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### **MIA BULLETIN 06-19**

**TO:** Property and Casualty Insurance Companies Holding Certificates of Authority to Write Medical Professional Liability Insurance Business in Maryland

**SUBJECT:** Maryland Health Care Provider Rate Stabilization Fund - Rate Stabilization Account - 2007 Subsidy Factor

**DATE:** October 17, 2006

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MIA Bulletin 05-7, *Procedures for Obtaining Reimbursements from the Maryland Health Care Provider Rate Stabilization Fund - Rate Stabilization Account*, described in detail how Chapter 1, Laws of Maryland 2005 (Senate Bill 836) created the Maryland Health Care Provider Rate Stabilization Fund (the "Fund"), which consists primarily of premium tax revenue collected from health maintenance organizations and managed care organizations. The Fund is divided into three sub-funds: the Rate Stabilization Account (the "RS Account"); the Medical Assistance Program Account (the "Medicaid Account"); and a third component consisting of funds that are not allocated to either the RS Account or the Medicaid Account.

Monies allocated to the RS Account are to be used to pay 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.

The purpose of this Bulletin is to advise participating insurers of the Subsidy available for Subsidy Year 2007<sup>1</sup>. The procedures for calculating 2007 State Subsidies

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<sup>1</sup> The term "Subsidy Year" is used to specify which policies issued by a Participating Insurer are eligible for specified State Subsidies. As an example, Subsidy Year 2007 refers to policies that, pursuant to §19-805(b)(2) of the Insurance Article, are subject to rates that were approved for an initial effective date on or after January 1, 2007, but prior to January 1, 2008. For a Participating Insurer that sought and obtained a rate increase on new and renewal business that became effective on January 1, 2007, Subsidy Year 2007 would run from January 1, 2007 through December 31, 2007. For a Participating Insurer that sought and obtained a rate increase on new and renewal business that became effective on April 1, 2007, Subsidy Year 2007 would run from April 1, 2007 through March 31, 2008.

and obtaining reimbursements from the Rate Stabilization Account will be addressed in a later bulletin.

For state fiscal year 2008, §19-803(b)(3) of the Insurance Article allocates \$35,000,000 to pay subsidies for calendar (subsidy) year 2007. Pursuant to §19-803(d)(1) of the Insurance Article, the Commissioner may provide up to 5% of any year's allocation to pay subsidies for the policyholders of a medical professional liability insurer that did not earn premiums for coverage to health care providers in the previous calendar year in Maryland.

For policies with an effective date during Subsidy Year 2007, the subsidy provided is a percentage of the policyholder's premium for the prior year that equals the quotient, measured as a percentage of the balance of the rate stabilization account for the current calendar year divided by the aggregate amount of premiums for medical professional liability insurance that would have been paid by health care providers at the approved rate during the prior calendar year (the "2007 Subsidy Factor").

Based upon the statutory allocation of funds for 2007 subsidies, divided by the aggregate amount of premiums for medical professional liability insurance that would have been paid by policyholders eligible for a subsidy at the approved rates during the prior year, the Administration has determined the 2007 Subsidy Factor to be 17%.

For insurers writing medical professional liability insurance in Maryland in 2006, the 17% 2007 Subsidy Factor is to be used to determine the subsidy amount for each eligible health care provider. If additional carriers do enter the Maryland market, §19-803(d)(1) provides that funds allocated to current participating insurers may need to be reduced on a pro-rata basis.

### ***Administration Contact***

Questions concerning this bulletin may be directed to Lester C. Schott, Associate Commissioner, at 410-468-2119.

*Signature on file with original document*

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