

**Maryland Insurance Administration's
2007 Annual Report on the
Maryland Health Care Provider Rate
Stabilization Fund**



March 14, 2008

**Maryland Insurance Administration's 2007 Report on the
Maryland Health Care Provider Rate Stabilization Fund**

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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 2007 the Administration paid State subsidies from the Rate Stabilization Account to Participating Insurers on behalf of health care providers totaling \$23.9 million. Attached as **Exhibit 1(a)** is a schedule depicting the State subsidies paid from the Rate Stabilization Account during calendar year 2007.

The \$23.9 million represented the total amount paid to Participating Insurers during calendar year 2007. However, one insurer, the Medical Mutual Liability Insurance Society of Maryland (the Society), refunded \$11.1 million paid to it during calendar year 2007 as part of a larger refund to the Rate Stabilization Account.

In this regard, on September 12, 2007, the Board of Directors of the Society declared a dividend to its members in the amount of \$68.6 million. Notice of the resolution adopted by the Board approving and implementing the dividend payment was provided to the Commissioner on the same date. Pursuant to the Society's participation in the Fund, as well as certain related statutory requirements, the Society proposed in its resolution to distribute a portion of the dividend to the State (approximately \$44.2 million), with the remainder being distributed to its policyholders in the form of a credit against their renewal premiums effective January 1, 2008.

As of December 12, 2007, the Society had received subsidies on behalf of its policyholders from the Fund totaling approximately \$72.4 million, and was due an additional \$11.7 million for calendar year 2007 for a total of \$84.1 million. However, the law also provides certain conditions under which a Participating Insurer must pay a portion of any dividend or similar distribution to the State. On September 13, 2007, the Commissioner issued an order to the Society to cease and desist from advertising, publicizing, implementing, or otherwise taking any action under or with respect to the dividend resolution adopted by the Society's Board of Directors. According to that order, a question existed as to the exact portion of the dividend to which the State was entitled. The Commissioner held public hearings on this matter, and on November 20, 2007 issued a final order requiring the Society to pay the entire dividend to the State for the benefit of the Fund. Payment was due within 30 days from the date of the order to allow the Administration and the Society to meet and determine if other alternatives to the Commissioner's order existed.

On December 12, 2007, the Board rescinded its original dividend declaration of \$68.6 million and declared a new dividend in the amount of approximately \$97.9 million. The Board proposed to divide the dividend between the Fund (\$84.1 million) and the Society's policyholders (\$13.8 million). Additionally, the Society proposed that its policyholders' 2008 rates be reduced by eight percent from the rates the Society charged in 2007. On the same date, the Commissioner and the Society entered into a consent order agreeing to the terms in the Board's proposal. The Society also agreed that in 2008 it would not participate

in the Fund nor would it receive any further disbursements. On December 19, 2007, the Society transferred \$72.4 million (\$84.1 million less \$11.7 million due to the Society but not yet received) to Administration to be credited to the Rate Stabilization Account.

The State subsidy payments during calendar year 2007 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 2007 to pay State subsidies in calendar year 2005, \$45 million was allocated to the Account in fiscal year 2007 to pay State subsidies in calendar year 2006, and \$35 million was allocated to the Account in fiscal year 2008 to pay State subsidies in calendar year 2007. 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 2007 State subsidy payments included payments for Subsidy Year 2005, Subsidy Year 2006 and Subsidy Year 2007. The payments for Subsidy Year 2005 totaled only \$227,331, and related to miscellaneous adjustments and policy endorsements processed by the Participating Insurers during calendar year 2007. Therefore the payments for Subsidy Year 2005 will not be discussed further in this report. The following comments explain the amount of State subsidies applied for by, and paid to, the Participating Insurers during calendar year 2007 related to Subsidy Years 2006 and 2007.

For Subsidy Year 2006 there were five medical professional liability insurers participating in the Rate Subsidy Account. Through December 31, 2007, these Participating Insurers had applied for and received State subsidy payments totaling \$45.3 million. This amount included \$9.5 million paid during calendar year 2007 (the other \$35.8 million had been paid during calendar year 2006). In addition, as previously noted, on December 19, 2007, the Society transferred \$72.4 million to Administration to be credited to the Rate Stabilization Account. \$33.9 million of that amount related to Subsidy Year 2006, reducing the net Subsidy Year 2006 State subsidy payments through December 31, 2007 to \$11.4 million.

Based upon information obtained from the insurers, we anticipate paying additional State subsidies totaling approximately \$1.9 million to Participating Insurers related to the Subsidy Year 2006 allocation, which will bring the total amount of State subsidy payments for Subsidy Year 2006 to approximately \$13.3 million.

Attached as **Exhibit 1(b)** is a schedule depicting the State subsidies paid for Subsidy Year 2006 through December 31, 2007. **Exhibit 1(b)** also includes the total amount expected to be paid for all of Subsidy Year 2006.

For Subsidy Year 2007 there were five medical professional liability insurers participating in the Rate Subsidy Account. During calendar year 2007 these Participating Insurers applied for and received State subsidy payments totaling \$14.2 million.

In addition, \$11.1 million of the \$72.4 million the Society transferred to Administration on December 19, 2007 related to Subsidy Year 2007, reducing the net Subsidy Year 2007 State subsidy payments through December 31, 2007 to \$3.1 million.

The \$3.1 million paid to Participating Insurers through December 31, 2007 represents approximately 32% of the total amount of State subsidy payments the Administration anticipates making for Subsidy Year 2007. Based upon information obtained from the insurers, we anticipate paying additional State subsidy payments totaling approximately \$6.7 million to Participating Insurers, which will bring the total amount of State subsidy payments for Subsidy Year 2007 to approximately \$9.8 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 2007 through December 31, 2007. **Exhibit 1(c)** also includes the total amount expected to be paid for all of Subsidy Year 2007.

(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 2006 and 2007 during December 31, 2007. **Exhibit 2** also includes the total amount expected to be paid for all of

Subsidy Years 2006 and 2007. 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 2007 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 2007. In total, the Administration incurred administrative expenses totaling \$269,206 during the year. Although incurred during calendar year 2007, these administrative expenses were actually charged to the Fund during calendar year 2008. \$139,296 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 2007. The remaining \$129,910 represented the costs incurred through December 31, 2007 in conducting audits of Participating Insurers 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 three of the Participating Insurer before December 31, 2007, and those audits are nearing completion. The Administration has scheduled its Subsidy Year 2005 audit of the other Participating Insurer to begin during March 2008. Additionally, the Administration has scheduled its Subsidy Year 2006 audits of the Participating Insurers to begin during June 2008, as soon as practicable after the 2006 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, 2007 the Administration had transferred the fiscal year 2006 through 2008 allocations, totaling \$132 million, to the Rate Stabilization Account. As of that date, the Administration had reimbursed Participating Insurers for State subsidies totaling \$95.7 million. As previously noted, on December 19, 2007 the Medical Mutual Liability Insurance Society of Maryland repaid \$72.4 million to the Account. As a result, as of December 31, 2007 the Account had a cash balance totaling \$108.7 million

Based on information supplied by the Participating Insurers, the Administration anticipates making additional State subsidy payments totaling approximately \$8.6 million related to the fiscal year 2007 and 2008 allocations. As a result, we project that the unexpended unencumbered balance of the Account related to the fiscal year 2006 through 2008 allocations will be approximately \$100.1 million (i.e., \$108.7 million cash balance as of December 31, 2007 less \$8.6 million future State Subsidy payments). **Exhibit 4** also depicts the projected unexpended balance of the fiscal year 2006 through 2008 allocations combined, once all Subsidy Year 2006 through 2008 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 2007. As of December 31, 2007, the Fund had a cash balance of \$132.6 million.

Medical Assistance Program Account

Through December 31, 2006 the Administration had paid the entire amount of the \$45 million fiscal year 2007 allocation into the Account. In addition, the Administration had paid \$4.6 million of the \$65 million fiscal year 2008 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, 2007.

The Administration intends to pay the remaining \$60.4 million of the \$65 million fiscal year 2008 allocation into the Account by June 30, 2008, 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.

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, 2007 the Administration had disbursed the entire amount of the \$45 million fiscal year 2007 allocation to the Department of Health and Mental Hygiene for use by the Medical Assistance Program. In addition, the Administration had disbursed \$4.6 million of the \$65 million fiscal year

2008 allocation to the Department. The Administration intends to disburse the remaining \$60.4 million of the fiscal year 2008 allocation to the Department by June 30, 2008.

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

§19-807(b)(2) of the Insurance Article requires 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 during fiscal year 2007 the Department allocated \$16.2 million to increase its Medicaid health care provider rates for numerous physician service codes for the four physician specialties. These funds were matched by \$16.2 million of Federal Medicaid funds, for a total of \$32.4 million.

In addition, in accordance with §19-807(b)(3) of the Insurance Article, during fiscal year 2007 the Department allocated \$12.6 million, matched by Federal Medicaid funds for a total of \$25.2 million, to increase the Medicaid 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).

During fiscal year 2008 the Department allocated \$31.1 million to continue the increases described above. These funds were matched by \$31.1 million of Federal Medicaid funds, for a total of \$62.2 million. In addition, the Department allocated \$16.4 million, matched by Federal Medicaid funds for a total of \$32.8 million, to increase Medicaid health care provider rates for other services. These services included evaluation and management procedures (increased to 80% of the Medicare rate), evaluation and management outpatient department fees (increased to 50% of the Medicare rate), radiology procedures (increased to 53% of the Medicare rate), neonatology procedures (increased to 90% of the Medicare rate), psychiatry procedures (increased to 61% of the Medicare rate), anesthesia-obstetric procedures (increased to 119% of the Medicare rate), vaccine administration procedures (increased to 66% of the Medicare rate), evaluation and management procedures (increased to 80% of the Medicare rate) and all other procedures (increased to a minimum of 50% of the Medicare rate).

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

We were advised by the Department that in fiscal years 2007 and 2008 it allocated \$16.2 million and \$17.5 million, respectively, to increase capitation payments to managed care organizations. These amounts were matched by Federal Medicaid funds for a total of \$32.4 million and \$35 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 2007

Insurer	Total Payments
Medical Mutual Liability Insurance Society of Maryland	\$ 11,505,724
NCRIC, Inc./Medical Assurance Company, Inc.	3,538,382
The Doctors Company, an Interinsurance Exchange	5,845,703
Medical Protective Company	2,004,601
Maryland Healthcare Providers Insurance Exchange	1,017,241
Total Payments Calendar Year 2007	\$ 23,911,651
Dividend Distributed to the Rate Stabilization Account (NOTE 1)	(11,505,724)
Net Payments Calendar Year 2007	\$ 12,405,927

NOTE 1 - The dividend distributed to the Rate Stabilization Account represents funds refunded to the Account by the Medical Mutual Liability Insurance Society of Maryland, as described on Page 5 of this report. The remainder of the \$72.4 million distributed to the Rate Stabilization Account represents amounts paid to this insurer in calendar years 2005 and 2006.

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

Insurer	Amount Disbursed Through December 31, 2006	Amount Requested Through December 31, 2007	Total Amount Disbursed Through December 31, 2007	Dividend Distributed to Account NOTE 1	Net Amount Disbursed Through December 31, 2007	Projected Future Subsidy Year 2006 Disbursements	Total Projected Subsidy Year 2006 Disbursements
Medical Mutual Liability Insurance Society of Maryland	33,493,009	33,950,277	33,950,277	(33,950,277)	0	0	0
NCRIC, Inc./Medical Assurance Company, Inc.	1,137,055	2,495,258	2,495,258	0	2,495,258	(22,971)	2,472,287
The Doctors Company, an Interinsurance Exchange	466,055	5,716,870	5,716,870	0	5,716,870	426,270	6,143,141
Medical Protective Company	0	1,945,901	1,945,901	0	1,945,901	1,447,674	3,393,575
Maryland Healthcare Providers Insurance Exchange	748,839	1,240,151	1,240,151	0	1,240,151	43,861	1,284,012
Totals	35,844,958	45,348,457	45,348,457	(33,950,277)	11,398,180	1,894,835	13,293,015

NOTE 1 - The dividend distributed to the Rate Stabilization Account represents funds refunded to the Account by the Medical Mutual Liability Insurance Society of Maryland, as described on Page 5 of this report.

Maryland Insurance Administration
Rate Stabilization Account
2007 Subsidy Year State Subsidies By Insurer

Insurer	Amount Requested Through December 31, 2007	Amount Disbursed Through December 31, 2007	Dividend Distributed to Account NOTE 1	Net Amount Disbursed Through December 31, 2007	Projected Future Subsidy Year 2007 Disbursements	Total Projected Subsidy Year 2007 Disbursements
Medical Mutual Liability Insurance Society of Maryland	11,051,402	11,051,402	(11,051,402)	0	0	0
NCRIC, Inc./Medical Assurance Company, Inc.	2,043,847	2,043,847	0	2,043,847	201,273	2,245,120
The Doctors Company, an Interinsurance Exchange	554,510	554,510	0	554,510	3,861,787	4,416,297
Medical Protective Company	0	0	0	0	2,056,334	2,056,334
Maryland Healthcare Providers Insurance Exchange	525,929	525,929	0	525,929	598,358	1,124,287
Totals	14,175,688	14,175,688	(11,051,402)	3,124,286	6,717,753	9,842,039

NOTE 1 - The dividend distributed to the Rate Stabilization Account represents funds refunded to the Account by the Medical Mutual Liability Insurance Society of Maryland, as described on Page 5 of this report.

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

	STATE SUBSIDIES PAID CALENDAR YEAR 2007		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
ALLERGY	1,868	0	1,868	1,868	1,588
ANESTHESIOLOGY	251,496	33,060	284,556	304,270	178,753
ANESTHESIOLOGY (INCLUDING OB)	0	0	0	0	0
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0
ANESTHESIOLOGY PAIN ONLY	5,044	797	5,841	5,044	3,645
CARDIOLOGY	72,470	3,567	76,037	75,228	19,899
CARDIOVASCULAR DISEASE (MINOR SURGERY)	93,289	0	93,289	93,289	96,122
CARDIOVASCULAR DISEASE (NO SURGERY)	87,872	0	87,872	104,485	112,662
CERTIFIED NURSE MIDWIFE	0	0	0	0	590
CLINIC GROUPS	0	0	0	0	0
DERMATOLOGY	20,352	0	20,352	25,715	2,545
DERMATOLOGY (MINOR SURGERY)	966	0	966	1,931	0
DERMATOLOGY (NO SURGERY)	0	1,617	1,617	2,703	2,930
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0
EMERGENCY ROOM	0	0	0	0	0
ENDOCRINOLOGY (NO SURGERY)	32,487	8,532	41,019	55,966	32,940
FAMILY OR GEN'L PRACTICE (NO SURGERY)	65,484	7,206	72,690	89,625	59,889
FAMILY OR GEN'L PRACTICE-MINOR SURGERY	3,410	0	3,410	4,180	2,729
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	0	0	0	0	0
GASTROENTEROLOGY	69,155	0	69,155	72,652	59,998
GASTROENTEROLOGY - MINOR SURGERY	0	0	0	0	0
GASTROENTEROLOGY - NO SURGERY	0	0	0	0	0
GENERAL MEDICINE	9,315	1,937	11,253	10,991	45,919
GENERAL PREVENTIVE MEDICINE NO SURGERY	0	0	0	0	0
GENERAL SURGERY	28,268	0	28,268	32,370	37,409
GENETICIST	0	0	0	0	0
GERIATRICS NO SURGERY	0	0	0	0	0
GYNCOLOGY	100,344	14,718	115,062	117,401	98,405
GYNCOLOGY MAJOR SURGERY	0	3,733	3,733	4,960	15,647
GYNCOLOGY (MINOR SURGERY)	17,164	0	17,164	26,099	0
GYNCOLOGY (NO SURGERY)	0	0	0	0	10,661
HAND & FOOT SURGERY	68,811	0	68,811	68,811	54,868
HEMATOLOGY	25,301	2,601	27,902	25,301	11,905
HEMATOLOGY - NO SURGERY	1,986	0	1,986	1,986	1,653
HEMATOLOGY- ONCOLOGY	3,945	0	3,945	3,945	2,760
HOSPITALIST/HOUSE STAFF	0	31,995	31,995	48,525	31,995

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

	STATE SUBSIDIES PAID CALENDAR YEAR 2007		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
IM NO SURGERY	0	0	0	0	0
IM CARDIOLOGY MINOR SURGERY	13,588	10,121	23,710	13,588	10,121
IM CARDIOLOGY NO SURGERY	4,267	3,114	7,381	4,267	3,114
INFECTIOUS DISEASE NO SURGERY	0	2,133	2,133	3,235	2,133
INTENSIVE CARE MEDICINE	0	3,839	3,839	5,824	3,839
INTERNAL MEDICINE	189,881	21,102	210,983	231,991	103,582
INTERNAL MEDICINE - MINOR SURGERY	3,781	7,678	11,459	9,605	7,678
INTERNAL MEDICINE - NO SURGERY	49,471	30,019	79,490	94,435	73,704
MD CORPORATION	0	0	0	0	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	3,839	3,839	11,831	3,839
NEOPLASTIC DISEASES - NO SURGERY	0	6,399	6,399	5,824	9,409
NEPHROLOGY - NO SURGERY	21,674	0	21,674	28,978	36,581
NEPHROLOGY - MINOR SURGERY	0	0	0	0	0
NEUROLOGY	11,503	2,459	13,962	19,814	5,656
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	0	0	0	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	5,523	10,665	16,188	25,358	18,668
NUCLEAR MEDICINE	5,118	686	5,804	7,640	3,156
NUTRITION	0	0	0	0	0
NURSE MIDWIVES	0	0	0	0	0
OBSTETRICS & GYNECOLOGY	159,879	46,979	206,858	268,027	216,823
OCCUPATIONAL MEDICINE	4,818	0	4,818	5,755	4,411
ONCOLOGY	52,278	881	53,158	52,278	19,692
OPHTHALMOLOGY MAJOR SURGERY	82,258	29,510	111,768	87,490	64,566
OPHTHALMOLOGY - MINOR SURGERY	0	0	0	0	0
OPHTHALMOLOGY - NO SURGERY	0	1,344	1,344	2,038	1,344
ORTHOPEDIC EXCL. BACK	318,331	0	318,331	417,875	272,722
OTOLARYNGOLOGY	0	0	0	3,888	0
OTORHINOLARYNGOLOGY MINOR SURGERY	0	0	0	0	0
OTORHINOLARYNGOLOGY NO SURGERY	0	0	0	0	0
PAIN MANAGEMENT	3,971	0	3,971	7,697	5,233
PATHOLOGY	52,749	13,375	66,123	65,969	48,087
PATHOLOGY (NO SURGERY)	0	0	0	0	0
PEDIATRICS	72,869	7,208	80,077	106,539	79,923
PEDIATRICS MINOR SURGERY	0	19,195	19,195	29,120	19,195
PEDIATRICS (NO SURGERY)	9,771	33,408	43,179	48,591	57,154
PHYSIATRY/PHYS MED & REHAB	2,317	9,408	11,725	18,110	13,537
PHYSIATRY	996	1,617	2,612	996	1,617

Maryland Insurance Administration
Rate Stabilization Account

State Subsidies Paid by Classification and Geographical Territory

	STATE SUBSIDIES PAID CALENDAR YEAR 2007		TOTAL	PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	0	0	1,532
PHYSICAL MEDICINE & REHAB	23,696	4,743	28,439	0	28,588
PHYSICIANS - N.O.C. - MINOR SURGERY	16,230	0	16,230	19,093	14,329
PHYSICIANS - N.O.C. - NO SURGERY	0	0	0	0	8,343
PSYCHIATRY	9,367	1,565	10,932	0	10,471
PSYCHIATRY - INCLUDING CHILD	0	8,064	17,431	21,335	8,064
PSYCHOANALYSIS	0	0	0	0	0
PUBLIC HEALTH	0	0	0	0	0
PULMONARY DISEASES - MINOR SURGERY	0	0	0	0	0
PULMONARY DISEASES - NO SURGERY	0	0	0	0	0
PULMONARY MEDICINE	187,773	29,738	217,511	189,397	142,142
RADIOLOGY	0	0	0	0	0
RADIOLOGY - THERAPEUTIC	0	0	0	0	0
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	59,358	33,736	93,094	462,567	33,736
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	0	0	0	0
RADIOLOGY INCLIVE	0	377,014	377,014	8,719	377,343
RHEUMATOLOGY	16,304	7,528	23,832	25,223	20,316
RHEUMATOLOGY - NO SURGERY	3,882	0	3,882	3,882	2,640
SHOCK THERAPY NOC	0	0	0	0	0
SURGEON - ABDOMINAL	0	0	0	0	0
SURGEON - CARDIAC	47,968	0	47,968	47,968	48,808
SURGEON - CARDIOVASCULAR	0	0	0	0	0
SURGEON - COLON AND RECTAL	0	0	0	0	0
SURGEON - EMERGENCY MEDICINE	0	0	0	0	0
SURGEON - FAMILY OR GENERAL PRACTICE	0	0	0	0	0
SURGEON - GENERAL - N.O.C.	95,535	73,457	168,992	254,168	14,291
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	5,332	5,332	8,089	140,565
SURGEON - HAND	0	0	0	0	5,332
SURGEON - NEOPLASTIC DISEASES	0	7,678	7,678	11,648	0
SURGEON - NEUROLOGY (INCLUDING CHILD)	45,683	805	46,488	45,683	7,678
SURGEON - OBSTETRICS & GYNECOLOGY	148,316	139,904	288,220	447,677	46,067
SURGEON - OPHTHALMOLOGY	9,548	17,064	26,612	41,191	315,943
SURGEON - ORTHOPEDIC	155,413	91,188	246,601	367,348	30,833
SURGEON - OTORHINOLARYNGOLOGY	0	0	0	0	238,263
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	0
SURGEON - PLASTIC	67,999	5,729	73,728	83,749	0
SURGEON - THORACIC	42,064	18,042	60,106	73,636	54,311
					53,315

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	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
SURGEON - UROLOGICAL	0	5,645	5,645	8,319	5,645
SURGEON - VASCULAR	22,229	0	22,229	35,402	21,629
SURGICAL SPECIALTY	14,172	0	14,172	18,908	0
SUSPENSION (IB)	0	0	0	0	0
THERAPEUTIC RADIOLOGY	119,965	87,188	207,153	6,606	0
UROLOGY				215,068	227,860
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR					0
TOTAL	3,117,004	1,289,160	4,406,164	5,173,480	3,829,338

MONTGOMERY, PRINCE GEORGES, HOWARD, AND ANNE ARUNDEL COUNTIES					
ALLERGY	13,252	3,709	16,960	17,556	13,932
ANESTHESIOLOGY	132,390	7,648	140,038	193,085	82,680
ANESTHESIOLOGY (INCLUDING OB)	0	0	0	0	0
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0
ANESTHESIOLOGY PAIN ONLY	3,216	0	3,216	3,956	2,754
CARDIOLOGY	158,286	25,718	184,004	174,212	200,388
CARDIOVASCULAR DISEASE (MINOR SURGERY)	3,532	2,557	6,089	7,450	8,828
CARDIOVASCULAR DISEASE (NO SURGERY)	0	0	0	0	3,918
CLINIC GROUPS	0	0	0	0	0
DERMATOLOGY	8,421	0	8,421	10,226	11,326
DERMATOLOGY (MINOR SURGERY)	8,694	6,243	14,937	27,534	15,040
DERMATOLOGY (NO SURGERY)	14,237	6,986	21,223	23,969	20,090
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0
EMERGENCY ROOM	0	0	0	0	0
ENDOCRINOLOGY (NO SURGERY)	3,014	0	3,014	4,888	2,701
FAMILY OR GEN'L PRACTICE (NO SURGERY)	99,548	39,429	138,977	125,945	109,129
FAMILY OR GEN'L PRACTICE-MINOR SURGERY	32,747	4,151	36,898	39,521	20,891
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	0	0	0	0	0
GASTROENTEROLOGY	39,417	6,522	45,939	54,173	42,700
GASTROENTEROLOGY - MINOR SURGERY	23,731	125,299	149,031	30,131	129,814
GASTROENTEROLOGY - NO SURGERY	0	0	0	0	0
GENERAL MEDICINE	4,943	0	4,943	7,182	2,717
GENERAL PRACTICE NO SURGERY	5,114	5,356	10,469	5,139	6,959
GENERAL PREVENTIVE MEDICINE NO SURGERY	0	0	0	12,742	0
GENERAL SURGERY	123,940	94,515	218,454	112,194	103,164

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	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007	TOTAL	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
GENERAL SURGERY MINOR SURGERY	0	0	0	3,040	0
GENETICIST	0	0	0	0	0
GERIATRICS NO SURGERY	0	0	0	0	0
GYNECOLOGY	46,342	272	46,614	53,198	48,305
GYNECOLOGY MAJOR SURGERY	9,445	32,059	41,504	23,701	32,059
GYNECOLOGY (MINOR SURGERY)	(4,503)	7,999	3,496	14,430	7,999
GYNECOLOGY (NO SURGERY)	3,462	8,020	11,482	7,063	10,463
HAND & FOOT SURGERY	21,761	0	21,761	21,761	14,406
HMATOLOGY	3,084	0	3,084	9,548	3,224
HMATOLOGY - NO SURGERY	0	0	0	0	5,425
HOSPITALIST/HOUSE STAFF	0	0	0	0	276
IM NO SURGERY	0	0	0	0	0
IM ALLERGY NO SURGERY	0	1,154	1,154	9,727	1,154
IM CARDIOLOGY MINOR SURGERY	8,347	50,025	58,371	15,503	50,025
IM CARDIOLOGY NO SURGERY	4,235	2,722	6,957	3,746	6,501
IM ENDOCRINE NO SURGERY	(110)	5,746	5,637	19,410	5,746
IM NEPHROLOGY NO SURGERY	15,554	2,159	17,713	3,944	10,086
IM ONCOLOGY NO SURGERY	5,005	16,998	22,003	24,838	16,998
IM PULMONARY MINOR SURGERY	8,450	3,631	12,081	16,080	3,631
IM PULMONARY NO SURGERY	8,588	5,444	14,032	7,547	12,534
IM RHEUMATOLOGY NO SURGERY	7,547	4,970	12,517	1,753	5,574
INFECTIOUS DISEASE	3,993	0	3,993	3,993	3,055
INFECTIOUS DISEASE NO SURGERY	0	4,214	4,214	21,780	4,214
INTENSIVE CARE MEDICINE	54,505	13,099	67,604	80,371	34,192
INTERNAL MEDICINE	222,111	21,915	244,026	247,235	225,769
INTERNAL MEDICINE - MINOR SURGERY	6,334	2,376	8,710	33,680	34,618
INTERNAL MEDICINE - NO SURGERY	75,007	61,059	136,066	95,206	116,239
MD CORPORATION	0	0	0	0	0
NEONATOLOGY	18,916	0	18,916	18,916	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	0	0	0	0
NEOPLASTIC DISEASES - NO SURGERY	0	0	0	0	0
NEPHROLOGY - NO SURGERY	3,944	0	3,944	3,944	0
NEUROLOGY	18,260	847	19,106	18,260	11,324
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	0	0	10,339	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	10,339	11,229	21,568	27,976	16,289
NEUROSURGERY	139,612	42,616	182,228	203,771	134,209
NUCLEAR MEDICINE	0	0	0	0	0

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	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
NUTRITION	0	0	0	0	0
NURSE MIDWIVES	57,394	5,096	62,490	165,046	5,096
OBSTETRICS & GYNECOLOGY	1,086,675	248,026	1,334,702	1,190,354	768,219
OCCUPATIONAL MEDICINE	11,728	5,949	17,677	9,603	15,517
ONCOLOGY	0	0	0	8,642	0
OPHTHALMOLOGY MAJOR SURGERY	61,060	45,618	106,678	114,498	66,543
OPHTHALMOLOGY - MINOR SURGERY	0	0	0	0	0
OPHTHALMOLOGY - NO SURGERY	3,415	2,477	5,892	3,415	3,911
ORTHOPEDIC EXCL. BACK	163,888	1,047	164,934	193,858	116,095
OTOLARYNGOLOGY	41,902	7,071	48,972	49,606	39,677
OTORHINOLARYNGOLOGY MAJOR SURGERY	0	0	0	0	0
PAIN MANAGEMENT	(10,561)	3,184	(7,378)	3,941	3,184
PATHOLOGY	105,360	16,386	121,746	128,172	46,397
PATHOLOGY (NO SURGERY)	19,238	12,537	31,775	19,238	16,413
PEDIATRICS	66,019	6,383	72,402	111,149	19,387
PEDIATRICS MINOR SURGERY	(6,170)	13,657	7,488	35,711	13,657
PEDIATRICS (NO SURGERY)	40,332	44,961	85,293	70,988	103,594
PHARMACOLOGY CLINICAL	0	0	0	0	0
PHYSIATRY/PHYS MED & REHAB	0	0	0	0	418
PHYSIATRY	7,594	8,246	15,840	12,132	8,246
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	0	0	0
PHYSICAL MEDICINE & REHAB	38,345	1,973	40,318	45,491	38,280
PHYSICIANS - N.O.C. - MINOR SURGERY	1,984	0	1,984	1,984	1,349
PHYSICIANS - N.O.C. - NO SURGERY	0	0	0	0	0
PODIATRY	2,857	0	2,857	2,857	1,964
PSYCHIATRY - INCLUDING CHILD	2,998	0	2,998	18,456	4,558
PSYCHIATRY	23,623	13,650	37,272	35,541	27,662
PSYCHOTHERAPY	3,673	0	3,673	0	0
PSYCHOSOMATIC MEDICINE	0	0	0	0	0
PULMONARY DISEASES - MINOR SURGERY	0	0	0	0	0
PULMONARY DISEASES - NO SURGERY	0	0	0	0	0
PULMONARY MEDICINE	89,591	10,356	99,947	89,591	68,056
RADIATION THERAPY - NOC	8,331	1,863	10,194	24,146	1,863
RADIOLOGY - DIAGNOSTIC	253,031	155,277	408,308	339,769	188,320
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	2,599	0	2,599	3,390	922
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	0	0	0	2,305
RADIOLOGY INCL IVP	87,581	285,355	372,936	91,184	286,151

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	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007	TOTAL	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
RHEUMATOLOGY	15,690	10,290	25,980	20,623	23,048
RHEUMATOLOGY - NO SURGERY	0	0	0	0	0
SURGEON - ABDOMINAL	0	0	0	0	0
SURGEON - CARDIAC	0	0	0	0	14,452
SURGEON - CARDIOVASCULAR	0	69,248	69,248	0	69,248
SURGEON - COLON AND RECTAL	0	0	0	0	3,849
SURGEON - EMERGENCY MEDICINE	0	0	0	0	15,925
SURGEON - FAMILY OR GENERAL PRACTICE	0	2,258	2,258	0	2,258
SURGEON - GASTROENTEROLOGY	0	0	0	0	0
SURGEON - GENERAL - N.O.C.	93,126	0	93,126	151,010	102,600
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	0	0	0	0
SURGEON - HAND	0	0	0	0	0
SURGEON - NEUROLOGY (INCLUDING CHILD)	83,580	0	83,580	110,828	75,364
SURGEON - OBSTETRICS & GYNECOLOGY	556,025	21,809	577,834	936,422	487,502
SURGEON - OPHTHALMOLOGY	13,905	0	13,905	22,188	14,503
SURGEON - ORTHOPEDIC	119,819	0	119,819	125,154	70,607
SURGEON - OTORHINOLARYNGOLOGY	0	0	0	0	7,096
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	5,345
SURGEON - PLASTIC	83,660	22,361	106,021	93,091	117,705
SURGEON - SPECIALTY	0	0	0	0	0
SURGEON - THORACIC	33,832	0	33,832	33,832	0
SURGEON - TRAUMATIC	0	0	0	0	0
SURGEON - UROLOGICAL	0	7,355	7,355	29,000	17,019
SURGEON - VASCULAR	11,539	0	11,539	0	11,890
SURGICAL SPECIALTY	6,204	2,783	8,987	10,308	6,401
SUSPENSION (1B)	0	0	0	0	0
THORACIC CONSULTATION	0	0	0	0	0
URGENT CARE MEDICINE/NO HOSP. ER	0	0	0	0	0
UROLOGY	78,664	0	78,664	83,400	63,391
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	0	0	0	0	0
TOTAL	4,623,237	1,651,903	6,275,140	6,235,278	4,547,333

REMAINDER OF STATE (Other than Baltimore City, Anne Arundel, Baltimore, Howard, Montgomery, and Prince Georges Counties)				
	450	0	450	450
ADMINISTRATIVE MEDICINE	450	0	450	2,224
ALLERGY	6,974	4,529	11,503	29,916
ANESTHESIOLOGY	17,988	3,281	21,269	13,174

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	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
ANESTHESIOLOGY (INCLUDING OB)	0	0	0	0	0
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0
CARDIOLOGY	9,539	784	10,323	9,539	7,656
CARDIOVASCULAR DISEASE (MINOR SURGERY)	4,082	0	4,082	19,614	4,154
CARDIOVASCULAR DISEASE (NO SURGERY)	24,730	0	24,730	24,730	23,993
CERTIFIED NURSE MIDWIFE	371	0	371	371	606
CLINIC GROUPS	0	0	0	0	0
DENTAL LOCAL ANESTHESIOLOGY	0	0	0	0	0
DERMATOLOGY	853	0	853	0	3,827
DERMATOLOGY (MINOR SURGERY)	4,636	0	4,636	1,959	0
DERMATOLOGY (NO SURGERY)	0	1,276	1,276	2,060	1,276
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0
EMERGENCY MEDICINE	3,854	0	3,854	3,854	4,547
EMERGENCY ROOM	0	0	0	0	0
ENDOCRINOLOGY	2,698	501	3,199	2,698	9,206
ENDOCRINOLOGY (NO SURGERY)	2,411	0	2,411	7,534	15,977
FAMILY OR GEN'L PRACTICE (NO SURGERY)	25,017	9,977	34,993	66,651	31,683
FAMILY OR GEN'L PRACTICE-MINOR SURGERY	29,721	3,618	33,338	38,864	21,454
GASTROENTEROLOGY	7,994	676	8,670	7,994	14,371
GASTROENTEROLOGY - MINOR SURGERY	0	0	0	10,417	0
GASTROENTEROLOGY - NO SURGERY	0	0	0	0	0
GENERAL MEDICINE	1,193	0	1,193	1,193	0
GENERAL PRACTICE NO SURGERY	3,692	0	3,692	3,692	0
GENERAL SURGERY	155,091	5,274	160,364	158,596	122,158
GYNECOLOGY	10,146	0	10,146	10,146	6,008
GYNECOLOGY MAJOR SURGERY	0	5,784	5,784	6,286	5,784
GYNECOLOGY (MINOR SURGERY)	0	0	0	0	0
GYNECOLOGY (NO SURGERY)	0	0	0	0	0
HAND & FOOT SURGERY	3,881	0	3,881	5,189	738
HEMATOLOGY	4,340	0	4,340	4,340	7,467
HEMATOLOGY - NO SURGERY	0	0	0	0	0
HOSPITALIST/HOUSE STAFF	0	0	0	0	0
IM MINOR SURGERY	0	0	0	0	0
IM NO SURGERY	0	0	0	0	0
IM INFECTIOUS DISEASE NO SURGERY	3,070	6,820	9,891	7,782	6,820
INFECTIOUS DISEASE	0	0	0	0	2,633
INTENSIVE CARE MEDICINE	0	0	0	0	0

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	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
INTERNAL MEDICINE	94,382	20,970	115,351	117,311	101,448
INTERNAL MEDICINE - MINOR SURGERY	7,274	12,094	19,369	7,274	24,474
INTERNAL MEDICINE - NO SURGERY	30,793	10,908	41,701	51,233	13,050
MD CORPORATION	0	0	0	0	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	0	0	0	0
NEOPLASTIC DISEASES - NO SURGERY	0	0	0	0	0
NEPHROLOGY - MINOR SURGERY	0	0	0	0	0
NEPHROLOGY - NO SURGERY	597	0	597	597	5,354
NEUROLOGY INCLUDING CHILD - NO SURGERY	1,316	2,285	3,601	7,508	3,444
NUCLEAR MEDICINE	0	0	0	0	0
NURSE MIDWIVES	0	0	0	0	0
OBSTETRICS & GYNECOLOGY	223,127	0	223,127	305,937	175,197
OCCUPATIONAL MEDICINE	2,016	2,358	4,373	3,135	2,855
ONCOLOGY	6,664	3,447	10,111	6,664	9,909
OPHTHALMOLOGY MAJOR SURGERY	32,164	0	32,164	32,164	21,424
OPHTHALMOLOGY - NO SURGERY	0	0	0	0	0
ORTHOPEDIC	0	0	0	0	80,698
ORTHOPEDIC EXCL. BACK	81,341	12,365	93,706	124,030	12,365
OTOLARYNGOLOGY	18,975	2,181	21,156	18,975	14,838
OTORHINOLARYNGOLOGY	0	0	0	0	3,683
PAIN MANAGEMENT	0	0	0	4,605	0
PATHOLOGY	31,301	7,883	39,185	38,603	27,796
PATHOLOGY (NO SURGERY)	6,903	0	6,903	6,903	0
PEDIATRICS	22,213	3,224	25,437	47,574	71,147
PEDIATRICS (NO SURGERY)	0	5,283	5,283	0	6,294
PHYSIATRY/PHYS MED & REHAB	1,487	0	1,487	1,487	0
PHYSIATRY	0	0	0	0	0
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	0	0	0
PHYSICAL MEDICINE & REHAB	20,686	2,433	23,120	24,005	21,597
PHYSICIANS - N.O.C. - MINOR SURGERY	892	0	892	892	0
PHYSICIANS - N.O.C. - NO SURGERY	0	0	0	0	0
PSYCHIATRISTS - EXTENDED	0	0	0	0	0
PSYCHIATRY - INCLUDING CHILD	0	0	0	0	2,260
PUBLIC HEALTH	4,083	0	4,083	5,475	2,502
PULMONARY DISEASES	0	0	0	0	0
PULMONARY DISEASES - MINOR SURGERY	0	0	0	0	0
PULMONARY DISEASES - NO SURGERY	0	1,735	1,735	0	3,569
	0	0	0	0	0

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	SUBSIDY YEAR 2006	SUBSIDY YEAR 2007		SUBSIDY YEAR 2006	SUBSIDY YEAR 2007
PULMONARY MEDICINE	11,684	6,491	18,175	19,611	33,651
RADIOLOGY - DIAGNOSTIC	8,631	0	8,631	11,538	9,629
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	5,359	2,117	7,476	5,359	2,117
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	0	0	0	0
RHEUMATOLOGY - MINOR SURGERY	0	0	0	0	2,003
RHEUMATOLOGY - NO SURGERY	2,946	0	2,946	2,946	0
RHEUMATOLOGY - ABDOMINAL	0	0	0	0	13,616
SURGEON - CARDIOVASCULAR	0	0	0	0	0
SURGEON - COLON AND RECTAL	0	0	0	0	0
SURGEON - GASTROENTEROLOGY	0	0	0	0	0
SURGEON - GENERAL - N.O.C.	29,588	0	29,588	66,245	51,259
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	0	0	0	6,945
SURGEON - HAND	10,213	0	10,213	10,213	0
SURGEON - NEUROLOGY (INCLUDING CHILD)	0	0	0	0	128,510
SURGEON - OBSTETRICS & GYNECOLOGY	74,302	0	74,302	180,442	0
SURGEON - OPHTHALMOLOGY	0	0	0	0	0
SURGEON - ORTHOPEDIC	173,221	10,848	184,069	221,230	9,046
SURGEON - OTORHINOLARYNGOLOGY	0	0	0	0	160,136
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	0
SURGEON - PLASTIC	54,062	4,537	58,599	61,349	0
SURGEON - THORACIC	0	27,498	27,498	18,384	48,824
SURGEON - UROLOGICAL	0	0	0	9,986	39,262
SURGEON - VASCULAR	3,462	0	3,462	4,629	0
SURGICAL SPECIALTY	0	0	0	0	0
SURGERY HAND & FOOT	0	0	0	0	0
SUSPENSION (1B)	0	0	0	0	0
URGENT CARE MEDICINE/NO HOSP. ER	0	0	0	0	0
UROLOGY	24,432	1,194	25,626	26,192	20,793
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	0	0	0	0	0
TOTAL	1,305,991	183,224	1,489,215	1,884,258	1,465,368
GRAND TOTAL	9,046,233	3,124,286	12,170,519	13,293,015	9,842,039

Maryland Insurance Administration
Maryland Health Care Provider Rate Stabilization Fund
Costs Incurred by the Administration - Calendar Year 2007

General and Administrative	\$	50,514
Review of Funding Requests		14,274
Legal		52,100
Fiscal		22,408
Audits of Participating Insurers		129,910
Total Cost for Calendar Year 2007	<u>\$</u>	<u>269,206</u>

Note - The \$269,206 represents the total costs incurred in calendar year 2007 by the Administration in administering the Rate Stabilization Fund. These costs were actually charged to the Fund during calendar year 2008. The administrative costs actually charged to the Fund during calendar year 2007 totaled \$133,000. That amount represented administrative costs incurred by the Administration during calendar year 2006.

Maryland Insurance Administration
Rate Stabilization Account
Summary of Account Activity

	Fiscal Year 2006 Allocation	Fiscal Year 2007 Allocation	Fiscal Year 2008 Allocation	Totals
<i>Activity through December 31, 2007:</i>				
Transfers from Maryland Health Care Provider Rate Stabilization Fund	\$ 52,000,000	\$ 45,000,000	\$ 35,000,000	\$ 132,000,000
State Subsidies Paid Calendar Year 2005	(29,551,535)	0	0	(29,551,535)
State Subsidies Paid Calendar Year 2006	(6,416,878)	(35,844,958)	0	(42,261,836)
State Subsidies Paid Calendar Year 2007	(227,381)	(9,503,499)	(14,180,771)	(23,911,651)
Insurer Dividend Distributed to the Account (NOTE 1)	27,417,971	33,950,277	11,051,402	72,419,650
Cash Balance as of December 31, 2007	\$ 43,222,177	\$ 33,601,820	\$ 31,870,631	\$ 108,694,628
<i>Projected Future Activity (NOTE 2):</i>				
Projected Future State Subsidy Payments	\$ 0	\$ (1,894,835)	\$ (6,717,753)	\$ (8,612,587)
Projected Allocation Final Balances	\$ 43,222,177	\$ 31,706,985	\$ 25,152,879	\$ 100,082,041

NOTE 1 - The dividend distributed to the Fund represents funds refunded to the Rate Stabilization Account by the Medical Mutual Liability Insurance Society of Maryland, as described on Page 5 of this report.

Note 2 - This Exhibit does not include projected activity related to the fiscal year 2009 allocation 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, 2007 through December 31, 2007

Receipts:

Premium taxes	\$ 79,274,114
Premium tax exemption value (NOTE 1)	9,170,192
Insurer dividend distributed to Fund (NOTE 2)	72,419,650
Interest income	<u>404,730</u>
Total revenue	<u>\$ 161,268,686</u>

Disbursements:

State Subsidy Payments	\$ 23,911,651
Payments to Department of Health and Mental Hygiene	45,550,736
Fiscal Year 2007 Administrative Expenses	<u>133,000</u>
Total disbursements	<u>\$ 69,595,387</u>
<i>Excess of receipts over disbursements</i>	91,673,299
<i>Fund balance, December 31, 2006</i>	<u>\$ 40,913,598</u>
<i>Fund balance, December 31, 2007</i>	<u><u>\$ 132,586,897</u></u>

NOTE 1 - 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

NOTE 2 - The dividend distributed to the Fund represents funds refunded to the Rate Stabilization Account by the Medical Mutual Liability Insurance Society of Maryland, as described on Page 5 of this report.

APPENDIX A – EXPLANATION OF ‘SUBSIDY YEAR’

For fiscal year 2007, §19-803(b)(3) of the Insurance Article allocated \$45 million to the Rate Stabilization Account to pay for health care provider rate reductions, credits or refunds (State subsidies) in calendar year 2006. For fiscal year 2008, the allocation to the Rate Stabilization Account to pay for State subsidies in calendar year 2007 was \$35 million. Due to practical implementation issues discussed below regarding how the State subsidies are to be paid, during calendar year 2007 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' 2007 Subsidy Year followed the same periods as their 2005 Subsidy Years, resulting in the payments of State subsidies for Subsidy Year 2007 continuing well into calendar year 2008.

Audit Report

Maryland Health Care Provider Rate Stabilization Fund

January 1, 2007 to December 31, 2007



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Exhibit 6



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

March 10, 2008

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., 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, 2007 and ending December 31, 2007. 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 not yet completed (including the issuance of audit reports) any audits under this requirement. Our audit also disclosed that delinquent premium taxes were not pursued on a timely basis.

A schedule of the Fund's financial activity for the 2007 calendar year is included in this report. As disclosed in that schedule, the Fund's cash balance was approximately \$133 million as of December 31, 2007.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bruce A. Myers".

Bruce A. Myers, CPA
Legislative Auditor

Background Information

Establishment and Purpose of the Fund

The Insurance Article, Section 19-802 of the Annotated Code of Maryland 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.

Insurer Dividend Distributed to Fund

On September 12, 2007, the Board of Directors of the Medical Mutual Liability Insurance Society of Maryland, a medical professional liability insurer participating in the Fund, declared a dividend to its members in the amount of \$68.6 million. Notice of the resolution adopted by the Board approving and implementing the dividend payment was provided to the Insurance Commissioner on the same date. Pursuant to the Society's participation in the Fund, as well as certain related statutory requirements, the Society proposed in its resolution distributing a portion of the dividend to the State (approximately \$44.2 million), with the remainder being distributed to its policyholders in the form of a credit against their renewal premiums effective January 1, 2008.

As of December 12, 2007, the Society had received subsidies on behalf of its policyholders from the Fund totaling approximately \$72.4 million, and was due an additional \$11.7 million for calendar year 2007 for a total of \$84.1 million. However, the law also provides certain conditions under which an insurer participating in the Fund must pay a portion of any dividend or similar distribution to the State. On September 13, 2007, the Insurance Commissioner issued an order to the Society to cease and desist from advertising, publicizing, implementing, or otherwise taking any action under or with respect to the dividend resolution adopted by the Society's Board of Directors. According to that order, a question existed as to the exact portion of the dividend to which the State was entitled. The Commissioner held public hearings on this matter, and on November 20, 2007, issued a final order requiring the Society to pay the entire dividend to the State for the benefit of the Fund. Payment was due within 30 days from the date of the order to allow parties from MIA and the Society to meet and determine if other alternatives to the Commissioner's order existed.

On December 12, 2007, the Board rescinded its original dividend declaration of \$68.6 million and declared a new dividend in the amount of approximately \$97.9 million. The Board proposed to divide the dividend between the Fund (\$84.1 million) and the Society's policyholders (\$13.8 million). On the same date, the Commissioner and the Society entered into a consent order agreeing to the terms in the Board's proposal. The Society also agreed that in 2008 it would not participate in the Fund nor would it receive any further disbursements. On December 19, 2007, the Society transferred \$72.4 million (\$84.1 million less \$11.7 million due to the Society but not yet received) to MIA to be credited to the Fund's Rate Stabilization Account.

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, 2007 and ending December 31, 2007, 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, 2007 to
December 31, 2007**

RECEIPTS:

Premium taxes	\$ 79,274,114
Premium tax exemption value ⁽¹⁾	9,170,192
Insurer dividend distributed to Fund ⁽²⁾	72,419,650
Interest income	404,730

Total receipts 161,268,686

DISBURSEMENTS:

Payments to medical professional liability insurers	23,911,651
Payments to Department of Health and Mental Hygiene	45,550,736
Administration expenses ⁽³⁾	133,000

Total disbursements 69,595,387

EXCESS OF RECEIPTS OVER DISBURSEMENTS 91,673,299

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

FUND BALANCE (cash basis), December 31, 2007 \$ 132,586,897

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

(2) See Background Information.

(3) 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

Audits

Finding 1
Required audits of applications submitted by insurers for subsidy payments were not completed on a timely basis.

Analysis

Required audits of application information submitted by medical professional liability insurers that applied for and received subsidies from the Fund were not completed on a timely basis. Such audits provide assurance that insurers properly calculated subsidy amounts due the insurers. We were advised that, as of February 20, 2008, the Maryland Insurance Administration (MIA) was in the process of completing audits of three of the four insurers who had applied for and received subsidy payments for subsidy year 2005. However, MIA had not yet held exit meetings to discuss the audit results with the insurers or issued audit reports, and MIA was uncertain as to when these actions would occur. We were further advised that an audit of the fourth insurer had just been started on February 15, 2008. Subsidy payments to insurers totaled \$29.6 million, \$42.3 million, and \$23.9 million for calendar years 2005, 2006, and 2007, respectively.

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 on the same date and often renew policies on a staggered basis throughout the year, the subsidy year for each insurer will vary and may not end for months after the end of the related calendar year (for example, subsidy year activity may not be completed for more than a year after the related calendar year). MIA policy provides that audits will begin as soon as practicable after the end of the insurer's subsidy year. We believe that MIA should complete these audits on a timely basis.

Recommendation 1

We recommend that MIA complete audits of subsidy application information submitted by insurers on a timely basis, and take any appropriate follow-up action deemed necessary.

Delinquent Premium Taxes

Finding 2

MIA did not pursue delinquent premium taxes on a timely basis.

Analysis

MIA did not pursue delinquent premium taxes on a timely basis. Our review disclosed that, as of January 2008, one health maintenance organization (HMO) had not made required quarterly tax payments or filed the related tax forms for the last three quarters of calendar year 2007. Additionally, MIA had not taken any action to determine why the payments and forms, which were due June 15, September 15, and December 15 of 2007, had not been received. MIA advised us that the company owed approximately \$2.9 million for these three quarters.

As previously mentioned, the Fund consists primarily of revenues generated by an annual tax imposed on premiums written by HMOs and managed care organizations (MCOs) for insurance business transacted in the State. The law requires all entities subject to the tax to make quarterly tax payments and file a corresponding tax declaration form. Although entities that do not submit premium taxes when due are subject to interest charges and penalties as provided for in the law, we believe that MIA should take appropriate follow-up action on a timely basis when required payments are not received. During calendar year 2007, the Fund received approximately \$88 million in premium taxes or premium tax exempt values from a total of 14 HMOs and MCOs.

Recommendation 2

We recommend that, in the future, MIA pursue delinquent premium taxes on a timely basis. Specifically, we recommend that MIA contact applicable HMOs or MCOs within a reasonable period of time, such as 30 days, when a required tax form and/or payment is not received. We also recommend that MIA collect all taxes due from the HMO noted in our review, along with any applicable penalties and interest.

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, 2007 and ending December 31, 2007. 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.

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 (including the issuance of audit reports) any audits under this requirement. Therefore, we will review the results of MIA's audits during subsequent audits of the Fund. In addition, we conducted a separate audit of the Medical Mutual Liability Insurance Society of Maryland as required by State law, for the period beginning January 1, 2005 and ending December 31, 2006. Our audit report on the Society was issued on February 25, 2008.

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.

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.

This report includes a finding relating to a condition that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect MIA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes a finding regarding a significant instance of noncompliance with applicable laws, rules, or regulations.

MIA's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MIA regarding the results of our review of its response.

APPENDIX

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor



INSURANCE
ADMINISTRATION

RALPH S. TYLER
Commissioner

BETH SAMMIS
Deputy Commissioner

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March 7, 2008

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

Dear Mr. Myers:

Please find enclosed the Maryland Insurance Administration (MIA) response to the draft audit report on the Maryland Health Care Provider Rate Stabilization Fund January 1, 2007 to December 31, 2007.

In addition to the enclosed hard copy of the response, an electronic version was sent to response@ola.state.md.us.

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

Sincerely,

Ralph S. Tyler
Commissioner

/mak

Enclosure

MIA Response to Findings and Recommendations

Finding 1

Required audits of applications submitted by insurers for subsidy payments were not completed on a timely basis.

Recommendation 1

We recommend that MIA complete audits of subsidy application information submitted by insurers on a timely basis, and take any appropriate follow-up action deemed necessary.

MIA Response:

The audits were initiated as soon as practicable after the end of the insurer's subsidy year as required by MIA's internal policy. Additionally the fieldwork is substantially complete for three of the four audits; however, finalization of the audits and issuance of the related reports has been delayed. These delays are primarily due to issues disclosed during these initial audits of the carriers' rate subsidy requests, which in several instances required review and advice of legal counsel to resolve. We agree the audits should be completed on a timely basis, and fully intend to do so.

We expect to conduct exit meetings with two of the insurers by March 31, 2008, and issue the final report by April 30, 2008. The fieldwork for the third 2005 subsidy year audit is scheduled for completion by March 31, 2008, with an exit meeting to be held in April 2008 and final report issuance in May 2008. The final 2005 subsidy year audit is expected to be completed in May 2008, with an exit meeting to be held in June 2008 and final report issuance in July 2008. Additionally, we intend to start the audits for the 2006 subsidy year for the carriers that are still participating in the rate subsidy program as soon as practicable after the end of their 2006 subsidy year activity.

Finding 2

MIA did not pursue delinquent premium taxes on a timely basis.

Recommendation 2

We recommend that, in the future, MIA pursue delinquent premium taxes on a timely basis. Specifically, we recommend that MIA contact applicable HMOs or MCOs within a reasonable period of time, such as 30 days, when a required tax form and/or payment is not received. We also recommend that MIA collect all taxes due from the HMO noted in our review, along with any applicable penalties and interest.

MIA Response:

The MIA does not pursue missing quarterly estimated tax payments, but rather, relies on the final return and audit of the return to detect missing or underpayments. As part of the final audit an underpayment of quarterly estimated taxes is assessed penalty and interest as provided for by statute. Our procedure is consistent with other federal and state taxing authorities. However, we recognize that the tax collected from health maintenance organizations (HMOs) and managed care organizations (MCOs) funds the rate stabilization fund, and the funding in each year is dependent upon a projected level of collections. Therefore, we agree to pursue missing quarterly estimated tax payments from HMOs and MCOs.

Regarding the tax owed by the one HMO that had not made estimated tax payments for the last three quarters of calendar year 2007, the MIA contacted the HMO and as of March 6, 2008, the HMO wired the estimated taxes due totaling \$2,905,224 to the State. Any penalty and interest due as a result of the HMO's late payment of estimated taxes will be computed and assessed in conjunction with the audit of the annual premium tax return, which is due by March 15, 2008.

AUDIT TEAM

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Audit Manager

Robert W. Lembach, CPA
Senior Auditor

Jennifer L. Thompson
Jacquelyn M. Tindall
Staff Auditors