

**Maryland Insurance Administration's
2006 Annual Report on the
Maryland Health Care Provider Rate
Stabilization Fund**



March 15, 2007

Maryland Insurance Administration's 2006 Report on the Maryland Health Care Provider Rate Stabilization Fund

Introduction	1
Annual Reporting	3
I. Rate Stabilization Account Uses and Fund Balance	5
II. Maryland Health Care Provider Rate Stabilization Fund and Medical Assistance Program Account Balances	10
III. Medical Assistance Program Account Payments and Uses.....	11
IV. Office of Legislative Audits Report of Receipts and Disbursements of the Fund	14

Introduction:

Chapter 1, Laws of Maryland 2005 (Senate Bill 836) created the Maryland Health Care Provider Rate Stabilization Fund. The Fund consists primarily of premium tax revenue collected from health maintenance organizations and managed care organizations.

The purposes of the Fund are to: (1) retain health care providers in the State by allowing medical liability professional insurers to collect rates that are less than the rates approved under §11-201 of the Insurance Article; (2) increase fee-for-service rates paid by the Maryland Medical Assistance Program to health care providers identified under §19-807 of the Insurance Article; (3) pay managed care organization health care providers identified under §19-807 of the Insurance Article consistent with fee-for-service health care provider rates; and (4) increase capitation payments to managed care organizations participating in the Maryland Medical Assistance Program consistent with §15-103(b)(18) of the Health-General Article. The Fund's revenues are allocated to the Rate Stabilization Account and the Medical Assistance Program Account. In any period that an allocation is made to the Rate Stabilization Account, up to \$350,000 is allocated annually to the Administration to provide for the costs incurred to administer the Fund.

Monies allocated to the Rate Stabilization Account are to be used to accomplish purpose (1) above by paying authorized medical professional liability insurance premium subsidies ("State subsidies") to medical professional liability insurers who wish to participate in the Fund ("Participating Insurers") on behalf of policyholders who are eligible health care providers.

State subsidies are available only to licensed physicians and certified midwives. State subsidies are not available to corporate entities through which they practice or to other health care providers.

Monies allocated to the Medical Assistance Program Account are to be used to accomplish purposes (2), (3) and (4) above by: increasing fee-for-service rates paid by the Maryland Medical Assistance Program to certain health care providers; paying certain managed care organization health care providers consistent with fee-for-service health care provider rates; and increasing capitation payments to managed care organizations participating in the Maryland Medical Assistance Program.

The Fund replaced the Maryland Medical Professional Liability Insurance Rate Stabilization Fund that had been created by Chapter 5, Laws of Maryland 2004 (Special Session).

Annual Reporting:

§19-808(c) of the Insurance Article provides that on or before March 15 of each year the Commissioner shall report to the Legislative Policy Committee, in accordance with §2-1246 of the State Government Article, the following:

- (I) For each year that an allocation is made to the Rate Stabilization Account:
 - (i) The amount of money applied for by medical professional liability insurers during the previous calendar year;
 - (ii) By classification and geographic territory, the amount of money disbursed to medical professional liability insurers on behalf of health care providers during the previous calendar year;
 - (iii) By classification and geographic territory, the number of health care providers electing not to receive a rate reduction, credit, or refund in the previous calendar year;
 - (iv) The costs incurred by the Commissioner in administering the Rate Stabilization Account during the previous calendar year, including a justification of the audit costs incurred under §19-805(i) of the Insurance Article; and,
 - (v) The amount of money available in the Rate Stabilization Account on the last day of the previous calendar year;

- (II) The amount of money available in the Fund and the Medical Assistance Program Account on the last day of the previous calendar year;
- (III) (i) The amount of money disbursed to the Maryland Medical Assistance Program under § 19-807 of the Insurance Article;
- (ii) The amount of increase in fee-for-service health care provider rates; and
- (iii) The amount of increase in capitation payments to managed care organizations;
and
- (4) The Office of Legislative Audits' report on the receipts and disbursements of the Fund.

I. Rate Stabilization Account Uses and Fund Balance:

- (i) The amount of money applied for by medical professional liability insurers during the previous calendar year.*

During calendar year 2006 the Administration paid State subsidies from the Rate Stabilization Account to Participating Insurers on behalf of health care providers totaling \$42.3 million. Attached as **Exhibit 1(a)** is a schedule depicting the State subsidies paid from the Rate Stabilization Account during calendar year 2006.

The State subsidy payments during calendar year 2006 were paid from funds that were allocated to the Rate Stabilization Account by §19-803(b)(3) of the Insurance Article. Specifically, \$52 million was allocated to the Account in fiscal year 2006 to pay State subsidies in calendar year 2005, and \$45 million was allocated to the Account in fiscal year 2007 to pay State subsidies in calendar year 2006. However, due to practical implementation issues State subsidies are paid on a 'Subsidy Year' basis rather than a calendar year basis. A detailed explanation of the Subsidy Year concept is contained in **Appendix A** to this report.

Because the State subsidies are paid on a Subsidy Year basis, the calendar year 2006 State subsidy payments included payments for both Subsidy Year 2005 and Subsidy Year 2006. The following comments explain the amount of State subsidies applied for by, and paid to, the Participating Insurers during calendar year 2006 related to Subsidy Year 2005 and Subsidy Year 2006.

For Subsidy Year 2005 there were four medical professional liability insurers participating in the Rate Subsidy Account. Through December 31, 2006, these Participating Insurers had applied for and received State subsidy payments totaling \$36 million. This amount included \$6.4 million paid during calendar year 2006 (the other \$29.6 million had been paid during calendar year 2005).

Based upon information obtained from the insurers, we anticipate paying additional State subsidies totaling approximately \$200,000 to Participating Insurers related to the Subsidy Year 2005 allocation, which will bring the total amount of State subsidy payments for Subsidy Year 2005 to approximately \$36.2 million.

Attached as **Exhibit 1(b)** is a schedule depicting the State subsidies paid for Subsidy Year 2005 through December 31, 2006. **Exhibit 1(b)** also includes the total amount expected to be paid for all of Subsidy Year 2005.

For Subsidy Year 2006 there were five medical professional liability insurers participating in the Rate Subsidy Account. During calendar year 2006 these Participating Insurers had applied for and received State subsidy payments totaling \$35.8 million.

The \$35.8 million paid to Participating Insurers through December 31, 2006 represents approximately 79% of the total amount of State subsidy payments the Administration anticipates making for Subsidy Year 2006. Based upon information obtained from the insurers, we anticipate paying additional State subsidy payments totaling approximately \$9.4 million to Participating Insurers, which will bring the

total amount of State subsidy payments for Subsidy Year 2006 to approximately \$45.2 million.

Attached as **Exhibit 1(c)** is a schedule depicting the State subsidies paid from the Rate Stabilization Account to Participating Insurers on behalf of health care providers for Subsidy Year 2006 through December 31, 2006. **Exhibit 1(c)** also includes the total amount expected to be paid for all of Subsidy Year 2006.

- (ii) *By classification and geographic territory, the amount of money disbursed to medical professional liability insurers on behalf of health care providers during the previous calendar year.*

Exhibit 2 summarizes by classification and geographical territory the State subsidies paid from the Rate Stabilization Account to Participating Insurers on behalf of health care providers for Subsidy Years 2005 and 2006 during December 31, 2006. **Exhibit 2** also includes the total amount expected to be paid for all of Subsidy Years 2005 and 2006. This information was compiled from data received from the Participating Insurers.

- (iii) *By classification and geographic territory, the number of health care providers electing not to receive a rate reduction, credit, or refund during the previous calendar year.*

No health care providers elected to not receive a rate reduction, credit, or refund during calendar year 2006 according to the Participating Insurers.

- (iv) *The costs incurred by the Commissioner in administering the Rate Stabilization Account during the previous calendar year, including a justification of the audit costs incurred under §19-805(i) of the Insurance Article.*

Exhibit 3 summarizes the costs incurred by the Administration in administering the Rate Stabilization Account during the calendar year 2006. In total, the Administration incurred administrative expenses totaling \$132,000 during the year. Although incurred during calendar year 2006, these administrative expenses were actually charged to the Fund during calendar year 2007. \$90,000 of the expenses represented an allocation of the Administration's internal costs based on the time expended by Administration employees on Rate Stabilization Account issues during calendar year 2006. The remaining \$42,000 represented the cost incurred through December 31, 2006 in conducting the audit of a Participating Insurer required by §19-805(i) of the Insurance Article.

In this regard, §19-805(i) of the Insurance Article requires the Commissioner or the Commissioner's designee to conduct an annual audit to verify the information submitted by each Participating Insurer applying for payment from the Rate Stabilization Account. As a practical matter, these audits cannot be conducted until each Participating Insurer's Subsidy Year has ended and the Participating Insurer has essentially finished requesting subsidies from the Fund for the year to be audited. The Administration began the Subsidy Year 2005 audit of one Participating Insurer during calendar year 2006, and that audit is nearing completion. The Administration has scheduled its Subsidy Year 2005 audits of each of the other Participating Insurers to begin throughout calendar year 2007, as

soon as practicable after the 2005 Subsidy Year activity for each respective insurer has ceased.

- (v) *The amount of money available in the Rate Stabilization Account on the last day of the previous calendar year.*

The Administration records receipts for this program in the Maryland Health Care Provider Rate Stabilization Fund, and then transfers funds equal to the amounts allocated by law to the Rate Stabilization Account. Through December 31, 2006 the Administration had transferred the entire amount of the \$52 million fiscal year 2006 allocation and \$36.6 million of the \$45 million fiscal year 2007 allocation to the Rate Stabilization Account. As of that date, \$71.8 million has been disbursed, leaving a cash balance of \$16.8 million in the Account. **Exhibit 4** summarizes the activity in the Rate Stabilization Account through December 31, 2006 and the cash balance as of that date.

Based on information supplied by the Participating Insurers, the Administration anticipates making additional State subsidy payments totaling approximately \$9.7 million related to the fiscal year 2006 and 2007 allocations. Also, the \$8.4 million balance of the fiscal year 2007 allocation will be transferred into the Rate Stabilization Account by June 30, 2007. As a result, we project that the unexpended unencumbered balance of the Account related to the fiscal year 2006 and 2007 allocations will be approximately \$15.5 million (i.e., \$16.8 million cash balance as of December 31, 2006 less \$9.7 million future State Subsidy payments plus \$8.4 million fiscal year 2007 allocation transfer). **Exhibit 4** also depicts the projected unexpended balance of the fiscal year 2006 and 2007

allocations combined, once the remainder of the fiscal year 2007 allocation has been transferred into the Account and all Subsidy Year 2005 and 2006 State subsidies have been paid.

II. The amount of money available in the Maryland Health Care Provider Rate Stabilization Fund and the Medical Assistance Program Account on the last day of the previous calendar year:

Maryland Health Care Provider Rate Stabilization Fund

Exhibit 5 summarizes the activity of the Maryland Health Care Provider Rate Stabilization Fund for calendar year 2006. As of December 31, 2006, the Fund had a cash balance of \$40.9 million.

Medical Assistance Program Account

Through December 31, 2006 the Administration had paid the entire amount of the \$30 million fiscal year 2006 allocation into the Account. In addition, the Administration had paid \$4 million of the \$45 million fiscal year 2007 allocation into the Account. These amounts were immediately disbursed to the Department of Health and Mental Hygiene for use by the Medical Assistance Program. As a result, the Account had a \$0 balance as of December 31, 2006.

The Administration intends to pay the remaining \$41 million of the \$45 million fiscal year 2007 allocation into the Account by June 30, 2007, and will immediately transfer that amount to the Department of Health and Mental Hygiene. In this regard, the amounts paid into the Account include premium tax exemption value payments from

nonprofit health maintenance organizations (i.e., the amount of premium taxes that the nonprofit health maintenance organization would have been required to pay if it were not exempt from premium taxation under §6-101(b)(7) of the Insurance Article). Those payments are supplemented by premium tax revenue, to the extent available, so that the total deposited into the Account for each fiscal year equals the amount allocated.

At this time the Administration anticipates collecting additional premium tax exemption value and premium tax revenue during fiscal year 2007 to permit additional payments into the Account totaling approximately \$36.7 million. That amount, combined with the \$4 million already paid into the account during fiscal year 2007, will be approximately \$4.3 million less than the \$45 million fiscal year 2007 allocation to the Account. This shortfall is attributable to premium tax exemption value and premium tax revenue being less than the total statutory allocations from the Maryland Health Care Provider Rate Stabilization Fund for fiscal year 2007. In accordance with §19-803(c)(2) of the Insurance Article, the Administration intends to transfer additional funds equal to the actual shortfall amount into the Medical Assistance Program Account from the unallocated balance of the Maryland Health Care Provider Rate Stabilization Fund.

Please see **Section III** below for a more complete discussion of the activity of this Account.

III. Medical Assistance Program Account Payment and Uses:

- (i) The amount of money disbursed to the Maryland Medical Assistance Program under § 19-807 of the Insurance Article;*

As previously noted, through December 31, 2006 the Administration had disbursed the entire amount of the \$30 million fiscal year 2006 allocation to the Department of Health and Mental Hygiene for use by the Medical Assistance Program. In addition, the Administration had disbursed \$4 million of the \$45 million fiscal year 2007 allocation to the Department. The Administration intends to disburse the remaining \$41 million of the fiscal year 2007 allocation to the Department by June 30, 2007.

(ii) The amount of increase in fee-for-service health care provider rates:

§19-807(b)(2) of the Insurance Article required the Department to annually use \$15 million of the allocation to increase fee-for-service health care provider rates and to pay managed care organization health care providers consistent with fee-for-service health care provider rates for procedures commonly performed by four physician specialties (i.e., obstetricians, neurosurgeons, orthopedic surgeons and emergency medicine physicians).

We were advised by the Department that in fiscal year 2006 it used these funds to increase its fee-for-service health care provider rates for 1,600 physician service codes for the four physician specialties. These funds were matched by \$15 million of Federal Medicaid funds, for a total of \$30 million.

The Department allocated \$5.3 million of the \$30 million for direct fee-for-service health care provider payments to these four physician specialties. The remaining \$24.7 million was paid to managed care organizations during fiscal year 2006 in the form of increased capitation payments. The increased capitation payments were designed to

compensate the managed care organizations for increased fee-for-service claims they received from these four physician specialties.

During fiscal year 2007 the Department allocated \$16.2 million to continue these fee-for-service increases. These funds were matched by \$16.2 million of Federal Medicaid funds, for a total of \$32.4 million. The Department allocated the \$32.4 million between direct fee-for-service health care provider payments (\$5.6 million) and increased capitation payments to managed care organizations to compensate them for increased fee-for-service claims they will receive from these four physician specialties (\$26.8 million).

In addition, in accordance with §19-807(b)(3) of the Insurance Article, during fiscal year 2007 the Department has allocated \$12.6 million, matched by Federal Medicaid funds for a total of \$25.2 million, to increase the fee-for-service health care provider rates for other services. These services included anesthesia fees for all surgery procedures (increased to 100% of the Medicare rate); most general surgery procedures including gastroenterology, radiation oncology, allergy/immunology and dermatology procedures (increased to 80% of the Medicare rates); and evaluation and management procedures (increased to 78% of the Medicare rate). The Department allocated the \$25.2 million between direct fee-for-service health care provider payments (\$5.6 million) and payments to managed care organizations to compensate them for increased fee-for-service claims they will receive for these services (\$19.6 million).

(iii) *The amount of increase in capitation payments to managed care organizations.*

We were advised by the Department that in fiscal years 2006 and 2007 it allocated \$15 million and \$16.2 million, respectively, to increase capitation payments to managed

care organizations. These amounts were matched by Federal Medicaid funds for a total of \$30 million and \$32.4 million, respectively.

IV. Office of Legislative Audits' Report of Receipts and Disbursements of the Fund

This report with the Administration's response is attached as **Exhibit 6**.

**Maryland Insurance Administration
Rate Stabilization Account
Total Payments to Participating Insurers
Calendar Year 2006**

Insurer	Total Payments
Medical Mutual Liability Insurance Society of Maryland	\$ 33,804,256
NCRIC, Inc./Medical Assurance Company, Inc.	2,014,752
The Doctors Company, an Interinsurance Exchange	3,792,074
Medical Protective Company	1,901,915
Maryland Healthcare Providers Insurance Exchange	748,839
Totals	<u>\$ 42,261,836</u>

Maryland Insurance Administration
Rate Stabilization Account
2005 Subsidy Year State Subsidies By Insurer

Insurer	Amount Disbursed Through December 31, 2005	Amount Requested Through December 31, 2006	Total Amount Disbursed Through December 31, 2006	Projected Future Subsidy Year 2005 Disbursements	Total Projected Subsidy Year 2005 Disbursements
Medical Mutual Liability Insurance Society of Maryland	27,114,753	27,426,000	27,426,000	0	27,426,000
NCRIC, Inc.	616,308	1,494,005	1,494,005	176,287	1,670,292
The Doctors Company, an Interinsurance Exchange	1,820,474	5,146,493	5,146,493	12,894	5,159,387
Medical Protective Company	0	1,901,915	1,901,915	58,653	1,960,568
Totals	29,551,535	35,968,413	35,968,413	247,834	36,216,247

Maryland Insurance Administration
Rate Stabilization Account
2006 Subsidy Year State Subsidies By Insurer

Insurer	Amount Requested Through December 31, 2006	Amount Disbursed Through December 31, 2006	Projected Future Subsidy Year 2006 Disbursements	Total Projected Subsidy Year 2006 Disbursements
Medical Mutual Liability Insurance Society of Maryland*	33,493,009	33,493,009	(17,191)	33,475,818
NCRIC, Inc./Medical Assurance Company, Inc.	1,137,055	1,137,055	1,180,516	2,317,571
The Doctors Company, an Interinsurance Exchange	466,055	466,055	5,300,207	5,766,262
Medical Protective Company	0	0	2,814,200	2,814,200
Maryland Healthcare Providers Insurance Exchange	748,839	748,839	121,351	870,190
Totals	35,844,958	35,844,958	9,399,084	45,244,042

* - The negative projected remaining payments for this Participating Insurer reflects an expected refund to the Administration of certain State subsidies.

Maryland Insurance Administration
Rate Stabilization Account
State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006		SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
BALTIMORE CITY AND BALTIMORE COUNTY					
ALLERGY	1,755	34,347	36,102	28,748	36,402
ANESTHESIOLOGY	39,262	30,761	70,024	135,364	319,650
ANESTHESIOLOGY (INCLUDING OB)	0	361,649	361,649	340	361,806
ANESTHESIOLOGY (OTHER THAN OB)	0	78,388	78,388	0	78,136
ANESTHESIOLOGY PAIN ONLY	0	0	0	4,062	5,549
CARDIOLOGY	997	0	997	54,647	147,259
CARDIOVASCULAR DISEASE (MINOR SURGERY)	0	160,151	160,151	184,915	160,151
CARDIOVASCULAR DISEASE (NO SURGERY)	-332	67,548	67,216	48,370	67,548
CLINIC GROUPS	0	62,692	62,692	28,566	62,692
DERMATOLOGY	3,908	0	3,908	7,035	4,689
DERMATOLOGY (MINOR SURGERY)	8,867	34,571	43,438	36,498	34,571
DERMATOLOGY (NO SURGERY)	413	63,068	63,481	53,529	63,068
EMERGENCY ROOM	0	173,680	173,680	248,737	173,680
ENDOCRINOLOGY (NO SURGERY)	25,762	26,120	51,882	32,749	62,712
FAMILY OR GEN'L PRACTICE (NO SURGERY)	63,086	290,988	354,074	305,776	336,734
FAMILY OR GEN'L PRACTICE-MINOR SURGERY	14,488	3,388	17,876	29,177	7,657
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	-20	3,498	3,478	2,982	3,498
GASTROENTEROLOGY	45,890	0	45,890	53,108	73,171
GASTROENTEROLOGY - MINOR SURGERY	0	360,761	360,761	403,150	360,761
GASTROENTEROLOGY - NO SURGERY	0	3,321	3,321	2,685	3,321
GENERAL MEDICINE	11,069	1,676	12,746	17,003	12,091
GENERAL PREVENTIVE MEDICINE NO SURGERY	0	3,737	3,737	2,379	3,737
GENERAL SURGERY	26,332	0	26,332	28,037	49,275
GENETICIST	0	3,389	3,389	0	3,389
GERIATRICS NO SURGERY	0	8,713	8,713	6,436	8,713
GYNCOLOGY	90,014	15,501	105,515	147,901	122,349
GYNCOLOGY (MAJOR SURGERY)	0	4,960	4,960	3,091	27,534
GYNCOLOGY (MINOR SURGERY)	0	43,972	43,972	0	43,972
GYNCOLOGY (NO SURGERY)	0	4,049	4,049	3,228	4,049
HAND & FOOT SURGERY	0	0	0	0	75,692
HEMATOLOGY	8,656	0	8,656	24,208	51,144
HEMATOLOGY - NO SURGERY	0	15,523	15,523	12,176	15,523
HEMATOLOGY- ONCOLOGY	2,344	0	2,344	2,344	3,270
HOSPITALIST/HOUSE STAFF	0	49,877	49,877	0	49,877

Maryland Insurance Administration
Rate Stabilization Account
State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		PROJECTED TOTAL PAYMENTS		
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006	TOTAL	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
IM CARDIOLOGY MINOR SURGERY	8,830	0	8,830	8,830	13,588
IM CARDIOLOGY NO SURGERY	2,787	0	2,787	2,787	4,267
IM INFECTIOUS DISEASE NO SURGERY	0	28,549	28,549	16,065	28,549
INTENSIVE CARE MEDICINE	0	22,525	22,525	14,182	22,525
INTERNAL MEDICINE	33,933	18,601	52,534	108,401	143,850
INTERNAL MEDICINE - MINOR SURGERY	-2,968	75,877	72,909	81,508	79,658
INTERNAL MEDICINE - NO SURGERY	39,052	1,359,295	1,398,347	1,113,046	1,413,376
NEOPLASTIC DISEASES - MINOR SURGERY	0	5,824	5,824	0	5,824
NEOPLASTIC DISEASES - NO SURGERY	0	32,667	32,667	16,375	32,667
NEPHROLOGY - MINOR SURGERY	38,090	14,678	52,768	43,619	14,678
NEPHROLOGY - NO SURGERY	18,657	85,447	104,104	65,501	117,322
NEUROLOGY	1,576	6,679	8,255	7,392	14,614
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	0	0	8,849	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	0	159,293	159,293	0	159,080
NUCLEAR MEDICINE	31	12,074	12,106	13,912	17,704
NURSE MIDWIVES	0	4,710	4,710	4,266	10,127
NUTRITION	0	3,742	3,742	2,645	3,742
OBSTETRICS & GYNECOLOGY	148,829	62,739	211,568	185,538	285,002
OCCUPATIONAL MEDICINE	3,151	14,662	17,813	18,025	18,783
ONCOLOGY	9,601	0	9,601	19,214	38,173
OPHTHALMOLOGY - MINOR SURGERY	0	7,171	7,171	5,798	1,882
OPHTHALMOLOGY - NO SURGERY	-608	20,444	19,836	14,539	25,256
OPHTHALMOLOGY MAJOR SURGERY	53,188	0	53,188	61,147	80,214
ORTHOPEDIC EXCL. BACK	228,339	0	228,339	228,339	310,660
OTORHINOLARYNGOLOGY MINOR SURGERY	0	3,388	3,388	3,761	3,388
OTORHINOLARYNGOLOGY NO SURGERY	0	14,098	14,098	12,353	13,887
PAIN MANAGEMENT	0	0	0	0	4,051
PATHOLOGY	-4,896	12,354	7,458	48,937	68,754
PATHOLOGY (NO SURGERY)	-5,167	131,613	126,446	92,805	131,613
PEDIATRICS	44,561	0	44,561	100,889	116,575
PEDIATRICS (MINOR SURGERY)	0	33,811	33,811	4,360	33,811
PEDIATRICS (NO SURGERY)	25,746	443,417	469,163	339,331	478,274
PHYSIATRY/PHYS MED & REHAB./NO ACUPUNCT	4,908	75,347	80,255	47,467	76,478
PHYSIATRY/PHYS MED & REHAB./ACUPUNCTURE	0	9,436	9,436	10,275	9,436
PHYSICAL MEDICINE & REHAB	11,696	0	11,696	30,225	35,139
PHYSICIANS - N.O.C. - MINOR SURGERY	9,208	75,427	84,635	70,629	89,756
PHYSICIANS - N.O.C. - NO SURGERY	24,113	104,200	128,313	89,997	114,506

Maryland Insurance Administration
 Rate Stabilization Account
 State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006		SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
PSYCHIATRY	0	932	932	0	2,786
PSYCHIATRY - INCLUDING CHILD	-667	117,537	116,870	86,657	119,358
PSYCHOANALYSIS	0	2,497	2,497	1,796	2,497
PUBLIC HEALTH	0	3,316	3,316	2,537	3,316
PULMONARY DISEASES - MINOR SURGERY	0	80,798	80,798	80,832	80,798
PULMONARY DISEASES - NO SURGERY	0	2,173	2,173	2,713	2,173
PULMONARY MEDICINE	226,037	0	226,037	226,037	208,356
RADIOLOGY	50,604	0	50,604	302,056	0
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	593	525,085	525,678	123,840	554,914
RADIOLOGY - DIAGNOSTIC - NO SURGERY	-312	38,914	38,602	43,082	38,914
RADIOLOGY INCL IVP	3,356	8,719	12,075	5,036	8,719
RADIOLOGY - THERAPEUTIC	14,336	0	14,336	17,525	0
RHEUMATOLOGY	3,626	7,770	11,396	14,165	26,624
RHEUMATOLOGY - NO SURGERY	-3,701	20,209	16,508	20,924	20,209
SURGEON - ABDOMINAL	0	16,831	16,831	13,750	16,831
SURGEON - CARDIAC	0	78,126	78,126	63,752	78,126
SURGEON - CARDIOVASCULAR	0	34,262	34,262	12,670	34,262
SURGEON - COLON AND RECTAL	0	33,698	33,698	0	33,478
SURGEON - EMERGENCY MEDICINE	0	16,763	16,763	13,679	16,763
SURGEON - FAMILY OR GENERAL PRACTICE	0	0	0	0	19,908
SURGEON - GENERAL - N.O.C.	104,185	546,680	650,865	487,796	662,444
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	260,366	260,366	156,643	260,269
SURGEON - HAND	71,169	10,971	82,140	80,510	23,271
SURGEON - NEOPLASTIC DISEASES	0	11,648	11,648	0	11,648
SURGEON - NEUROLOGY (INCLUDING CHILD)	0	436,720	436,720	297,537	492,706
SURGEON - OBSTETRICS & GYNECOLOGY	165,295	1,215,141	1,380,436	1,008,838	1,436,999
SURGEON - OPHTHALMOLOGY	0	293,111	293,111	0	293,111
SURGEON - ORTHOPEDIC	132,608	666,336	798,944	618,685	862,776
SURGEON - OTORHINOLARYNGOLOGY	0	178,645	178,645	9,916	178,645
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	71,120	71,120	52,347	71,120
SURGEON - PLASTIC	61,010	297,072	358,082	288,198	337,198
SURGEON - THORACIC	15,872	120,745	136,617	117,646	155,479
SURGEON - UROLOGICAL	0	115,212	115,212	0	115,212
SURGEON - VASCULAR	6,160	342,759	348,919	276,305	342,759
SUSPENSION (1B)	0	4,429	4,429	3,581	4,429
SUSPENSION (50% OF 1B)	9,877	7,272	17,149	13,063	7,272
UROLOGY	72,412	95,103	167,515	207,432	211,569

**Maryland Insurance Administration
Rate Stabilization Account
State Subsidies Paid by Classification and Geographical Territory**

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006		SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	-430	1,155	725	225	1,160
TOTAL	1,967,180	10,406,511	12,373,691	9,448,018	13,586,977
MONTGOMERY, PRINCE GEORGES, HOWARD, AND ANNE ARUNDEL COUNTIES					
ALLERGY	6,430	66,237	72,666	63,662	81,759
ANESTHESIOLOGY	40,821	2,073	42,894	41,898	175,530
ANESTHESIOLOGY (INCLUDING OB)	0	271,253	271,253	48	271,251
ANESTHESIOLOGY (OTHER THAN OB)	0	68,925	68,925	0	76,176
ANESTHESIOLOGY PAIN ONLY	0	0	0	0	5,475
CARDIOLOGY	0	15,926	15,926	92,925	228,849
CARDIOVASCULAR DISEASE (MINOR SURGERY)	4,561	601,374	605,935	601,591	603,096
CARDIOVASCULAR DISEASE (NO SURGERY)	20,829	124,583	145,412	104,311	131,010
CLINIC GROUPS	0	205,927	205,927	136,463	205,927
DERMATOLOGY	2,368	0	2,368	2,368	11,249
DERMATOLOGY (MINOR SURGERY)	1,875	121,166	123,041	92,689	124,368
DERMATOLOGY (NO SURGERY)	12,342	110,024	122,366	96,619	130,920
EMERGENCY MEDICINE (NO MAJOR SURGERY)	324	0	324	1,110	0
EMERGENCY ROOM	0	595,334	595,334	572,480	595,334
ENDOCRINOLOGY (NO SURGERY)	1,518	66,997	68,515	44,934	69,822
FAMILY OR GENRL PRACTICE (NO SURGERY)	71,586	867,830	939,416	761,653	984,887
FAMILY OR GENRL PRACTICE-MINOR SURGERY	18,084	37,532	55,616	75,968	73,459
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	0	2,269	2,269	1,743	2,269
GASTROENTEROLOGY	32,099	8,149	40,248	52,771	59,590
GASTROENTEROLOGY - MINOR SURGERY	21,582	444,830	466,412	504,541	467,602
GASTROENTEROLOGY - NO SURGERY	-7,615	3,802	-3,813	1,851	3,802
GENERAL MEDICINE	0	0	0	0	6,497
GENERAL PRACTICE NO SURGERY	6,912	1,301	8,213	7,772	5,883
GENERAL PREVENTIVE MEDICINE NO SURGERY	715	3,075	3,790	2,996	4,393
GENERAL SURGERY	121,526	0	121,526	131,860	167,750
GENERAL SURGERY MINOR SURGERY	0	3,040	3,040	1,934	0
GENETICIST	0	3,371	3,371	0	3,371
GERIATRICS NO SURGERY	441	8,689	9,130	2,094	8,689
GYNECOLOGY	41,867	0	41,867	41,867	29,921
GYNECOLOGY (MAJOR SURGERY)	-12,972	14,256	1,284	8,091	14,256

Maryland Insurance Administration
Rate Stabilization Account
State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		PROJECTED TOTAL PAYMENTS		
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006	TOTAL	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
GYNECOLOGY (MINOR SURGERY)	21,532	98,614	120,146	39,480	99,936
GYNECOLOGY (NO SURGERY)	6,791	61,479	68,270	37,139	65,544
HEMATOLOGY	3,736	0	3,736	3,736	4,536
HEMATOLOGY - NO SURGERY	2,916	67,062	69,978	47,545	76,817
HOSPITALIST/HOUSE STAFF	0	48,121	48,121	0	50,557
INFECTIOUS DISEASE	3,146	0	3,146	3,146	4,392
INFECTIOUS DISEASE NO SURGERY	0	29,559	29,559	14,856	29,315
INFECTIOUS DISEASE NO SURGERY	0	4,213	4,213	0	4,213
INTENSIVE CARE MEDICINE	51,592	97,462	149,054	140,374	225,639
INTERNAL MEDICINE	87,570	18,530	106,100	215,292	247,851
INTERNAL MEDICINE - MINOR SURGERY	9,716	302,211	311,927	402,112	296,052
INTERNAL MEDICINE - NO SURGERY	75,811	1,840,868	1,916,679	1,467,012	1,928,792
INTERNAL MEDICINE-ALLERGY-NO SURGERY	0	1,380	1,380	907	1,380
INTERNAL MEDICINE-CARDIOLOGY-MINOR SURGERY	0	11,732	11,732	2,238	15,867
INTERNAL MEDICINE-CARDIOLOGY-NO SURGERY	3,609	3,746	7,355	6,072	11,006
INTERNAL MEDICINE-ENDOCRINE-NO SURGERY	2,191	7,909	10,100	5,164	7,799
INTERNAL MEDICINE-NEPHROLOGY-NO SURGERY	9,147	0	9,147	9,147	13,544
INTERNAL MEDICINE-ONCOLOGY-NO SURGERY	2,976	11,383	14,359	6,325	17,511
INTERNAL MEDICINE-PULMONARY-MINOR SURGERY	6,833	7,493	14,326	6,833	8,920
INTERNAL MEDICINE-PULMONARY-NO SURGERY	6,069	0	6,069	6,069	20,060
INTERNAL MEDICINE-RHEUMATOLOGY-NO SURGERY	7,286	1,753	9,039	9,878	7,993
NEONATOLOGY	0	0	0	0	6,305
NEOPLASTIC DISEASES - MINOR SURGERY	0	0	0	10,351	0
NEOPLASTIC DISEASES - NO SURGERY	0	13,604	13,604	12,679	13,668
NEPHROLOGY - MINOR SURGERY	0	1,579	1,579	0	1,579
NEPHROLOGY - NO SURGERY	2,535	56,572	59,107	55,494	62,602
NEUROLOGY	5,970	0	5,970	10,268	23,860
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	15,603	15,603	8,470	15,603
NEUROLOGY INCLUDING CHILD - NO SURGERY	2,723	230,034	232,757	13,033	241,343
NEUROSURGERY	51,260	64,159	115,418	182,629	217,732
NUCLEAR MEDICINE	0	11,072	11,072	9,468	11,072
NURSE MIDWIVES	60,731	9,220	69,951	63,723	12,967
NUTRITION	0	0	0	175	0
OBSTETRICS & GYNECOLOGY	948,795	101,382	1,050,177	1,268,936	954,783
OCCUPATIONAL MEDICINE	3,921	17,194	21,115	20,474	27,730
ONCOLOGY	3,932	0	3,932	3,932	0
OPHTHALMOLOGY - MINOR SURGERY	0	21,575	21,575	19,449	21,575

Maryland Insurance Administration
Rate Stabilization Account
State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006		SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
OPHTHALMOLOGY - NO SURGERY	-674	20,941	20,267	17,681	25,735
OPHTHALMOLOGY MAJOR SURGERY	39,674	60,144	99,817	58,168	117,899
ORTHOPEdic EXCL. BACK	60,566	1,446	62,012	60,566	142,659
OTOLARYNGOLOGY	7,439	7,705	15,144	10,857	53,112
OTORHINOLARYNGOLOGY MAJOR SURGERY	-5,675	0	-5,675	0	0
OTORHINOLARYNGOLOGY NO SURGERY	226	7,606	7,832	3,536	7,606
PAIN MANAGEMENT	8,008	14,503	22,511	11,568	3,941
PATHOLOGY	26,660	22,812	49,472	81,358	73,211
PATHOLOGY (NO SURGERY)	983	126,259	127,242	101,308	152,408
PEDIATRICS	2,926	2,177	5,103	29,716	29,984
PEDIATRICS (MINOR SURGERY)	-544	54,515	53,971	44,549	49,453
PEDIATRICS (NO SURGERY)	56,503	1,071,231	1,127,734	868,529	1,168,532
PHARMACOLOGY CLINICAL	0	3,602	3,602	5,402	3,602
PHYSIATRY	0	4,538	4,538	0	11,833
PHYSIATRY/PHYS MED & REHAB./NO ACUPUNCT	-179	48,741	48,562	38,823	56,296
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	30,969	30,969	23,613	30,996
PHYSICAL MEDICINE & REHAB	8,200	2,795	10,995	22,435	15,008
PHYSICIANS - N.O.C. - MINOR SURGERY	1,657	126,841	128,498	131,070	124,684
PHYSICIANS - N.O.C. - NO SURGERY	0	59,778	59,778	35,049	60,192
PSYCHIATRY	13,923	21,443	35,366	25,352	47,416
PSYCHIATRY - INCLUDING CHILD	2,752	98,057	100,809	83,677	102,618
PSYCHOANALYSIS	0	4,010	4,010	0	4,010
PSYCHOSOMATIC MEDICINE	0	0	0	477	0
PSYCHOTHERAPY	2,164	0	2,164	2,164	2,980
PULMONARY DISEASES - MINOR SURGERY	0	73,187	73,187	94,155	73,187
PULMONARY DISEASES - NO SURGERY	-2	18,684	18,682	14,762	24,246
PULMONARY MEDICINE	37,741	0	37,741	99,275	101,739
RADIOLOGY - DIAGNOSTIC	154,623	112,562	267,185	236,936	372,612
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	-2,648	416,188	413,540	455,820	416,188
RADIOLOGY - DIAGNOSTIC - NO SURGERY	5,820	301,520	307,340	379,047	301,014
RADIOLOGY INCL IVP	41,569	3,603	45,172	42,952	76,202
RHEUMATOLOGY	4,770	3,986	8,756	17,150	22,313
RHEUMATOLOGY - NO SURGERY	1,970	72,017	73,987	61,271	72,017
SURGEON - ABDOMINAL	0	6,079	6,079	9,340	6,079
SURGEON - CARDIAC	0	32,358	32,358	38,217	32,358
SURGEON - CARDIOVASCULAR	0	100,338	100,338	72,086	100,338
SURGEON - COLON AND RECTAL	0	26,417	26,417	0	26,417

Maryland Insurance Administration
 Rate Stabilization Account
 State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006		SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
SURGEON - FAMILY OR GENERAL PRACTICE	0	0	0	2,742	3,040
SURGEON - GASTROENTEROLOGY	0	4,068	4,068	0	4,068
SURGEON - GENERAL - N.O.C.	50,957	413,306	464,263	482,612	604,767
SURGEON - GYNECOLOGY - FERTILITY/NO OB	-5,743	339,386	333,643	240,214	339,386
SURGEON - HAND	0	8,995	8,995	7,395	8,556
SURGEON - NEUROLOGY (INCLUDING CHILD)	0	219,920	219,920	213,076	219,920
SURGEON - OBSTETRICS & GYNECOLOGY	588,574	2,130,167	2,718,741	2,435,486	2,938,468
SURGEON - OPHTHALMOLOGY	0	297,897	297,897	5,955	300,368
SURGEON - ORTHOPEDIC	80,572	1,788,624	1,869,196	1,466,304	1,959,796
SURGEON - OTORHINOLARYNGOLOGY	0	314,111	314,111	0	314,111
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	3,315	90,607	93,922	64,325	89,659
SURGEON - PLASTIC	32,651	368,816	401,467	312,721	456,061
SURGEON - THORACIC	0	75,229	75,229	61,131	75,229
SURGEON - TRAUMATIC	30,343	0	30,343	30,343	0
SURGEON - TRAUMATIC (NOT EMERG ROOM)	0	61,223	61,223	46,112	61,223
SURGEON - UROLOGICAL	38,627	271,786	310,413	44,205	343,620
SURGEON - VASCULAR	2,830	394,795	397,625	298,733	404,575
SUSPENSION (1B)	0	17,471	17,471	9,285	17,471
SUSPENSION (50% OF 1B)	1,456	17,066	18,522	4,763	21,329
THORACIC CONSULTATION	862	0	862	862	0
URGENT CARE MEDICINE/NO HOSP. ER	0	41,956	41,956	20,101	41,956
UROLOGY	18,193	4,736	22,929	22,618	17,597
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	38	9,749	9,787	3,226	9,764
TOTAL	3,077,206	16,630,431	19,707,637	16,497,763	21,431,524
REMAINDER OF STATE (Other than Baltimore City, Anne Arundel, Baltimore, Howard, Montgomery, and Prince Georges Counties)					
ALLERGY	3,332	16,147	19,479	19,685	21,716
ANESTHESIOLOGY	7,718	3,626	11,344	10,740	32,171
ANESTHESIOLOGY (INCLUDING OB)	554	192,750	193,304	43,345	192,856
ANESTHESIOLOGY (OTHER THAN OB)	22	18,612	18,634	3,681	18,612
CARDIOLOGY	5,266	0	5,266	9,448	10,493
CARDIOVASCULAR DISEASE (MINOR SURGERY)	503	304,092	304,595	433,004	304,092
CARDIOVASCULAR DISEASE (NO SURGERY)	0	67,004	67,004	57,282	67,004
CLINIC GROUPS	1	90,701	90,702	56,505	90,701

Maryland Insurance Administration
 Rate Stabilization Account
 State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
DERMATOLOGY (MINOR SURGERY)	1,685	33,674	33,652	36,808
DERMATOLOGY (NO SURGERY)	57	39,024	45,360	39,025
EMERGENCY MEDICINE (NO MAJOR SURGERY)	109,891	162,322	337,895	162,322
EMERGENCY ROOM	0	544,067	611,511	544,067
ENDOCRINOLOGY	0	0	2,377	2,967
ENDOCRINOLOGY (NO SURGERY)	4,131	13,486	19,462	21,171
FAMILY OR GEN'L PRACTICE (NO SURGERY)	35,887	709,604	786,450	752,631
FAMILY OR GEN'L PRACTICE-MINOR SURGERY	25,064	42,411	82,016	44,946
GASTROENTEROLOGY	3,837	0	7,044	8,794
GASTROENTEROLOGY - MINOR SURGERY	5,598	216,174	292,254	225,310
GASTROENTEROLOGY - NO SURGERY	0	5,668	2,957	5,668
GENERAL MEDICINE	2,261	0	2,261	0
GENERAL PRACTICE NO SURGERY	1,252	0	1,252	3,250
GENERAL SURGERY	153,055	0	186,210	84,407
GERIATRICS	90	0	90	0
GYNECOLOGY	6,534	0	6,534	11,161
GYNECOLOGY (MAJOR SURGERY)	4,438	6,286	4,438	6,286
GYNECOLOGY (MINOR SURGERY)	0	25,162	6,609	25,162
GYNECOLOGY (NO SURGERY)	0	10,129	7,606	10,129
HEMATOLOGY - NO SURGERY	1,450	26,648	33,264	25,344
HOSPITALIST/HOUSE STAFF	19	15,188	2,176	17,306
INFECTIOUS DISEASE NO SURGERY	2,030	12,332	11,823	15,403
INTENSIVE CARE MEDICINE	2,302	20,227	28,712	20,227
INTERNAL MEDICINE	35,287	16,722	86,233	122,082
INTERNAL MEDICINE - MINOR SURGERY	3,558	0	1,590	1,817
INTERNAL MEDICINE - MINOR SURGERY	-8,104	168,950	270,018	176,729
INTERNAL MEDICINE - NO SURGERY	19,744	0	0	0
INTERNAL MEDICINE - NO SURGERY	9,745	702,292	742,476	744,888
NEOPLASTIC DISEASES - MINOR SURGERY	0	14,053	9,041	14,053
NEOPLASTIC DISEASES - NO SURGERY	0	13,850	15,434	13,850
NEPHROLOGY - MINOR SURGERY	0	9,403	7,614	9,403
NEPHROLOGY - NO SURGERY	-63	34,156	35,243	38,357
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	6,496	0	6,496
NEUROLOGY INCLUDING CHILD - NO SURGERY	2,972	90,751	93,723	97,284
NUCLEAR MEDICINE	0	1,468	1,441	1,468
NURSE MIDWIVES	0	45,173	38,670	45,173
OBSTETRICS & GYNECOLOGY	366,672	0	366,672	276,611

Maryland Insurance Administration
 Rate Stabilization Account
 State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2006		PROJECTED TOTAL PAYMENTS		
	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006	TOTAL	SUBSIDY YEAR 2005	SUBSIDY YEAR 2006
OCCUPATIONAL MEDICINE	2,009	3,061	5,070	4,898	3,173
ONCOLOGY	0	0	0	6,752	8,482
OPHTHALMOLOGY - NO SURGERY	0	4,890	4,890	5,131	4,890
OPHTHALMOLOGY MAJOR SURGERY	31,659	0	31,659	31,659	35,447
ORTHOPEdic EXCL. BACK	56,420	11,423	67,843	56,420	117,094
OTOLARYNGOLOGY	1,034	0	1,034	10,720	20,872
OTORHINOLARYNGOLOGY NO SURGERY	4,619	0	4,619	4,619	0
OTORHINOLARYNGOLOGY	0	2,087	2,087	1,384	2,087
PATHOLOGY	12,912	7,302	20,214	27,536	42,463
PATHOLOGY (NO SURGERY)	-388	60,675	60,287	63,502	60,675
PEDIATRICS	23,351	1,989	25,340	29,718	15,131
PEDIATRICS (NO SURGERY)	11,700	496,912	508,612	511,505	515,333
PHYSIATRY/PHYS MED & REHAB./NO ACUPUNCT	-1,289	24,535	23,246	25,629	26,122
PHYSIATRY/PHYS MED & REHAB./ACUPUNCTURE	0	1,700	1,700	3,512	1,769
PHYSICAL MEDICINE & REHAB	5,193	3,319	8,511	5,193	18,672
PHYSICIANS - N.O.C. - MINOR SURGERY	1,891	45,054	46,945	49,975	45,199
PHYSICIANS - N.O.C. - NO SURGERY	-1,193	13,817	12,624	4,551	13,817
PSYCHIATRISTS - EXTENDED	0	1,528	1,528	2,049	1,528
PSYCHIATRY - INCLUDING CHILD	1,216	50,078	51,294	49,547	53,152
PUBLIC HEALTH	0	4,027	4,027	6,755	4,027
PULMONARY DISEASES - MINOR SURGERY	-10,037	64,543	54,506	76,037	64,543
PULMONARY DISEASES - NO SURGERY	8,064	15,296	23,360	20,607	15,296
PULMONARY MEDICINE	0	7,926	7,926	19,073	21,572
RADIOLOGY - DIAGNOSTIC	0	0	0	0	12,692
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	2,602	396,271	398,873	494,287	399,038
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	68,976	68,976	89,297	68,976
RHEUMATOLOGY - MINOR SURGERY	0	8,019	8,019	10,636	8,019
RHEUMATOLOGY - NO SURGERY	1,482	25,801	27,283	23,460	28,563
SURGEON - ABDOMINAL	0	24,909	24,909	26,295	24,909
SURGEON - COLON AND RECTAL	0	2,959	2,959	208	2,959
SURGEON - GASTROENTEROLOGY	0	5,975	5,975	513	5,975
SURGEON - GENERAL - N.O.C.	24,263	518,590	542,853	513,192	561,808
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	162,922	162,922	144,541	162,922
SURGEON - HAND	4,912	0	4,912	4,912	6,945
SURGEON - NEUROLOGY (INCLUDING CHILD)	-1,227	287,224	285,997	329,497	287,224
SURGEON - OBSTETRICS & GYNECOLOGY	133,133	1,142,553	1,275,486	1,262,830	1,273,306
SURGEON - OPHTHALMOLOGY	0	130,536	130,536	31,622	130,536

**Maryland Insurance Administration
Rate Stabilization Fund
Costs Incurred by the Administration - Calendar Year 2006**

General and Administrative	\$ 59,533
Review of Funding Requests	13,575
Legal	12,200
Fiscal	4,508
Audits of Participating Insurers	41,884
Total Cost for Calendar Year 2006	<u>\$ 131,700</u>

Maryland Insurance Administration
Rate Stabilization Account
Summary of Account Activity

	Fiscal Year 2006 Allocation	Fiscal Year 2007 Allocation	Totals
<i>Activity through December 31, 2006:</i>			
Transfers from Maryland Health Care Provider Rate Stabilization Fund	\$ 52,000,000	\$ 36,626,482	\$ 88,626,482
State Subsidies Paid Calendar Year 2005	(29,551,535)	0	(29,551,535)
State Subsidies Paid Calendar Year 2006	(6,416,878)	(35,844,958)	(42,261,836)
Cash Balance as of December 31, 2006	\$ 16,031,587	\$ 781,524	\$ 16,813,111
<i>Projected Future Activity:</i>			
Transfers from Maryland Health Care Provider Rate Stabilization Fund	\$ 0	\$ 8,373,518	\$ 8,373,518 (Note 1)
Projected Future State Subsidy Payments	(247,834)	(9,399,084)	(9,646,918)
Projected Allocation Final Balances	\$ 15,783,753	\$ (244,042)	\$ 15,539,711

Note 1 - The remaining \$8,373,518 of the \$45,000,000 fiscal year 2007 allocation will be transferred into the Rate Stabilization Account by June 30, 2007.

Note 2 - This Exhibit does not include projected activity related to the fiscal year 2008 and 2009 allocations to the Rate Stabilization Account.

Maryland Insurance Administration
Maryland Health Care Provider Rate Stabilization Fund
Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance
for the period January 1, 2006 through December 31, 2006

Receipts:

Premium taxes	\$ 70,984,819
Premium tax exemption value (NOTE)	8,400,000
Interest income	<u>199,059</u>
Total revenue	\$ 79,583,878

Disbursements:

State Subsidy Payments	\$ 42,261,836
Payments to Department of Health and Mental Hygiene	25,780,055
Fiscal Year 2006 Administrative Expenses	<u>146,949</u>
Total disbursements	\$ <u>68,188,840</u>

Excess of receipts over disbursements 11,395,038

Fund balance, December 31, 2005 **\$ 29,518,560**

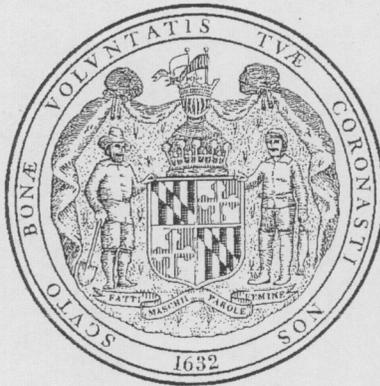
Fund balance, December 31, 2006 **\$ 40,913,598**

NOTE - the premium tax exemption value equals the amount of premium taxes that a nonprofit health maintenance organization would have been required to pay if it were not exempt from premium taxation under §6-101(b)(7) of the Insurance Article

Audit Report

Maryland Health Care Provider Rate Stabilization Fund

January 1, 2006 to December 31, 2006



Office of Legislative Audits
Department of Legislative Services
Maryland General Assembly

Exhibit 6

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- This report and any related follow-up correspondence are available to the public through the Office of Legislative Audits at 301 West Preston Street, Room 1202, Baltimore, Maryland 21201. The Office may be contacted by telephone at 410-946-5900, 301-970-5900, or 1-877-486-9964.
 - Electronic copies of our audit reports can be viewed or downloaded from our website at <http://www.ola.state.md.us>.
 - Alternate formats may be requested through the Maryland Relay Service at 1-800-735-2258.
 - The Department of Legislative Services – Office of the Executive Director, 90 State Circle, Annapolis, Maryland 21401 can also assist you in obtaining copies of our reports and related correspondence. The Department may be contacted by telephone at 410- 946-5400 or 301- 970-5400.
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

March 7, 2007

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

As required by the Insurance Article, Section 19-808 of the Annotated Code of Maryland, we have audited the receipts and disbursements of the Maryland Health Care Provider Rate Stabilization Fund for the period beginning January 1, 2006 and ending December 31, 2006. The Fund is administered by the Commissioner of the Maryland Insurance Administration (MIA).

Our audit did not include procedures designed to verify the propriety of the subsidy payments made to medical professional liability insurers since State law requires MIA to conduct annual audits of each insurer for this purpose. At the time of our audit, MIA had initiated but had not yet completed its first audit. During our next annual audit of the Fund, we will review the results of the audits completed by MIA.

A schedule of the Fund's financial activity for the 2006 calendar year is included in this report. As disclosed in that schedule, the Fund's cash balance was approximately \$40.9 million as of December 31, 2006.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

Background Information

Establishment and Purpose of the Fund

Chapter 1, Laws of Maryland 2005, established the Maryland Health Care Provider Rate Stabilization Fund effective April 1, 2005. The law provides that the Fund will serve several purposes, including retention of certain health care providers in the State by subsidizing their malpractice insurance premiums for a specified number of years, and by increasing fee-for-service rates paid to providers by the Maryland Medical Assistance program (Medicaid) and payments to managed care organizations that serve that program. The Fund is administered by the Commissioner of the Maryland Insurance Administration (MIA).

The Fund consists primarily of revenues generated by an annual premium tax imposed on health maintenance organizations and managed care organizations. All revenues are to be initially deposited into the Fund, and then allocated, in accordance with a schedule established in the law, to two accounts: the Rate Stabilization Account and the Medical Assistance Program Account. Amounts allocated to the Rate Stabilization Account are to be paid, in accordance with established criteria, to medical professional liability insurers who apply to MIA for rate subsidies on behalf of insured health care providers. Amounts allocated to the Medical Assistance Program Account are to be paid by MIA to the State's Department of Health and Mental Hygiene to increase payments to Medicaid providers and managed care organizations. The law provides that revenue allocations to the two accounts will continue through fiscal year 2009. Beginning in fiscal year 2010, all Fund revenues are to be allocated to the Medical Assistance Program Account.

Audits of Liability Insurers

Four insurers applied for and received subsidy payments for subsidy year 2005 and, as of February 19, 2007, MIA was in the process of completing its first audit of the largest of these insurers; this insurer received approximately 90 percent of subsidies paid for that year. We were advised, however, that certain outstanding legal issues remained to be resolved before the audit could be concluded and a final report issued, and that these issues may impact subsequent audits to be performed by MIA. MIA also advised that the remaining audits for subsidy year 2005, as well as audits relating to subsidy year 2006, would be started in the near future, and that a formal audit schedule is in the process of being finalized.

The law requires the Commissioner (or designee) to conduct an annual audit to verify application information submitted by each medical professional liability insurer that applied for a subsidy payment from the Fund for an applicable subsidy year. Since all participating insurers do not implement rate changes or renew policies on the same date, the calendar period for a particular subsidy year will vary from insurer to insurer. MIA recently issued a policy that provides for audits to begin as soon as practicable after the end of each insurer's subsidy year.

Current Status of Findings From Preceding Audit Report

Our audit included a review to determine the current status of the two findings contained in our preceding audit report on the Fund dated March 6, 2006. We determined that MIA satisfactorily resolved both of these items.

Financial Information

On page 5 is a summary of the receipts and disbursements for the Maryland Health Care Provider Rate Stabilization Fund for the period beginning January 1, 2006 and ending December 31, 2006, based on the State's accounting records. This summary is not intended to and does not provide the financial position and results of operations in accordance with generally accepted accounting principles. Specifically, certain financial statements and disclosures (for example, balance sheet, summary of significant accounting policies) have not been provided as would be required had this summary been prepared in accordance with generally accepted accounting principles.

SUMMARY OF FINANCIAL ACTIVITY

January 1, 2006 to
December 31, 2006

RECEIPTS:

Premium taxes	\$ 70,984,819
Premium tax exemption value ⁽¹⁾	8,400,000
Interest income	<u>199,059</u>

Total receipts 79,583,878

DISBURSEMENTS:

Payments to medical professional liability insurers	42,261,836
Payments to Department of Health and Mental Hygiene	25,780,055
Administration expenses ⁽²⁾	<u>146,949</u>

Total disbursements 68,188,840

EXCESS OF RECEIPTS OVER DISBURSEMENTS 11,395,038

FUND BALANCE (cash basis), December 31, 2005 29,518,560

FUND BALANCE (cash basis), December 31, 2006 \$ 40,913,598

(1) Premium tax exemption value represents amounts paid by non-profit health maintenance organizations in lieu of premium taxes.

(2) The law provides for an annual allocation of up to \$350,000 for costs incurred by the Commissioner to administer the Fund.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the MIA's internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations. A less significant finding was communicated to MIA that did not warrant inclusion in this report.

A draft copy of this report was provided to MIA. Since there are no recommendations in this report, a written response was not necessary. MIA's acknowledgement is included as an Appendix to this report.

Audit Scope, Objectives, and Methodology

As required by the Insurance Article, Section 19-808 of the Annotated Code of Maryland, we have audited the receipts and disbursements of the Maryland Health Care Provider Rate Stabilization Fund for the period beginning January 1, 2006 and ending December 31, 2006. The Fund is administered by the Commissioner of the Maryland Insurance Administration (MIA). The audit was conducted in accordance with generally accepted government auditing standards.

The objectives of this audit were to examine the Fund's receipts and disbursements and related records and internal control, and to evaluate compliance with applicable State laws, rules, and regulations. We also determined the current status of the findings contained in our preceding audit report.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Fund's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives.

MIA is required by law to annually audit each medical professional liability insurer that applied for a subsidy payment from the Fund to verify application information submitted by the insurer; accordingly, our audit did not include procedures designed to verify the propriety of the amounts requested by medical professional liability insurers and the disposition of such payments. As previously mentioned, at the time of our audit MIA had not yet completed its first audit under this requirement. Therefore, we will review the results of MIA's audits during subsequent audits of the Fund. In addition, we will conduct a separate audit of the Medical Mutual Liability Insurance Society of Maryland as required by State law.

Our audit did not include certain support services provided to the Fund by MIA. These support services (such as maintenance of accounting records and related fiscal functions) are included within the scope of our audit of MIA.

Our audit scope was limited with respect to the Fund's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all Fund cash transactions were accounted for and properly recorded on the related State accounting records as well as the banks' records.

MIA's management is responsible for establishing and maintaining effective internal control over the Fund. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

AUDIT TEAM

Paul R. Denz, CPA
Audit Manager

Channel D. Sumpter
Senior Auditor

Tracy D. Mayet
Britta M. Street
Staff Auditors

APPENDIA

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor



R. STEVEN ORR
Commissioner

JAMES V. MCMAHAN, III
Deputy Commissioner

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March 6, 2007

Bruce A. Myers, CPA, Legislative Auditor
State of Maryland
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Myers:

This is to acknowledge receipt of the draft audit report on the Maryland Health Care Provider Rate Stabilization Fund for the period beginning January 1, 2006 and ending December 31, 2006.

An electronic version of this letter was sent to response@ola.state.md.us.

If you have any questions or need additional information, please contact Lester Schott, Associate Commissioner. His direct number is 410-468-2119.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Steven Orr".

R. Steven Orr
Insurance Commissioner

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Enclosure

APPENDIX A – EXPLANATION OF ‘SUBSIDY YEAR’

For fiscal year 2006, §19-803(b)(3) of the Insurance Article allocated \$52 million to the Rate Stabilization Account to pay for health care provider rate reductions, credits or refunds (State subsidies) in calendar year 2005. For fiscal year 2007, the allocation to the Rate Stabilization Account to pay for State subsidies in calendar year 2006 was \$45 million. Due to practical implementation issues discussed below regarding how the State subsidies are to be paid, during calendar year 2006 payments of State subsidies were made against both of these allocations.

In this regard, §19-805(b)(1) of the Insurance Article generally provided that for professional liability insurance policies subject to rates that were approved for an initial effective date on or after January 1, 2005, but prior to January 1, 2006, the subsidy shall be the amount of the increase greater than 5% of the approved rates in effect one year prior. This language proved to be problematic to implement, as all Participating Insurers do not have the same initial effective date for their rates, and while certain carriers renew policies on a common date, others renew their policies on a staggered basis. To ensure that eligible policyholders of carriers participating in the Fund received the appropriate amount of subsidy for the premium increase derived from rates with an initial effective date in calendar year 2005, the State subsidies are being distributed on a “Subsidy Year” basis. As discussed in more detail below, the differing effective dates of the carriers’ 2005 rates creates certain timing differences regarding when Participating Insurers can apply for State subsidies on behalf of their eligible providers. However, it ensures that all eligible providers will receive subsidies for similar periods of time.

Based on a literal application of §19-805(b)(1) of the Insurance Article, certain eligible policyholders would not have received a State subsidy for calendar year 2005. Specifically, §19-805(b)(1) provided that the 2005 State subsidy was available to eligible policyholders with respect to medical professional liability insurance policies that were subject to rates that were approved for an initial effective date on or after January 1, 2005, but prior to January 1, 2006. If a Participating Insurer sought and obtained a rate increase that became effective on January 1, 2005, all of its policies written and renewed during 2005 would have been eligible for a State subsidy. However, if a Participating Insurer sought and obtained a rate increase that became effective later in 2005, then renewed their policies on a staggered basis at that rate for the next 12 months, some of its policies written and renewed on or after January 1, 2005 but prior to January 1, 2006, would not have been eligible for a 2005 State subsidy.

To illustrate, if a Participating Insurer's rates became effective on April 1, 2005, policies written on or after April 1 would have been eligible for a 2005 State subsidy. However, policies written up to and including March 31, 2005 would have been written at the pre-existing rate, and would not have been eligible for a 2005 State subsidy. Under the Subsidy Year approach, those policyholders that would not have otherwise received a 2005 State subsidy received their Subsidy when their policies incepted or renewed in 2006 (i.e., when their policies incepted or renewed at the carrier's rate with an initial effective date from January 1, 2005 to December 31, 2005).

For a Participating Insurer that sought and obtained a rate increase on new and renewal business that became effective on January 1, 2005, Subsidy Year 2005 ran from January 1, 2005 through December 31, 2005. For a Participating Insurer that sought and

obtained a rate increase on new and renewal business that became effective on April 1, 2005, Subsidy Year 2005 ran from April 1, 2005 through March 31, 2006. Because State subsidies are being disbursed on a Subsidy Year basis, payments of State subsidies for Subsidy Year 2005 continued well into calendar year 2006. Similarly, the Participating Insurers' 2006 Subsidy Year followed the same periods as their 2005 Subsidy Years, resulting in the payments of State subsidies for Subsidy Year 2006 continuing well into calendar year 2007.