 to \$2,898 in 2009, a 66.4% average reduction. Commercial insurance companies in Texas have also adopted rate reductions although rate reductions are at a much slower pace, with comparable data showing a 34.4% reduction for less comprehensive coverage than provided under the Plan.

Risk management education, a requirement for coverage under the Plan, focuses on prevention of errors by

learning from incident reports. In 2009, online education was delivered to 2,121 physicians, a 100% increase.

In addition to the traditional functions of defending claims, lawsuits, and TMB matters, the Plan has played an active role in System patient safety efforts. In support of these efforts to reduce claim exposure, portions of Plan returns have been dedicated to a four-pronged proactive patient safety program including: grants for patient safety research proposals, disclosure training to be implemented at each campus, extension of a Clinical Safety & Effectiveness course to all campuses, and System-wide involvement in a Patient Safety Organization.

In summary for 2009, claims and lawsuits continued, although at a significantly reduced volume; TMB matters declined; administrative costs and premiums declined. In the face of these changes, in 2009 Plan administration is focusing more vigorously on patient safety and risk reduction initiatives.

4,429	Faculty Covered
1,029	Fellows Covered
1,973	Residents Covered
2,746	Medical Students Covered
153	Medical Student Externships
16	New Lawsuits
86	New Claims
177	Pending Claims and Lawsuits at August 31, 2009
2	Number of Trials (successful)
93%	Cases Closed with No Plan Payment
\$1,272,895	Administrative Costs
\$1,750,333	Defense Costs
\$901,354 <sup>1</sup>	Settlement (Indemnity) Costs
\$168,449	Texas Medical Board Defense Costs
\$2,898	Plan Average Premium Occurrence (\$500,000/\$1,500,000)
\$18,853	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)
\$13,026,904	Premiums Collected
\$102,692,384	Market Value of Professional Liability Fund

<sup>1</sup> This amount and the amount indicated for Claim Liability Expenses in the Income Statement on page 9 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	\$11,523	\$10,670	\$816
II	General Practice Minor Surgery	\$12,564	\$13,641	\$1,284
III	Emergency Medicine/Minor Surgery	\$17,328	\$23,755	\$2,040
IV	General Surgery	\$31,688	\$33,617	\$3,816
IV	Anesthesiology	\$14,877	\$15,065	\$3,816
V	Gynecology Minor Surgery	\$25,140	\$13,641	\$5,616

\* Mature Claims-Made Rate (\$500,000 / \$1,000,000 Limits) Effective January 1, 2009

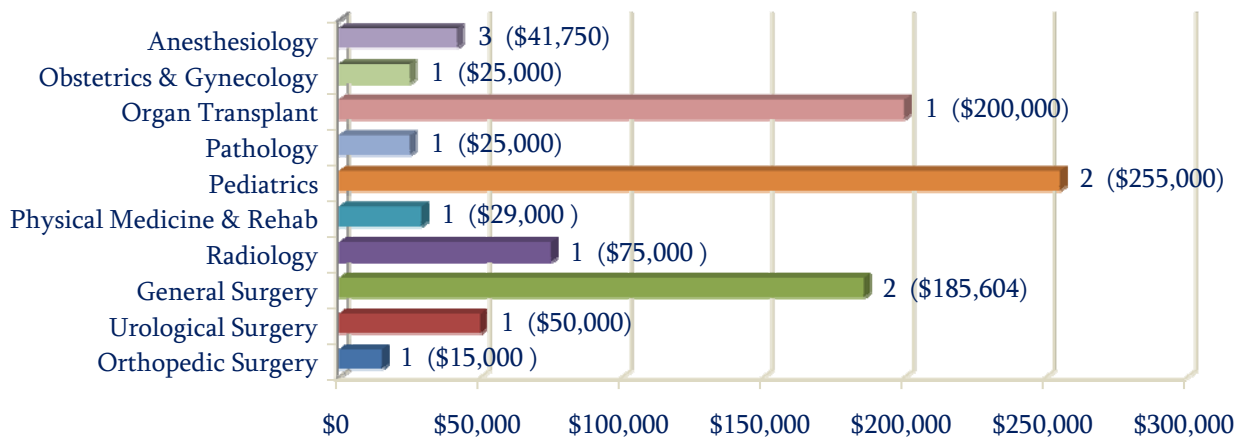
\*\* Occurrence (\$500,000 / \$1,000,000 Limits) Effective November 1, 2009

\*\*\* Occurrence (\$500,000 / \$1,500,000 Limits) Effective September 1, 2009

### INDEMNITY PAYMENTS BY SPECIALTY

All U. T. System Institutions

September 1, 2008 – August 31, 2009

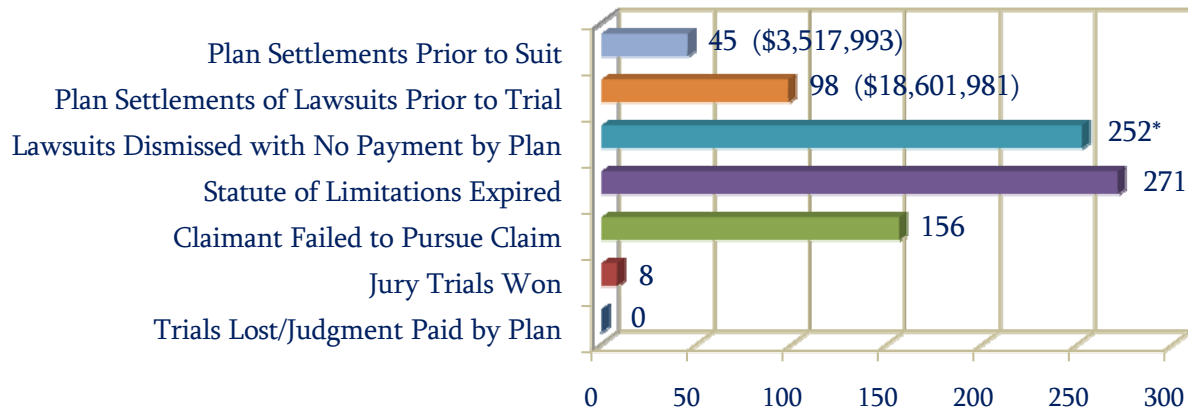


Includes payments made on behalf of both institutions and physicians

### CLOSED CASES

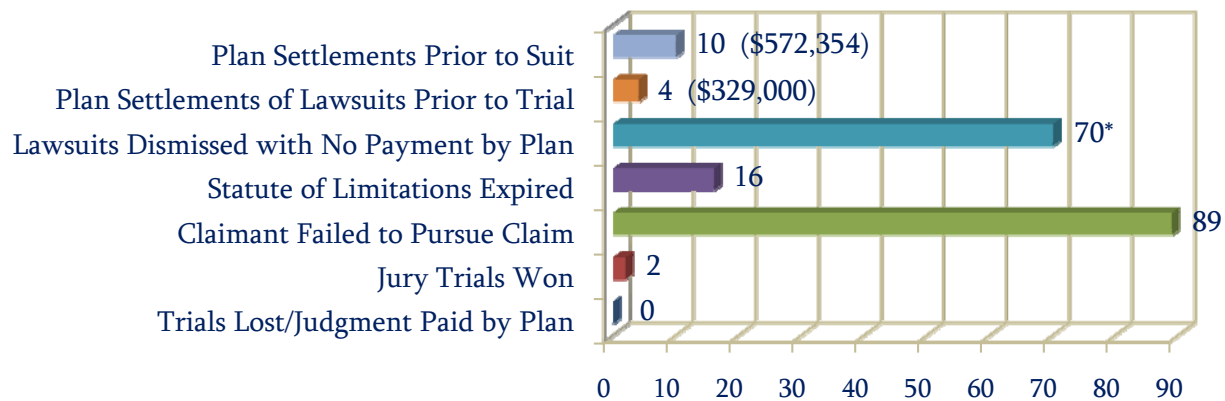
During the last five years, 830 claims and lawsuits filed against U. T. System physicians and institutions were closed with a total Plan contribution of \$22,119,974. Eighty-three percent were closed with no payment by the Plan.

#### All U. T. System Institutions Closed Claims & Lawsuits September 1, 2004 – August 31, 2009



In FY 2009, 93% of the cases closed required no payment by the Plan, a 17% decrease from last year.

#### All U. T. System Institutions Closed Claims & Lawsuits September 1, 2008 – August 31, 2009



\*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**

	2009	2008	2007	2006
Faculty	868	770	749	711
Fellows	162	146	139	131
Residents*	373	361	361	338
Open Claims & Lawsuits	33	56	65	73
New Claims	20	15	17	26
New Lawsuits	7	4	15	12
Settlements Paid	\$546,000	\$574,937	\$294,990	\$1,314,403
New TMB Matters – Faculty	10	10	6	6
New TMB Matters – Residents	3	0	2	1

\*Does not include U. T. residents on rotation at Memorial Hermann Hospital (in 2009 a total of 425)

**The University of Texas Health Science Center at San Antonio**

	2009	2008	2007	2006
Faculty	809	760	759	700
Fellows*	80	57	50	41
Residents*	481	436	440	442
Open Claims & Lawsuits	29	38	38	33
New Claims	10	19	14	15
New Lawsuits	0	1	8	2
Settlements Paid	\$0.00	\$355,500	\$532,500	\$1,166,500
New TMB Matters – Faculty	7	10	5	5
New TMB Matters – Residents	0	1	1	1

\*Does not include U. T. residents on rotation at V.A. Hospital (in 2009 a total of 141 U. T. residents and 30 fellows)

**The University of Texas Health Science Center at Tyler**

	2009	2008	2007	2006
Faculty	62	68	67	81
Fellows	0	1	0	0
Residents	25	24	24	24
Open Claims & Lawsuits	3	6	7	6
New Claims	2	2	4	2
New Lawsuits	0	0	0	0
Settlements Paid	\$0.00	\$1,618	\$0.00	\$0.00
New TMB Matters – Faculty	0	2	1	1
New TMB Matters – Residents	0	0	0	0

**The University of Texas M.D. Anderson Cancer Center**

	2009	2008	2007	2006
Faculty	785	767	715	700
Fellows	365	325	296	240
Residents	1	3	3	7
Open Claims & Lawsuits	17	26	22	21
New Claims	14	15	14	16
New Lawsuits	0	2	3	0
Settlements Paid	\$310,604	\$293,497	\$490,000	\$736,250
New TMB Matters – Faculty	8	5	3	6
New TMB Matters – Residents	0	0	0	0

**The University of Texas Medical Branch at Galveston**

	2009	2008	2007	2006
Faculty	640	651	592	603
Fellows	66	103	107	101
Residents	443	612	605	566
Open Claims & Lawsuits	42	51	49	56
New Claims	13	17	27	24
New Lawsuits	3	5	3	7
Settlements Paid	\$15,750	\$770,000	\$689,291	\$1,520,750
New TMB Matters – Faculty	8	19	12	6
New TMB Matters – Residents	1	6	4	6

**The University of Texas Southwestern Medical Center at Dallas**

	2009	2008	2007	2006
Faculty	1,236	1,125	1,047	968
Fellows	353	352	320	318
Residents*	650	643	630	651
Open Claims & Lawsuits	52	87	75	60
New Claims	26	28	34	36
New Lawsuits	6	14	11	7
Settlements Paid	\$29,000	\$91,000	\$150,000	\$1,169,944
New TMB Matters – Faculty	10	10	16	10
New TMB Matters – Residents	1	3	1	4

\*Does not include U. T. residents on rotation at Parkland Hospital (in 2009 a total of 297)



The University of Texas at Austin

	2009	2008	2007	2006
Faculty	24	28	29	28
Fellows	3	0	0	0
Residents	0	0	0	0
Open Claims & Lawsuits	1	1	2	3
New Claims	1	0	0	1
New Lawsuits	0	0	0	0
Settlements Paid	\$0.00	\$77,766	\$0.00	\$0.00
New TMB Matters – Faculty	0	0	0	0
New TMB Matters – Residents	0	0	0	0

## Balance Sheet

	8/31/2009	8/31/2008
<b>Assets</b>		
Operating Cash	\$ 1,960,637	\$ 6,081,106
Investments	100,488,029	107,950,428
Accounts Receivable	243,718	331,808
Total Assets	<u>\$ 102,692,384</u>	<u>\$ 114,363,342</u>
<b>Liabilities</b>		
Accounts Payable	61,052	141,770
IBNR	23,941,448	29,867,984
Total Liabilities	<u>24,002,500</u>	<u>30,009,754</u>
<b>Net Assets</b>	<b>78,689,884</b>	<b>84,353,588</b>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 102,692,384</b></u>	<u><b>\$ 114,363,342</b></u>

## Income Statement

	8/31/2009	8/31/2008
<b>Revenue</b>		
Premium Income	\$ 13,026,904	\$ 12,805,029
Investment Income	2,915,106	4,308,023
Total Revenue	<u>15,942,010</u>	<u>17,113,052</u>
Less Premium Refund	(10,000,000)	(35,000,000)
Net Revenue	<u>5,942,010</u>	<u>(17,886,948)</u>
<b>Expenses</b>		
Legal Expenses	1,750,333	2,093,812
Claim Liability Expenses	878,270	2,178,579
Medical Board Expenses	168,449	370,820
Administrative Expenses	1,366,955	1,272,895
Other Expenses	35,908	61,404
Total Expenses	<u>4,199,916</u>	<u>5,977,510</u>
Change in IBNR	(5,926,536)	(5,810,713)
Net Expenses	<u>(1,726,620)</u>	<u>166,797</u>
<b>Excess Revenue Over Expenses</b>	<u><b>7,668,630</b></u>	<u><b>(18,053,745)</b></u>
<b>Other Changes in Net Assets</b>		
Investments Market Value Increase (Decrease)	(10,207,334)	(3,908,684)
Transfer to special funds	(3,125,000)	(3,686,920)
Total Other Changes	<u>(13,332,334)</u>	<u>(7,595,604)</u>
<b>Change in Net Assets</b>	<u><b>(5,663,704)</b></u>	<u><b>(25,649,349)</b></u>
<b>Beginning Net Assets</b>	<b>84,353,588</b>	<b>110,002,937</b>
<b>Ending Net Assets</b>	<u><b>\$ 78,689,884</b></u>	<u><b>\$ 84,353,588</b></u>