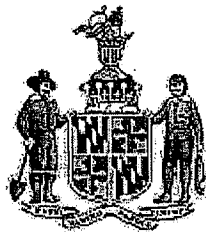


**Maryland Insurance Administration's  
2008 Annual Report on the  
Maryland Health Care Provider Rate  
Stabilization Fund**



**March 13, 2009**

## **Maryland Insurance Administration's 2008 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
  
- (IV) 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 2008 the Administration paid State subsidies from the Rate Stabilization Account to Participating Insurers on behalf of health care providers totaling \$10 million. Attached as **Exhibit 1(a)** is a schedule depicting the State subsidies paid from the Rate Stabilization Account during calendar year 2008.

The State subsidy payments during calendar year 2008 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, \$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. For fiscal year 2009, §19-803(b)(3) allocated an amount to be determined at the discretion of the Commissioner to pay State subsidies in calendar year 2008. 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 2008 State subsidy payments included payments for Subsidy Years 2006, 2007 and 2008. Activity during calendar year 2008 for Subsidy Year 2005 was limited

to the receipt of refunds from Participating Insurers totaling \$13,195, and 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 2008 related to Subsidy Years 2006, 2007 and 2008.

The \$122,537 paid to the Medical Mutual Liability Insurance Society of Maryland (the Society) during calendar year 2008 represented State subsidies for family practitioners who have staff privileges at Garrett County Memorial Hospital and who also provide obstetrical services at Garrett County Memorial Hospital pursuant to §19-805(b)(3) of the Insurance Article ('GCMH Subsidies'). Aside from these State subsidies, the Society no longer participates in the Rate Stabilization Account, and has refunded all previous State Subsidy reimbursements to the Administration. The payment amounts discussed below are net of the amounts refunded by the Society. Additional comments regarding the Society's participation in the Rate Stabilization Account are contained in **Appendix B** to this report.

For Subsidy Year 2006, there are four medical professional liability insurers participating in the Rate Subsidy Account. Through December 31, 2008, these Participating Insurers had applied for and received State subsidy payments totaling \$13.2 million. This amount included \$1.8 million paid during calendar year 2008 (the other \$11.4 million had been paid during calendar years 2006 and 2007).

Based upon information obtained from the insurers, we anticipate paying additional State subsidies totaling approximately \$127,000 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, 2008. **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 (although as noted above the Society's participation was limited to GCMH Subsidies). Through December 31, 2008, these Participating Insurers had applied for and received State subsidy payments totaling \$9.2 million. This amount included \$6.1 million paid during calendar year 2008 (the other \$3.1 million had been paid during calendar year 2007).

The \$9.2 million paid to Participating Insurers through December 31, 2008 represents approximately 90% 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 making additional State subsidy payments totaling approximately \$1.0 million to Participating Insurers, which will bring the total amount of State subsidy payments for Subsidy Year 2007 to approximately \$10.2 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 2007 through December 31, 2008. **Exhibit 1(c)** also includes the total amount expected to be paid for all of Subsidy Year 2007.

For Subsidy Year 2008 there were five medical professional liability insurers participating in the Rate Subsidy Account (although as noted above the Society's participation was limited to GCMH Subsidies). During calendar year 2008 these Participating Insurers applied for and received State subsidy payments totaling \$2.1 million.

The \$2.1 million paid to Participating Insurers through December 31, 2008 represents approximately 27% of the total amount of State subsidy payments the Administration anticipates making for Subsidy Year 2008. Based upon information obtained from the insurers, we anticipate making additional State subsidy payments totaling approximately \$5.7 million to Participating Insurers, which will bring the total amount of State subsidy payments for Subsidy Year 2008 to approximately \$7.8 million.

Attached as **Exhibit 1(d)** 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 2008 through December 31, 2008. **Exhibit 1(d)** also includes the total amount expected to be paid for all of Subsidy Year 2008.

- (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, 2007 and 2008 during calendar year 2008. **Exhibit 2** also includes the total amount expected to be paid for all of Subsidy Years 2006, 2007 and 2008. 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 2008 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 2008. In total, the Administration incurred administrative expenses totaling \$228,406 during the year. \$105,919 of these administrative expenses were actually charged to the Fund during calendar year 2008, while the remainder will be charged during calendar year 2009.

\$104,802 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 2008. The remaining \$136,134 represented the costs incurred through December 31, 2008 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 has begun the audits of each of the four Participating Insurers for Subsidy Year 2005. Reports for two of these audits are completed, and one is currently being drafted. The fourth audit is still in progress.

One of the completed Subsidy Year 2005 reports is for the Medical Mutual Liability Insurance Society of Maryland (the Society). That audit was essentially completed before the Society ceased participation in the Rate Stabilization Account. Because the Society's participation is now limited to GCMH Subsidies, the Administration will not conduct further audits of the Society.

For Subsidy Year 2006, the Administration has begun the audits of two of the four Participating Insurers. Fieldwork for one of those audits is completed, and the report is currently being drafted. Audits of the other two Participating Insurers are scheduled to begin later in 2009.

Additionally, the Administration has scheduled its Subsidy Year 2007 audits of the four Participating Insurers (other than the Society) to begin starting in 2009, as soon as practicable after the 2007 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, 2008 the Administration had transferred the fiscal year 2005 through 2008 allocations, totaling \$136.8 million, to the Rate Stabilization Account. As of that date, the Administration had reimbursed Participating Insurers for State subsidies totaling \$33.3 million (net of the \$72.4 million repaid to the Account by the Society).

In addition, in accordance with §19-804(e) of the Insurance Article, the Administration transferred \$83.3 million from the Rate Stabilization Account as follows: (1) \$7 million to the Medical Assistance Program Account, to be used to increase fee-for-service provider rates to dentists in fiscal year 2009; (2) \$3 million to the Health Care Coverage Fund established under Title 15, Subtitle 7 of the Health – General Article, to be used for allowable expenses in fiscal year 2009; and (3) \$73.2 million to the Health Care Coverage Fund established under Title 15, Subtitle 7 of the Health – General Article, to be used for allowable expenses in fiscal year 2010 and fiscal year 2011. As a result, as of December 31, 2008 the

Account had a cash balance totaling \$20.2 million (i.e., allocations totaling \$136.8 million, less \$83.3 transferred, less State subsidy payments totaling \$33.3 million).

Based on information supplied by the Participating Insurers, the Administration anticipates making additional State subsidy payments totaling approximately \$6.8 million related to the fiscal year 2006, 2007 and 2008 allocations. As a result, we project that the unexpended unencumbered balance of the Account will be approximately \$13.4 million (i.e., \$20.2 million cash balance as of December 31, 2008 less \$6.8 million future State Subsidy payments). **Exhibit 4** also depicts the projected unexpended balance of the Account, once all 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 2008. As of December 31, 2008, the Fund had a cash balance of \$63.5 million.

*Medical Assistance Program Account*

Through December 31, 2008, the Administration had paid the entire amount of the \$65 million fiscal year 2008 allocation into the Account. In addition, for fiscal year 2009 §19-803(b)(3)(v) of the Insurance Article provides for the Administration to

transfer into the Account all revenue remaining after allocations for the costs incurred in administering the Fund and an amount to be determined at the discretion of the Commissioner to pay State subsidies in calendar year 2008. The Administration estimates the amount thus transferred will total approximately \$73 million. Through December 31, 2008, the Administration had paid \$18.2 million of the estimated \$73 million remaining revenue into the Account. All amounts transferred into the Account 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, 2008.

The Administration intends to pay the remaining \$54.8 million of the estimated \$73 million fiscal year 2009 remaining revenue into the Account by June 30, 2009, and will immediately transfer that amount to the Department of Health and Mental Hygiene.

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, 2008 the Administration had disbursed the entire amount of the \$65 million fiscal year 2008 allocation to the Department of Health and Mental Hygiene for use by the Medical Assistance Program. In addition, the Administration had disbursed \$18.2 million of the estimated \$73 million

fiscal year 2009 remaining revenue to the Department. The Administration intends to disburse the remaining estimated \$54.8 million of remaining revenue for fiscal year 2009 to the Department by June 30, 2009.

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

We were advised by the Department that it utilized funds allocated to the Medical Assistance Program to increase fee-for-service health care provider rates as follows:

1. §19-807(c)(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). The Department implemented these increases in fiscal year 2006 by increasing its Medicaid health care provider rates for numerous physician service codes for the four physician specialties, and has maintained these increases through fiscal year 2009.
2. In accordance with §19-807(c)(3) of the Insurance Article, beginning in fiscal year 2006 the Department utilized funds to increase fee-for-service health care provider rates, and to increase capitation payments to managed care organizations so that the managed care organizations could pay health care providers consistent with fee-for-service health care provider rates.



For fiscal year 2009, these increases were implemented by adjusting physician fees to be more comparable to Medicare fees. Medicaid fees that were higher than Medicare fees were reduced to Medicare fee levels, and Medicaid fees that were lower than 78.6% of Medicare fees were raised to 78.6% of Medicare fee levels. Medicaid fees that were lower than the corresponding Medicare fee but higher than 78.6% of the Medicare fees were left unchanged.

The Department advised us that the total amount allocated to implement these fee-for-service increases was \$51 million, supplemented by Federal Medicaid funds totaling \$53.7 million, for a total of \$104.7 million.

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

We were advised by the Department that in fiscal years 2008 and 2009 it allocated \$17.5 million and \$22.1 million, respectively, to increase capitation payments to managed care organizations. These amounts were matched by Federal Medicaid funds for a total of \$35 million and \$44.2 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**.

## APPENDIX A – EXPLANATION OF ‘SUBSIDY YEAR’

For fiscal years 2007 and 2008, §19-803(b)(3) of the Insurance Article allocated \$45 million and \$35 million, respectively, to the Rate Stabilization Account to pay for health care provider rate reductions, credits or refunds (State subsidies) in calendar years 2006 and 2007. For fiscal year 2009, §19-803(b)(3) allocated an amount to be determined at the discretion of the Commissioner to pay State subsidies in calendar year 2008. Due to practical implementation issues discussed below regarding how the State subsidies are to be paid, during calendar year 2008 payments of State subsidies were made against each 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 Participating Insurers 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 inceptioned or renewed in 2006 (i.e., when their policies inceptioned 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' 2008 Subsidy Year followed the same periods as their 2005 Subsidy Years, resulting in the payments of State subsidies for Subsidy Year 2008 continuing well into calendar year 2010.

**APPENDIX B – PARTICIPATION BY THE MEDICAL MUTUAL LIABILITY  
INSURANCE SOCIETY OF MARYLAND IN THE  
RATE STABILIZATION ACCOUNT**

The \$122,537 paid to the Medical Mutual Liability Insurance Society of Maryland (the Society) during calendar year 2008 represented State subsidies for family practitioners who have staff privileges at Garrett County Memorial Hospital and who also provide obstetrical services at Garrett County Memorial Hospital pursuant to §19-8-5(b)(3) of the Insurance Article. Aside from these State subsidies, the Society no longer participates in 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 the Administration to be credited to the Rate Stabilization Account.

The December 12, 2007 consent order did not address the separate State Subsidy under §19-805(b)(3) of the Insurance Article for family practitioners who have staff privileges at Garrett County Memorial Hospital and who also provide

obstetrical services at Garrett County Memorial Hospital (the 'GCMH Subsidies'). The Society sought clarification from the Commissioner that the GCMH Subsidies were not affected by the December 12, 2008 consent order, and provided evidence that it had paid the GCMH Subsidies for Subsidy Years 2007 and 2008 and had not included the GCMH Subsidies in its calculation of the \$72.4 million it transferred to the Administration to be credited to the Rate Stabilization Account. On November 25, 2008, the Commissioner issued another consent order in which it was ordered by the Commissioner and agreed to by the Society that: the proposed Subsidy Year 2009 GCMH Subsidy payment by the Society is permitted and not inconsistent with the December 12, 2008 consent order; and the Society may seek reimbursement from the Rate Stabilization Account for its Subsidy Year 2007, 2008 and 2009 GCMH Subsidy payments.

**Maryland Insurance Administration  
Rate Stabilization Account  
Total Payments to Participating Insurers  
Calendar Year 2008**

<b>Insurer</b>	<b>Total Payments</b>
Medical Mutual Liability Insurance Society of Maryland (Note 1)	\$ 122,537
NCRIC, Inc./Medical Assurance Company, Inc. (Note 2)	1,247,599
The Doctors Company, an Interinsurance Exchange	3,920,052
Medical Protective Company	3,874,855
Maryland Healthcare Providers Insurance Exchange/ Healthcare Providers Insurance Exchange (Note 3)	849,527
Total Payments Calendar Year 2008	<u>\$ 10,014,570</u>

**Note 1** - As described in **Appendix B** to this Report, The \$122,537 paid to the Society during calendar year 2008 represented State subsidies for family practitioners who have staff privileges at Garrett County Memorial Hospital and who also provide obstetrical services at Garrett County Memorial Hospital pursuant to §19-805(b)(3) of the Insurance Article.

**Note 2** - Effective September 5, 2006 NCRIC, Inc. ceased participation in the Account, and transferred the remainder of its subsidy period to an affiliate, Medical Assurance Company, Inc.

**Note 3** - Effective October 1, 2008 Maryland Healthcare Providers Insurance Exchange ceased participation in the Account, and transferred the remainder of its subsidy period to an affiliate, Healthcare Providers Insurance Exchange.



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

Insurer	Amount Disbursed Through December 31, 2006	Amount Disbursed Through December 31, 2007	Amount Disbursed Through December 31, 2008	Projected Future Subsidy Year 2006 Disbursements	Total Projected Subsidy Year 2006 Disbursements
NCRIC, Inc./Medical Assurance Company, Inc.	1,137,055	2,495,258	2,471,521	(14,028)	2,457,493
The Doctors Company, an Interinsurance Exchange	466,055	5,716,870	6,099,568	26,081	6,125,649
Medical Protective Company	0	1,945,901	3,423,377	60,252	3,483,629
Maryland Healthcare Providers Insurance Exchange	748,839	1,240,151	1,240,151	40,707	1,280,858
Totals	2,351,949	11,398,180	13,234,617	113,012	13,347,629

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

Insurer	Amount Disbursed Through December 31, 2007	Amount Disbursed Through December 31, 2008	Projected Future Subsidy Year 2007 Disbursements	Total Projected Subsidy Year 2007 Disbursements
Medical Mutual Liability Insurance Society of Maryland (Note 1)	0	51,405	0	51,405
NCRIC, Inc./Medical Assurance Company, Inc.	2,043,847	2,248,876	(3,239)	2,245,637
The Doctors Company, an Interinsurance Exchange	554,510	3,601,210	761,449	4,362,659
Medical Protective Company	0	2,328,767	109,479	2,438,246
Maryland Healthcare Providers Insurance Exchange	525,929	956,266	134,562	1,090,828
Totals	3,124,286	9,186,524	1,002,251	10,188,775

**NOTE 1** - The \$51,405 paid to the Society is part of the \$122,537 paid to the Society during calendar year 2008, and represented State Subsidies for family practitioners who have staff privileges at Garrett County Memorial Hospital and who also provide obstetrical services at Garrett County Memorial Hospital pursuant to §19-805(b)(3) of the Insurance Article. This is discussed in more detail in **Appendix B** to this Report.

**Maryland Insurance Administration  
Rate Stabilization Account  
2008 Subsidy Year State Subsidies By Insurer**

Insurer	Amount Disbursed Through December 31, 2008	Projected Future Subsidy Year 2008 Disbursements	Total Projected Subsidy Year 2008 Disbursements
Medical Mutual Liability Insurance Society of Maryland (NOTE 1)	71,132	0	71,132
NCRIC, Inc./Medical Assurance Company, Inc.	1,067,137	508,679	1,575,816
The Doctors Company, an Interinsurance Exchange	497,270	3,085,967	3,583,237
Medical Protective Company	74,361	1,722,978	1,797,339
Maryland Healthcare Providers Insurance Exchange	419,190	394,959	814,149
<b>Totals</b>	<b>2,129,090</b>	<b>5,712,583</b>	<b>7,841,673</b>

**NOTE 1** - The \$71,132 paid to the Society is part of the \$122,537 paid to the Society during calendar year 2008, and represented State Subsidies for family practitioners who have staff privileges at Garrett County Memorial Hospital and who also provide obstetrical services at Garrett County Memorial Hospital pursuant to §19-805(b)(3) of the Insurance Article. This is discussed in more detail in **Appendix B** to this Report.

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

STATE SUBSIDIES PAID CALENDAR YEAR 2008				PROJECTED TOTAL PAYMENTS		
SUBSIDY YEAR			TOTAL	SUBSIDY YEAR		
2006	2007	2008		2006	2007	2008

BALTIMORE CITY AND BALTIMORE COUNTY							
ALLERGY	0	1,381	0	1,381	1,868	1,450	1,214
ANESTHESIOLOGY	24,109	123,168	30,131	177,408	305,033	166,369	163,420
ANESTHESIOLOGY (INCLUDING OB)	0	0	0	0	0	0	0
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0	0	0
ANESTHESIOLOGY PAIN ONLY	0	2,373	611	2,983	5,044	3,328	2,787
CARDIOLOGY	(13,957)	20,113	3,212	9,367	58,513	31,449	16,666
CARDIOVASCULAR DISEASE (MINOR SURGERY)	0	102,587	0	102,587	93,289	109,835	63,823
CARDIOVASCULAR DISEASE (NO SURGERY)	0	97,292	0	97,292	103,920	97,624	60,128
CERTIFIED NURSE MIDWIFE	0	513	429	942	0	538	988
CLINIC GROUPS	0	0	0	0	0	0	0
DERMATOLOGY	5,363	8,956	0	14,319	25,715	14,123	1,946
DERMATOLOGY (MINOR SURGERY)	0	0	0	0	0	0	0
DERMATOLOGY (NO SURGERY)	965	1,657	1,045	3,667	4,634	3,274	2,049
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0	0	0
EMERGENCY ROOM	0	0	0	0	0	0	0
ENDOCRINOLOGY (NO SURGERY)	10,539	21,173	5,321	37,033	54,229	42,385	23,937
FAMILY OR GENR'L PRACTICE (NO SURGERY)	16,182	44,255	1,698	62,136	70,457	64,487	42,002
FAMILY OR GENR'L PRACTICE-MINOR SURGERY	1,206	1,776	0	2,982	4,616	3,118	2,087
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	0	0	0	0	0	0	0
GASTROENTEROLOGY	3,725	49,056	0	52,782	72,881	56,585	45,086
GASTROENTEROLOGY - MINOR SURGERY	0	0	0	0	0	0	0
GASTROENTEROLOGY - NO SURGERY	0	0	0	0	0	0	0
GENERAL MEDICINE	0	4,721	249	4,969	10,991	6,991	3,498
GENERAL PREVENTIVE MEDICINE NO SURGERY	0	0	0	0	0	0	0
GENERAL SURGERY	4,102	28,400	0	32,502	32,370	39,864	28,747
GENETICIST	0	0	0	0	0	0	0
GERIATRICS NO SURGERY	0	0	0	0	0	0	0
GYNECOLOGY	(3,868)	45,565	11,916	53,612	119,716	65,403	59,616
GYNECOLOGY MAJOR SURGERY	7,758	6,190	3,005	16,953	16,481	9,923	9,912
GYNECOLOGY (MINOR SURGERY)	0	0	0	0	0	0	0
GYNECOLOGY (NO SURGERY)	0	591	0	591	14,185	591	10,661
HAND & FOOT SURGERY	0	47,711	0	47,711	68,811	50,097	42,274
HEMATOLOGY	0	7,751	2,177	9,927	25,301	10,870	9,931
HEMATOLOGY - NO SURGERY	0	1,653	0	1,653	1,986	1,653	1,819
HEMATOLOGY- ONCOLOGY	0	2,760	0	2,760	3,945	2,760	2,146
HOSPITALIST/HOUSE STAFF	0	0	24,465	24,465	48,525	31,995	24,465
IM NO SURGERY	0	0	0	0	0	0	0
IM CARDIOLOGY MINOR SURGERY	0	0	0	0	13,588	10,121	3,661
IM CARDIOLOGY NO SURGERY	0	0	0	0	4,267	3,114	2,381
INFECTIOUS DISEASE NO SURGERY	0	0	1,631	1,631	3,235	2,133	1,631
INTENSIVE CARE MEDICINE	0	0	2,936	2,936	5,824	3,839	2,936
INTERNAL MEDICINE	23,276	120,186	16,188	159,649	231,757	191,813	228,889
INTERNAL MEDICINE - MINOR SURGERY	0	0	5,872	5,872	9,605	7,678	5,872
INTERNAL MEDICINE - NO SURGERY	22,381	43,700	17,000	83,081	94,435	76,032	55,720
MD CORPORATION	0	0	0	0	0	0	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	0	2,936	2,936	5,824	3,839	2,936
NEOPLASTIC DISEASES - NO SURGERY	0	3,010	6,668	9,678	11,831	9,409	6,668
NEPHROLOGY - NO SURGERY	7,304	16,193	218	23,715	28,978	28,421	17,681
NEPHROLOGY - MINOR SURGERY	0	0	0	0	0	0	0
NEUROLOGY	1,632	5,786	1,896	9,314	19,814	10,987	4,325
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	0	0	0	0	0	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	3,988	6,395	8,155	18,538	25,358	17,060	13,729
NUCLEAR MEDICINE	0	2,058	540	2,599	7,640	2,882	2,492
NUTRITION	0	0	0	0	0	0	0
NURSE MIDWIVES	0	0	0	0	0	0	0
OBSTETRICS & GYNECOLOGY	23,480	127,369	26,381	177,231	246,098	220,813	143,930
OCCUPATIONAL MEDICINE	937	4,684	1,053	6,675	5,755	6,274	5,649
ONCOLOGY	0	10,060	675	10,735	52,278	16,306	13,097
OPHTHALMOLOGY MAJOR SURGERY	0	0	0	0	31,164	28,266	24,731
OPHTHALMOLOGY - MINOR SURGERY	0	0	0	0	0	0	0
OPHTHALMOLOGY - NO SURGERY	5,232	28,726	1,934	35,891	58,364	50,352	28,196
ORTHOPEDIC EXCL. BACK	99,544	342,804	1,604	443,952	417,875	342,804	162,440
OTOLARYNGOLOGY	972	2,086	0	3,058	3,888	3,651	0

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	SUBSIDY YEAR			TOTAL	SUBSIDY YEAR		
	2006	2007	2008		2006	2007	2008
OTORHINOLARYNGOLOGY MINOR SURGERY	0	0	0	0	0	0	0
OTORHINOLARYNGOLOGY NO SURGERY	0	0	0	0	0	0	0
PAIN MANAGEMENT	3,726	5,510	0	9,236	7,697	5,510	4,002
PATHOLOGY	866	25,323	8,992	35,182	63,715	40,633	31,008
PATHOLOGY (NO SURGERY)	0	0	0	0	0	0	0
PEDIATRICS	10,589	40,374	5,222	56,185	81,559	65,212	50,701
PEDIATRICS MINOR SURGERY	0	0	11,744	11,744	23,296	15,356	11,744
PEDIATRICS (NO SURGERY)	21,840	9,818	19,572	51,230	75,565	52,257	41,829
PHYSIATRY/PHYS MED & REHAB	1,527	4,098	0	5,625	41,806	16,153	2,662
PHYSIATRY	0	0	0	0	996	1,617	0
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	3,262	3,262	0	1,538	3,262
PHYSICAL MEDICINE & REHAB	0	20,117	8,823	28,939	0	26,102	27,010
PHYSICIANS - N.O.C. - MINOR SURGERY	0	5,048	0	5,048	12,958	5,048	7,867
PHYSICIANS - N.O.C. - NO SURGERY	2,863	6,156	0	9,019	6,135	6,156	3,190
PSYCHIATRY	846	11,850	900	13,596	9,794	15,375	5,689
PSYCHIATRY - INCLUDING CHILD	0	0	6,162	6,162	11,541	8,064	6,162
PSYCHOANALYSIS	0	0	0	0	0	0	0
PUBLIC HEALTH	0	0	0	0	0	0	0
PULMONARY DISEASES - MINOR SURGERY	0	0	0	0	0	0	0
PULMONARY DISEASES - NO SURGERY	0	0	351	351	0	0	351
PULMONARY MEDICINE	(264)	97,437	21,734	118,907	187,510	135,852	111,912
RADIOLOGY	0	0	0	0	0	0	0
RADIOLOGY - THERAPEUTIC	0	0	0	0	0	0	0
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	0	0	5,872	5,872	462,567	33,736	8,003
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	0	2,131	2,131	0	0	0
RADIOLOGY INCL IVP	0	(1,722)	295,560	293,838	8,719	375,291	294,354
RHEUMATOLOGY	901	10,086	3,654	14,641	24,975	19,683	15,072
RHEUMATOLOGY - NO SURGERY	0	2,755	2,744	5,499	3,882	2,755	4,763
SHOCK THERAPY NOC	0	0	0	0	0	0	0
SURGEON - ABDOMINAL	0	0	0	0	0	0	0
SURGEON - CARDIAC	0	48,808	0	48,808	47,968	48,808	34,492
SURGEON - CARDIOVASCULAR	0	0	0	0	0	0	0
SURGEON - COLON AND RECTAL	0	0	0	0	0	0	0
SURGEON - EMERGENCY MEDICINE	0	0	6,899	6,899	0	0	6,899
SURGEON - FAMILY OR GENERAL PRACTICE	9,806	12,150	0	21,956	21,015	12,150	10,928
SURGEON - GENERAL - N.O.C.	68,141	72,471	55,299	195,911	254,168	145,928	101,348
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	0	4,077	4,077	8,089	5,332	4,077
SURGEON - HAND	0	0	0	0	0	0	0
SURGEON - NEOPLASTIC DISEASES	0	0	5,872	5,872	11,648	7,678	5,872
SURGEON - NEUROLOGY (INCLUDING CHILD)	0	45,262	0	45,262	45,683	46,067	40,042
SURGEON - OBSTETRICS & GYNECOLOGY	76,069	124,438	108,357	308,864	491,011	271,570	205,942
SURGEON - OPHTHALMOLOGY	6,215	8,980	13,048	28,243	41,191	27,140	22,126
SURGEON - ORTHOPEDIC	76,701	131,944	72,893	281,537	367,348	237,341	187,551
SURGEON - OTORHINOLARYNGOLOGY	0	0	0	0	0	0	0
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	0	0	0
SURGEON - PLASTIC	15,750	47,554	3,127	66,431	83,749	80,984	61,719
SURGEON - THORACIC	4,199	26,368	6,899	37,466	73,636	50,939	34,978
SURGEON - UROLOGICAL	0	0	4,317	4,317	8,319	5,645	4,317
SURGEON - VASCULAR	13,173	20,894	0	34,067	35,402	20,894	18,117
SURGICAL SPECIALTY	4,736	2,199	0	6,935	18,908	3,859	2,583
SUSPENSION (1B)	0	0	0	0	0	0	0
THERAPEUTIC RADIOLOGY	0	3,363	0	3,363	6,606	5,902	3,209
UROLOGY	43,874	143,123	1,380	188,377	256,851	244,810	17,820
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>606,428</b>	<b>2,257,104</b>	<b>858,836</b>	<b>3,722,368</b>	<b>5,214,393</b>	<b>3,891,891</b>	<b>2,737,767</b>

**MONTGOMERY, PRINCE GEORGES, HOWARD, AND ANNE ARUNDEL COUNTIES**

ALLERGY	450	8,373	3,094	11,918	14,613	11,142	13,645
ANESTHESIOLOGY	65,920	123,219	2,150	191,289	196,475	158,323	128,806
ANESTHESIOLOGY (INCLUDING OB)	0	(6,820)	0	(6,820)	6,851	0	0
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0	0	37,060
ANESTHESIOLOGY PAIN ONLY	740	1,793	0	2,533	3,956	3,147	0
CARDIOLOGY	0	54,859	34,847	89,706	190,243	84,606	106,660

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	SUBSIDY YEAR			TOTAL	SUBSIDY YEAR		
	2006	2007	2008		2006	2007	2008
CARDIOVASCULAR DISEASE (MINOR SURGERY)	0	0	0	0	0	0	4,214
CARDIOVASCULAR DISEASE (NO SURGERY)	4,907	9,113	0	14,020	7,450	11,670	4,900
CLINIC GROUPS	0	0	0	0	0	151	0
DERMATOLOGY	1,805	8,061	0	9,866	10,226	12,562	9,811
DERMATOLOGY (MINOR SURGERY)	728	2,683	0	3,411	3,862	2,683	7,473
DERMATOLOGY (NO SURGERY)	2,842	11,845	7,620	22,307	22,217	18,088	14,254
DERMATOPATHOLOGY	0	0	0	0	0	0	947
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	4,343	0	4,343	23,969	11,329	0
EMERGENCY ROOM	0	0	0	0	0	0	0
ENDOCRINOLOGY (NO SURGERY)	1,874	2,896	0	4,770	4,888	3,691	3,224
FAMILY OR GEN'L PRACTICE (NO SURGERY)	15,978	44,298	23,587	83,863	83,085	60,539	92,229
FAMILY OR GEN'L PRACTICE-MINOR SURGERY	4,646	28,294	2,479	35,419	80,630	63,666	11,637
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	0	0	0	0	2,128	2,376	0
GASTROENTEROLOGY	6,638	26,397	3,757	36,793	54,204	44,212	30,971
GASTROENTEROLOGY - MINOR SURGERY	0	0	38,103	38,103	0	0	102,475
GASTROENTEROLOGY - NO SURGERY	0	4,515	0	4,515	30,131	129,814	0
GENERAL MEDICINE	963	0	0	963	5,906	0	0
GENERAL PRACTICE NO SURGERY	0	0	0	0	1,275	6,959	4,329
GENERAL PREVENTIVE MEDICINE NO SURGERY	0	1,604	0	1,604	5,139	0	0
GENERAL SURGERY	2,788	5,349	48,577	56,714	23,802	115,919	62,930
GENERAL SURGERY MINOR SURGERY	(1,792)	11,433	0	9,641	101,133	0	0
GENETICIST	0	0	0	0	3,040	0	0
GERIATRICS NO SURGERY	0	0	0	0	0	0	0
GYNECOLOGY	0	25,507	3,799	29,306	53,198	35,768	31,965
GYNECOLOGY MAJOR SURGERY	0	0	20,199	20,199	0	32,059	20,199
GYNECOLOGY (MINOR SURGERY)	0	2,191	4,387	6,578	23,701	10,190	6,575
GYNECOLOGY (NO SURGERY)	6,856	0	3,367	10,223	14,430	10,463	4,135
HAND & FOOT SURGERY	0	12,360	0	12,360	28,824	10,413	8,289
HEMATOLOGY	1,039	2,099	0	3,138	4,123	3,684	2,466
HEMATOLOGY - NO SURGERY	5,425	3,018	0	8,443	5,425	3,018	3,018
HOSPITALIST/HOUSE STAFF	0	0	192	192	0	0	0
IM NO SURGERY	0	276	0	276	0	276	792
IM ALLERGY NO SURGERY	0	0	1,015	1,015	0	1,154	1,015
IM CARDIOLOGY MINOR SURGERY	0	0	37,522	37,522	9,727	50,025	40,125
IM CARDIOLOGY NO SURGERY	0	0	4,153	4,153	15,503	5,140	5,973
IM ENDOCRINE NO SURGERY	(464)	2,418	4,094	6,048	3,746	5,746	4,094
IM NEPHROLOGY NO SURGERY	0	0	2,191	2,191	19,410	10,086	8,299
IM ONCOLOGY NO SURGERY	0	7,927	10,220	18,147	3,944	16,656	14,485
IM PULMONARY MINOR SURGERY	0	0	3,027	3,027	24,838	3,974	0
IM PULMONARY NO SURGERY	0	0	2,454	2,454	16,080	12,534	24,374
IM RHEUMATOLOGY NO SURGERY	0	7,090	3,651	10,741	7,547	5,574	3,651
INFECTIOUS DISEASE	0	3,259	0	3,259	5,746	2,789	2,336
INFECTIOUS DISEASE NO SURGERY	0	0	4,225	4,225	0	4,214	4,225
INTENSIVE CARE MEDICINE	33,003	55,386	5,625	94,014	87,777	78,600	63,382
INTERNAL MEDICINE	6,856	173,860	23,390	204,106	263,393	257,987	159,608
INTERNAL MEDICINE - MINOR SURGERY	0	0	5,250	5,250	0	2,376	8,480
INTERNAL MEDICINE - NO SURGERY	13,733	21,215	44,589	79,537	56,732	107,945	80,871
MD CORPORATION	(7,330)	38,302	0	30,972	72,154	13,734	16,224
NEONATOLOGY	0	0	0	0	18,916	0	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	0	0	0	0	0	0
NEOPLASTIC DISEASES - NO SURGERY	0	0	0	0	0	0	0
NEPHROLOGY - NO SURGERY	0	0	0	0	0	0	3,629
NEUROLOGY	0	10,642	0	10,642	22,203	12,063	3,279
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	0	0	0	0	0	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	0	0	6,729	6,729	10,339	15,593	11,741
NEUROSURGERY	0	82,157	27,249	109,406	167,589	125,241	92,100
NUCLEAR MEDICINE	0	0	0	0	64,159	0	0
NUTRITION	0	0	0	0	0	0	0
NURSE MIDWIVES	53,625	90,024	1,948	145,597	107,272	95,120	3,897
OBSTETRICS & GYNECOLOGY	55,542	409,740	22,732	488,014	991,954	764,029	412,029
OCCUPATIONAL MEDICINE	0	25,374	3,682	29,055	259,444	15,506	10,368
ONCOLOGY	0	5,222	0	5,222	3,077	0	0
OPHTHALMOLOGY MAJOR SURGERY	0	0	0	0	8,642	46,470	0
OPHTHALMOLOGY - MINOR SURGERY	0	852	0	852	84,139	0	0
OPHTHALMOLOGY - NO SURGERY	1,937	11,594	0	13,531	32,470	19,331	14,184

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	SUBSIDY YEAR			TOTAL	SUBSIDY YEAR		
	2006	2007	2008		2006	2007	2008
ORTHOPEDIC EXCL. BACK	28,525	129,051	10,684	168,260	166,196	133,809	116,351
OTOLARYNGOLOGY	0	26,881	2,113	28,994	70,364	37,798	28,174
OTORHINOLARYNGOLOGY MAJOR SURGERY	0	0	0	0	7,705	0	0
PAIN MANAGEMENT	4,351	0	0	4,351	0	1,204	0
PATHOLOGY	(869)	18,625	11,343	29,100	84,633	38,841	33,292
PATHOLOGY (NO SURGERY)	0	0	4,758	4,758	0	16,788	13,791
PEDIATRICS	1,121	16,211	3,200	20,532	76,314	22,599	13,736
PEDIATRICS MINOR SURGERY	0	0	8,090	8,090	0	13,657	8,090
PEDIATRICS (NO SURGERY)	41,832	20,580	18,392	80,804	89,784	88,264	73,114
PHARMACOLOGY CLINICAL	0	6,787	0	6,787	70,988	0	0
PHYSIATRY/PHYS MED & REHAB	0	1,517	300	1,817	0	1,517	12,075
PHYSIATRY	0	0	0	0	0	8,246	0
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	0	0	12,132	0	0
PHYSICAL MEDICINE & REHAB	0	20,414	7,489	27,903	45,491	31,196	22,504
PHYSICIANS - N.O.C. - MINOR SURGERY	0	2,259	0	2,259	1,984	2,563	4,706
PHYSICIANS - N.O.C. - NO SURGERY	0	0	0	0	0	0	0
PODIATRY	0	1,708	0	1,708	2,857	1,794	1,421
PSYCHIATRY - INCLUDING CHILD	2,260	3,933	0	6,193	5,258	3,933	3,716
PSYCHIATRY	0	2,461	10,896	13,357	25,377	27,716	20,674
PSYCHOTHERAPY	0	11,268	0	11,268	23,361	137	0
PSYCHOSOMATIC MEDICINE	0	0	0	0	0	0	0
PULMONARY DISEASES - MINOR SURGERY	0	0	0	0	0	0	0
PULMONARY DISEASES - NO SURGERY	0	0	0	0	0	0	0
PULMONARY MEDICINE	1,393	49,224	8,069	58,685	90,984	62,559	51,679
RADIATION THERAPY- NOC	0	0	0	0	0	0	0
RADIOLOGY - DIAGNOSTIC	4,143	15,264	29,230	48,637	68,400	202,191	88,883
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	(14,151)	22,093	83,630	91,572	295,515	0	100,351
RADIOLOGY - DIAGNOSTIC - NO SURGERY	791	2,305	416	3,512	3,390	2,305	1,662
RADIOLOGY INCL IVP	0	0	127,094	127,094	0	289,763	128,894
RADIOLOGY INTERVENTIONAL	0	0	4,372	4,372	0	0	57,344
RHEUMATOLOGY	947	14,555	4,452	19,954	108,089	21,815	14,365
RHEUMATOLOGY - NO SURGERY	0	0	0	0	3,717	0	0
SURGEON - ABDOMINAL	0	0	0	0	0	0	0
SURGEON - BARIATRICS	0	0	7,430	7,430	0	0	7,430
SURGEON - CARDIAC	0	0	0	0	0	0	0
SURGEON - CARDIOVASCULAR	0	6,972	82	7,054	0	80,789	16,719
SURGEON - COLON AND RECTAL	0	0	0	0	0	0	10,955
SURGEON - DERMATOLOGY	0	0	6,100	6,100	0	0	1,855
SURGEON - EMERGENCY MEDICINE	0	0	2,260	2,260	0	0	0
SURGEON - FAMILY OR GENERAL PRACTICE	0	9,142	0	9,142	0	20,332	20,421
SURGEON - GASTROENTEROLOGY	0	0	0	0	0	0	0
SURGEON - GENERAL - N.O.C.	57,884	102,004	1,173	161,061	151,010	106,573	97,375
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	23,262	0	23,262	0	27,052	34,754
SURGEON - HAND	0	13,744	0	13,744	0	13,744	9,736
SURGEON - NEUROLOGY (INCLUDING CHILD)	0	0	0	0	110,828	0	0
SURGEON - OBSTETRICS & GYNECOLOGY	415,496	587,340	133,656	1,136,492	975,649	675,704	649,405
SURGEON - OPHTHALMOLOGY	8,283	(8,417)	15,149	15,014	20,078	13,392	35,972
SURGEON - ORTHOPEDIC	5,335	69,427	6,611	81,373	125,154	76,800	44,964
SURGEON - OTORHINOLARYNGOLOGY	0	0	4,521	4,521	0	0	9,971
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	0	0	0
SURGEON - PLASTIC	2,455	78,681	20,361	101,497	139,744	109,390	91,886
SURGEON - SPECIALTY	0	3,560	0	3,560	0	6,343	0
SURGEON - THORACIC	0	0	9,042	9,042	42,337	0	74,746
SURGEON - TRAUMATIC	0	0	0	0	0	0	0
SURGEON - UROLOGICAL	6,104	0	5,418	11,522	6,264	7,355	5,418
SURGEON - VASCULAR	0	3,662	842	4,504	20,516	13,202	1,797
SURGICAL SPECIALTY	0	15,107	1,850	16,957	10,308	5,845	4,244
SUSPENSION (1B)	0	0	0	0	0	0	0
THORACIC CONSULTATION	0	0	0	0	0	0	0
URGENT CARE MEDICINE/NO HOSP. ER	0	0	0	0	0	0	0
UROLOGY	(5,098)	55,123	70,386	120,411	78,302	57,879	195,568
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>839,510</b>	<b>2,657,512</b>	<b>1,029,314</b>	<b>4,526,336</b>	<b>6,294,452</b>	<b>4,741,733</b>	<b>3,809,413</b>

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

STATE SUBSIDIES PAID CALENDAR YEAR 2008				PROJECTED TOTAL PAYMENTS		
SUBSIDY YEAR			TOTAL	SUBSIDY YEAR		
2006	2007	2008		2006	2007	2008

REMAINDER OF STATE (Other than Baltimore City, Anne Arundel, Baltimore, Howard, Montgomery, and Prince Georges Counties)							
	2006	2007	2008	TOTAL	2006	2007	2008
ALLERGY	1,049	289	399	1,737	600	303	4,822
ANESTHESIOLOGY	763	3,311	3,415	7,489	3,270	3,366	23,364
ANESTHESIOLOGY (INCLUDING OB)	16,291	20,029	0	36,319	36,823	29,738	3,607
ANESTHESIOLOGY (OTHER THAN OB)	0	5,587	0	5,587	7,839	4,732	8,844
CARDIOLOGY	0	0	597	597	0	0	29,699
CARDIOVASCULAR DISEASE (MINOR SURGERY)	0	28,492	0	28,492	9,539	53,253	0
CARDIOVASCULAR DISEASE (NO SURGERY)	0	0	0	0	4,082	0	0
CERTIFIED NURSE MIDWIFE	0	4,154	0	4,154	24,730	12,132	4,499
CLINIC GROUPS	0	23,461	0	23,461	371	27,066	0
DENTAL LOCAL ANESTHESIOLOGY	0	0	0	0	0	0	0
DERMATOLOGY	0	0	0	0	0	0	0
DERMATOLOGY (MINOR SURGERY)	0	853	1,069	1,922	0	1,791	1,496
DERMATOLOGY (NO SURGERY)	457	1,865	921	3,243	1,959	1,865	921
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0	0	0
EMERGENCY MEDICINE	0	0	0	0	2,060	1,276	3,054
EMERGENCY ROOM	0	3,954	0	3,954	3,854	4,152	0
ENDOCRINOLOGY	0	0	382	382	0	0	1,741
ENDOCRINOLOGY (NO SURGERY)	0	1,493	0	1,493	2,698	2,093	3,519
FAMILY OR GENR'L PRACTICE (NO SURGERY)	5,123	2,984	10,038	18,145	7,534	3,863	33,220
FAMILY OR GENR'L PRACTICE-MINOR SURGERY	18,677	22,675	9,847	51,200	55,450	32,980	29,805
GASTROENTEROLOGY	0	15,038	515	15,553	50,843	25,407	2,349
GASTROENTEROLOGY - MINOR SURGERY	0	6,696	0	6,696	7,994	7,544	3,312
GASTROENTEROLOGY - NO SURGERY	10,417	1,767	0	12,184	10,417	3,312	0
GENERAL MEDICINE	0	0	0	0	0	0	0
GENERAL PRACTICE NO SURGERY	(1,049)	0	0	(1,049)	1,043	0	0
GENERAL SURGERY	0	0	0	0	158,596	0	91,984
GYNECOLOGY	3,505	99,273	0	102,778	3,692	113,982	14,885
GYNECOLOGY MAJOR SURGERY	0	11,942	4,021	15,963	10,146	17,276	4,021
GYNECOLOGY (MINOR SURGERY)	0	0	0	0	0	0	0
GYNECOLOGY (NO SURGERY)	0	0	0	0	6,286	5,784	0
HAND & FOOT SURGERY	0	0	0	0	0	0	3,945
HEMATOLOGY	1,308	2,675	0	3,983	5,189	4,681	0
HEMATOLOGY - NO SURGERY	0	0	1,111	1,111	0	0	6,044
HOSPITALIST/HOUSE STAFF	4,589	5,316	12,852	22,757	8,929	5,316	9,839
IM MINOR SURGERY	0	0	0	0	0	0	0
IM NO SURGERY	0	0	0	0	0	0	0
IM INFECTIOUS DISEASE NO SURGERY	0	0	0	0	0	0	0
INFECTIOUS DISEASE	0	0	0	0	0	0	1,992
INTENSIVE CARE MEDICINE	0	258	0	258	7,782	7,193	1,997
INTERNAL MEDICINE	0	0	22,212	22,212	0	0	85,777
INTERNAL MEDICINE - MINOR SURGERY	6,184	72,878	1,511	80,573	117,146	112,667	1,511
INTERNAL MEDICINE - NO SURGERY	0	0	424	424	0	0	15,400
MD CORPORATION	14,168	8,069	0	22,237	21,442	22,488	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	2,142	0	2,142	37,065	13,050	0
NEOPLASTIC DISEASES - NO SURGERY	0	0	0	0	0	0	0
NEPHROLOGY - MINOR SURGERY	0	0	0	0	0	0	0
NEPHROLOGY - NO SURGERY	0	0	0	0	0	0	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	0	0	2,727	2,727	597	0	5,841
NUCLEAR MEDICINE	4,760	3,114	0	7,874	4,760	3,114	0
NURSE MIDWIVES	0	0	0	0	2,748	2,600	0
OBSTETRICS & GYNECOLOGY	0	51,405	73,361	124,766	0	51,405	240,905
OCCUPATIONAL MEDICINE	28,348	136,498	126	164,972	251,474	176,982	0
ONCOLOGY	0	382	3,758	4,140	1,119	803	10,615
OPHTHALMOLOGY MAJOR SURGERY	0	5,169	0	5,169	8,679	11,023	0
OPHTHALMOLOGY - NO SURGERY	0	19,525	0	19,525	0	20,501	19,230
ORTHOPEDIC	0	0	0	0	32,164	0	0
ORTHOPEDIC EXCL. BACK	0	0	10,942	10,942	0	0	63,377
OTOLARYNGOLOGY	31,266	70,467	815	102,548	110,800	70,467	7,434
OTORHINOLARYNGOLOGY	0	10,722	0	10,722	32,204	25,913	0
PAIN MANAGEMENT	0	0	0	0	0	0	13,356
PATHOLOGY	4,605	8,117	6,090	18,812	4,605	14,231	20,011
PATHOLOGY (NO SURGERY)	0	16,389	0	16,389	38,603	25,486	0
PEDIATRICS	0	0	3,229	3,229	0	0	24,403



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

	STATE SUBSIDIES PAID CALENDAR YEAR 2008				PROJECTED TOTAL PAYMENTS		
	SUBSIDY YEAR			TOTAL	SUBSIDY YEAR		
	2006	2007	2008		2006	2007	2008
PEDIATRICS (NO SURGERY)	4,095	15,445	0	19,540	34,416	26,412	14,663
PHYSIATRY/PHYS MED & REHAB	19,277	6,568	0	25,845	20,061	10,900	773
PHYSIATRY	0	978	0	978	1,487	6,261	0
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	0	0	0	0	0
PHYSICAL MEDICINE & REHAB	0	0	1,928	1,928	0	0	11,299
PHYSICIANS - N.O.C. - MINOR SURGERY	0	5,921	0	5,921	24,005	8,772	6,069
PHYSICIANS - N.O.C. - NO SURGERY	0	607	0	607	892	607	0
PSYCHIATRISTS - EXTENDED	0	0	0	0	0	0	0
PSYCHIATRY - INCLUDING CHILD	0	0	0	0	0	0	2,379
PUBLIC HEALTH	1,392	2,256	0	3,647	5,475	2,709	0
PULMONARY DISEASES	0	2,740	0	2,740	0	2,740	0
PULMONARY DISEASES - MINOR SURGERY	0	0	0	0	0	0	0
PULMONARY DISEASES - NO SURGERY	0	0	0	0	0	0	0
PULMONARY MEDICINE	0	1,633	5,797	7,430	0	3,368	31,999
RADIOLOGY - DIAGNOSTIC	0	22,771	0	22,771	19,611	30,725	4,458
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	0	0	1,228	1,228	11,538	0	1,228
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	2,951	0	2,951	4,069	2,951	0
RHEUMATOLOGY - MINOR SURGERY	2,908	4,467	0	7,375	1,290	9,957	0
RHEUMATOLOGY - NO SURGERY	0	0	851	851	0	0	4,468
SURGEON - ABDOMINAL	0	1,941	0	1,941	2,946	1,941	0
SURGEON - CARDIOVASCULAR	0	0	0	0	0	0	14,078
SURGEON - COLON AND RECTAL	15,532	9,259	0	24,791	15,532	9,259	0
SURGEON - GASTROENTEROLOGY	0	0	0	0	0	0	0
SURGEON - GENERAL - N.O.C.	0	0	7,076	7,076	0	0	49,418
SURGEON - GYNECOLOGY - FERTILITY/NO OB	36,657	43,540	0	80,197	66,245	43,540	0
SURGEON - HAND	0	0	0	0	0	0	5,311
SURGEON - NEUROLOGY (INCLUDING CHILD)	0	6,579	0	6,579	10,213	6,579	6,164
SURGEON - OBSTETRICS & GYNECOLOGY	0	0	0	0	0	0	81,493
SURGEON - OPHTHALMOLOGY	106,140	188,903	0	295,043	179,495	191,916	0
SURGEON - ORTHOPEDIC	0	0	20,059	20,059	0	0	106,295
SURGEON - OTORHINOLARYNGOLOGY	27,519	113,778	783	142,080	219,516	162,651	5,416
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	0	6,769	0
SURGEON - PLASTIC	0	0	3,717	3,717	0	0	42,942
SURGEON - THORACIC	13,605	33,598	13,874	61,077	67,668	54,562	13,874
SURGEON - UROLOGICAL	0	0	0	0	0	0	4,849
SURGEON - VASCULAR	9,986	(388)	0	9,598	28,370	29,534	0
SURGICAL SPECIALTY	0	0	0	0	0	0	16,038
SURGERY HAND & FOOT	1,167	2,073	0	3,240	4,629	3,639	0
SUSPENSION (1B)	0	0	0	0	0	0	0
URGENT CARE MEDICINE/NO HOSP. ER	0	0	13,527	13,527	0	0	1,324
UROLOGY	0	0	1,739	1,739	0	0	73,136
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	1,761	15,015	0	16,775	26,192	19,526	0
<b>TOTAL</b>	<b>390,499</b>	<b>1,147,621</b>	<b>240,941</b>	<b>1,779,061</b>	<b>1,838,783</b>	<b>1,555,151</b>	<b>1,294,493</b>
<b>GRAND TOTAL</b>	<b>1,836,436</b>	<b>6,062,238</b>	<b>2,129,091</b>	<b>10,027,765</b>	<b>13,347,629</b>	<b>10,188,775</b>	<b>7,841,673</b>

State Subsidies Paid by Subsidy Year During Calendar Year 2008:

Subsidy Year 2006	1,836,437
Subsidy Year 2007	6,062,238
Subsidy Year 2008	2,129,090
State Subsidies Paid by Subsidy Year During Calendar Year 2008 Per This Schedule	10,027,765
Refunds Received - Subsidy Year 2005 (Not Shown on This Schedule)	(13,195)
Net State Subsidies Paid by Subsidy Year During Calendar Year 2008	<u>10,014,570</u>

**Maryland Insurance Administration**  
**Maryland Health Care Provider Rate Stabilization Fund**  
**Costs Incurred by the Administration - Calendar Year 2008**

General and Administrative	\$ 64,627
Review of Funding Requests	16,445
Legal	2,400
Fiscal	8,800
Audits of Participating Insurers	136,134
Total Cost for Calendar Year 2008	<u>\$ 228,406</u>

Note - The \$228,406 represents the total costs incurred in calendar year 2008 by the Administration in administering the Rate Stabilization Fund.

The amount actually charged to the Fund during calendar year 2008 was \$375,125. That amount represented administrative costs totaling \$269,206 incurred by the Administration during calendar year 2007 but charged to the fund in 2008, plus \$105,919 of the \$136,134 incurred during calendar year 2008 in audits of participating insurers.

The remaining \$122,487 of 2008 administrative expenses (i.e., \$228,406 - \$105,919) will be charged to the Fund during calendar year 2009.

**Maryland Insurance Administration  
Rate Stabilization Account  
Summary of Account Activity**

*Activity through December 31, 2008:*

+		\$ 136,800,000
State Subsidies Paid Calendar Year 2005		(29,551,535)
State Subsidies Paid Calendar Year 2006		(42,261,836)
State Subsidies Paid Calendar Year 2007		(23,911,651)
Insurer Dividend Distributed to the Account (Note 1)		72,419,650
Net State Subsidies Paid through Calendar Year 2007		\$ (23,305,372)
State Subsidies Paid Calendar Year 2008		(10,014,570)
Net State Subsidies Paid through Calendar Year 2008		\$ (33,319,942)
Distribution to Department of health and Mental Hygiene (Note 2)		(83,275,000)
Cash Balance as of December 31, 2008		\$ 20,205,058
 <i>Projected Future Activity:</i>		
Projected Future State Subsidy Payments		\$ (6,827,846)
Projected Account Final Balance		\$ 13,377,212

**Note 1** - The dividend distributed to the Fund represents the amount refunded to the Rate Stabilization Account by the Medical Mutual Liability Insurance Society of Maryland, as described in **Appendix B** to this report.

**Note 2** - In accordance with §19-804(e) of the Insurance Article, during calendar year 2008 the Administration transferred \$83.3 million from the Rate Stabilization Account to the Department of health and Mental Hygiene.

**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, 2008 through December 31, 2008**

***Receipts:***

Premium taxes	\$	85,956,072
Premium tax exemption value (NOTE 1)		9,286,956
Interest income		<u>7,885,600</u>
<b>Total revenue</b>	<b>\$</b>	<b><u>103,128,628</u></b>

***Disbursements:***

State Subsidy Payments	\$	10,014,570
Payments to Department of Health and Mental Hygiene		161,860,826
Administrative Expenses		<u>375,125</u>
<b>Total disbursements</b>	<b>\$</b>	<b><u>172,250,521</u></b>

***Excess of disbursements over receipts*** (69,121,893)

***Fund balance, December 31, 2007*** **\$ 132,586,897**

***Fund balance, December 31, 2008*** **\$ 63,465,004**

**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.

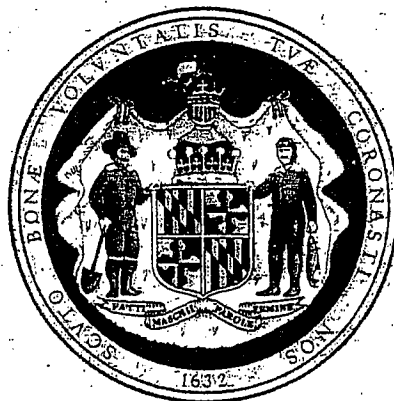
Audit Report

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Maryland Health Care Provider Rate Stabilization Fund

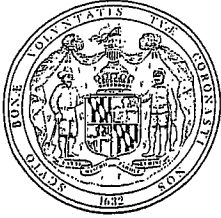
January 1, 2008 to December 31, 2008

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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

March 6, 2009

Bruce A. Myers, CPA  
Legislative Auditor

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Senator Verna L. Jones, 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, 2008 and ending December 31, 2008.

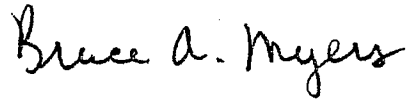
The Fund is administered by the Commissioner of the Maryland Insurance Administration (MIA), and consists primarily of revenues generated by an annual premium tax imposed on health maintenance organizations and managed care organizations. The Fund serves several purposes, including retention of certain health care providers in the State by subsidizing their malpractice insurance premiums for a specified number of years, and by increasing certain rates paid to providers by the Maryland Medical Assistance program and payments to managed care organizations that serve that program.

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. However, our audit again disclosed that these audits were not being completed on a timely basis.

A schedule of the Fund's financial activity for the 2008 calendar year is included in this report. As disclosed in that schedule, the Fund's cash balance was approximately \$63.5 million as of December 31, 2008.

MIA's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by MIA.

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.

### **Allocation of Balance in Rate Stabilization Account**

Chapter 589, Laws of Maryland 2008 provided that \$83,275,000 of the balance remaining in the Rate Stabilization Account at the end of fiscal year 2008 shall be transferred as follows:

- \$7,000,000 to the State's Medical Assistance Program Account to be used to increase fee-for-service provider rates to dentists in fiscal year 2009,
- \$3,000,000 to the State's Health Care Coverage Fund established under Title 15, Subtitle 7 of the Health – General Article to be used for allowable expenses in fiscal year 2009, and



- \$73,275,000 to the Health Care Coverage Fund to be used for allowable expenses in fiscal years 2010 and 2011.

These transfers were made by MIA in October 2008 and are included in the payments made to the Department of Health and Mental Hygiene as reflected in the Summary of Financial Information on page 5.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated March 10, 2008. We determined that MIA satisfactorily addressed one of these findings. The remaining finding is repeated in this report.

### **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, 2008 and ending December 31, 2008, 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, 2008 to  
December 31, 2008**

**RECEIPTS:**

Premium taxes	\$ 85,956,072
Premium tax exemption value <sup>(1)</sup>	9,286,956
Interest income	7,885,600

**Total receipts** 103,128,628

**DISBURSEMENTS:**

Payments to medical professional liability insurers	10,014,570
Payments to Department of Health and Mental Hygiene	161,860,826
Administration expenses	375,125

**Total disbursements** 172,250,521

**EXCESS OF DISBURSEMENTS OVER RECEIPTS** (69,121,893)

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

**FUND BALANCE (cash basis), December 31, 2008** \$ 63,465,004

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

## 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 2009, the Maryland Insurance Administration (MIA) had completed audits and issued final reports for just two of the four insurers who had applied for and received subsidy payments for subsidy year 2005, although responses to one of those reports had not yet been received from the applicable insurer. Audits of the other two insurers were in process.

Regarding subsidy year 2006, none of the audits of the five insurers who had applied for and received subsidy payments were completed, although a draft report had been issued for two of the insurers. According to MIA, audits of the remaining three insurers had not yet been started. MIA also advised us that it was not practical to start these audits because the insurers anticipate requesting additional subsidy year 2006 reimbursements. This condition was commented upon in our preceding audit report. Subsidy payments to insurers totaled \$8.8 million and \$13.3 million for subsidy years 2005 and 2006, respectively (excluding payments initially made to then returned by the Medical Mutual Liability Insurance Society of Maryland).

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. Furthermore, MIA has advised that, although a particular subsidy year for an insurer may have ended, the audit of the insurer for that year cannot be started until all related financial activity, such as any final subsidy requests, for

the year has been completed. However, we question why MIA must wait until all subsidy applications are processed for a particular insurer and subsidy year before beginning their audit. Under these conditions, the audit of an insurer may be delayed for an indefinite period subsequent to the end of the subsidy year since there is no specific deadline as to when all financial activity for a subsidy year must be completed. We believe that MIA should complete these audits on a timely basis.

**Recommendation 1**

**We again 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.**

## 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, 2008 and ending December 31, 2008. 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 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, our audit disclosed that these audits were not being completed on a timely basis.

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 that we consider to be a significant deficiency in the design and 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. We also considered that finding to be a significant instance of noncompliance with applicable laws, rules, or regulations.

MIA's response to our finding and recommendation 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



RALPH S. TYLER  
Commissioner

BETH SAMMIS  
Deputy Commissioner

**INSURANCE  
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March 4, 2009

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, 2008 to December 31, 2008.

In addition to the enclosed hard copy of the response, an electronic version was sent to [response@ola.state.md.us](mailto: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 again 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:**

We agree with the auditor's recommendation that the audits be completed timely, and that appropriate follow-up action be taken.

Section 19-805(i) of the Insurance Article requires an annual audit to verify information submitted by a medical professional liability insurer applying for reimbursement from the Rate Stabilization Account. However, the law does not specify that the audits be conducted annually, or that the audits be conducted on any specific timeframe. As a practical matter, the audits cannot be efficiently conducted until all activity for a given subsidy year is complete. As the auditor acknowledges, the subsidy year for each insurer will vary, and may not end for months, or in some instances, more than a year after the end of related calendar year. It is our documented policy to start the audits of an insurer as soon as practicable after the end of the insurer's subsidy year. We intend to continue to follow our policy. Regarding subsidy year 2006, it is not practicable to start the audits for three of the insurers. As of February 10, 2009, these three insurers project that in the aggregate, they will be requesting additional subsidy year 2006 reimbursements totaling approximately \$127,000.<sup>1</sup>

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<sup>1</sup> **Auditor's Comment:** MIA acknowledges that audits should be completed timely but does not consider its audits of medical professional liability insurers to be untimely based on its audit policy. We question MIA's contention that audits cannot be efficiently conducted until all activity for a given subsidy year is complete. Since there is no specific deadline for insurers to request additional subsidies for a given year, the audits may be delayed for an undetermined period, regardless of how significant the additional requests might be as compared to amounts previously reimbursed. In the case cited by MIA, further 2006 subsidy reimbursement requests of \$127,000 are possible as compared to reimbursements already paid totaling \$13.3 million. Given the lack of a deadline, we believe MIA should not wait to initiate audits until all subsidy activity concludes.



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