

Les

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor



BETH SAMMIS, Ph.D.
Acting Commissioner

KAREN STAKEM HORNIG
Deputy Commissioner

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2090 Fax: 410-468-2020
Email: bsammis@mdinsurance.state.md.us
1-800-492-6116 TTY: 1-800-735-2258
www.mdinsurance.state.md.us

March 15, 2010

The Honorable Thomas V. Mike Miller, Jr.
Co-Chairman
Legislative Policy Committee
State House, H-107
Annapolis, MD 21401-1991

The Honorable Michael E. Busch
Co-Chairman
Legislative Policy Committee
State House, H-101
Annapolis, MD 21401-1991

Dear Co-Chairmen:

Attached is the Maryland Insurance Administration's Report on the Maryland Health Care Rate Stabilization Fund for 2009.

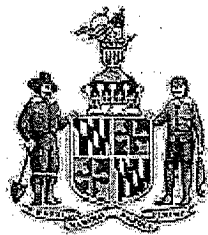
The Report provides the information required by Section 19-808(c) of the Insurance Article. This information includes disbursement data regarding the health care provider premium rate subsidies, the Medical Assistance Program and the December 31, 2009 balances of the Fund, the Rate Stabilization Account and the Medical Assistance Program Account.

Sincerely,

Beth Sammis, PhD.
Acting Insurance Commissioner

cc: Members, Legislative Policy Committee
Lynne Porter, Legislative Policy Committee Staff
Sarah T. Albert, Library Associate

**Maryland Insurance Administration's
2009 Annual Report on the
Maryland Health Care Provider Rate
Stabilization Fund**



March 15, 2010

**Maryland Insurance Administration's 2009 Report on the
Maryland Health Care Provider Rate Stabilization Fund**

Introduction	1
Annual Reporting	3
I. Rate Stabilization Account Uses and Fund Balance	5
II. Maryland Health Care Provider Rate Stabilization Fund and Medical Assistance Program Account Balances	12
III. Medical Assistance Program Account Payments and Uses.....	14
IV. Office of Legislative Audits Report of Receipts and Disbursements of the Fund.....	17

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 Maryland Insurance 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 Maryland Insurance 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 2009 the Administration paid State subsidies from the Rate Stabilization Account to Participating Insurers on behalf of health care providers totaling \$5.4 million. Attached as **Exhibit 1(a)** is a schedule depicting the State subsidies paid from the Rate Stabilization Account during calendar year 2009.

The State subsidy payments during calendar year 2009 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 2009 State subsidy payments included payments for Subsidy Years 2005,

2006, 2007 and 2008. Subsidy payments made during calendar year 2009 for Subsidy Years 2005 and 2006 totaled only \$12,416 and \$143,631, respectively, 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 2009 related to Subsidy Years 2007 and 2008.

The \$95,363 paid to the Medical Mutual Liability Insurance Society of Maryland (the Society) during calendar year 2009 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 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, 2009, these Participating Insurers had applied for and received State subsidy payments totaling \$9.7 million. This amount included \$537,053 paid during calendar year 2009 (the other \$9.2 million had been paid during calendar years 2007 and 2008).

The \$9.7 million paid to Participating Insurers through December 31, 2009 represents approximately 99.8% 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 \$20,000 to Participating Insurers for Subsidy Year 2007.

Attached as **Exhibit 1(b)** 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, 2009. **Exhibit 1(b)** 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). Through December 31, 2009, these Participating Insurers had applied for and received State subsidy payments totaling \$6.7 million. This amount included \$4.6 million paid during calendar year 2009 (the other \$2.1 million had been paid during calendar year 2008).

The \$6.7 million paid to Participating Insurers through December 31, 2009 represents approximately 89% 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 \$853,500 to Participating Insurers, which will bring the total amount of State subsidy payments for Subsidy Year 2008 to approximately \$7.6 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 2008 through December 31, 2009. **Exhibit 1(c)** 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 2007 and 2008 during calendar year 2009. **Exhibit 2** also includes the total amount expected to be paid for all of Subsidy Years 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 2009 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 2009. In total, the Administration incurred administrative expenses totaling \$259,467 during the year. \$158,956 of these administrative expenses were actually charged to the Fund during calendar year 2009, while the remainder will be charged during calendar year 2010.

\$53,916 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 2009. The remaining \$205,551 represented the costs incurred during calendar year 2009 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 completed the audits of each of the four Participating Insurers for Subsidy Year 2005, and has issued the reports for each of those audits. One of the completed Subsidy Year 2005 audits was of 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 any additional audits of the Society.

For Subsidy Year 2006 the Administration has completed the audits of each of the four Participating Insurers, and has issued the reports for three of those audits. The Administration anticipates issuing the report on the remaining audit in the near future.

For Subsidy Year 2007, the Administration has begun the audits of two of the four Participating Insurers. The audits of the other two Participating Insurers are scheduled to begin later in 2010. Additionally, the Administration has scheduled the audits of the four Participating Insurers for Subsidy Year 2008 to begin starting in late 2010 or early 2011, as soon as practicable after the 2008 Subsidy Year activity for each 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, 2009 the Administration had transferred the fiscal year 2005 through 2009 allocations, totaling \$141.2 million, to the Rate Stabilization Account. As of that date, the Administration had reimbursed Participating Insurers for State subsidies

totaling \$38.7 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 during calendar year 2008 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) \$73.3 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 2010 and fiscal year 2011.

Furthermore, §19-803(b)(3)(vi) of the Insurance Article requires the Administration to transfer into the Medical Assistance Program Account all fiscal year 2010 revenue and unallocated balances remaining in the Rate Stabilization Fund, after transferring up to \$300,000 to the Office of the Comptroller to pay for mailings of applications and enrollment instructions for the Maryland Medical Assistance Program and the Maryland Children's Health Program for families with children. Accordingly, the Administration transferred funds in excess of its remaining appropriation for State subsidy payments to the Medical Assistance Program Account. This reduced the balance of the Rate Stabilization Account as of December 31, 2009 to the remaining appropriation balance of \$2.0 million. Based on estimates of future State subsidy payments provided by the Participating

Insurers, the remaining appropriation balance should be sufficient. **Exhibit 4** depicts the activity in the Account through December 31, 2009.

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 2009. As of December 31, 2009, the Fund had a cash balance of \$24.3 million. This balance included the amount in the Rate Stabilization Account for remaining State subsidy payments (\$2.0 million), and the remaining balance of the annual \$350,000 allocations to the Maryland Insurance Administration to provide for the costs incurred to administer the Rate Stabilization Fund (\$472,000). The remainder represented premium tax revenue collected from health maintenance organizations and managed care organizations and the premium tax exemption value collected from a nonprofit health maintenance organization during calendar year 2009, but not yet transferred to the Department of Health and Mental Hygiene.

Medical Assistance Program Account

§19-803(b) of the Insurance Article provides for the Administration to deposit the revenue from the tax imposed on health maintenance organizations and managed care organizations under §6-102 of the Insurance Article into the Rate Stabilization Fund. The Administration then transferred portions of this revenue to the Medical Assistance Program Account as described below. In addition, §6-121(b) of the Insurance Article

provides for a nonprofit health maintenance organization to transfer an amount equal to its premium tax exemption value into the Medical Assistance Program Account.

For fiscal year 2009, §19-803(b)(3)(v) of the Insurance Article provided for the Administration to transfer into the Medical Assistance Program Account all revenue remaining in the Rate Stabilization Fund 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 remaining revenue, plus the premium tax exemption value, totaled \$73 million, and the Administration paid the entire amount into the Account as of June 30, 2009. In addition, in accordance with §19-804(e) of the Insurance Article, the Administration transferred \$7 million to the Account to be used to increase fee-for-service provider rates to dentists in fiscal year 2009. Furthermore, as of June 30, 2009 the Administration had transferred \$22.3 million to the Account for a fiscal year 2009 deficiency appropriation made to provide funds to the Medical Care Programs Administration to offset General Funds reductions approved by the October 2008 Board of Public Works cost containment action.

For fiscal year 2010, §19-803(b)(3)(v) of the Insurance Article provided for the Administration to transfer into the Medical Assistance Program Account all fiscal year 2010 revenue and unallocated balances remaining in the Rate Stabilization Fund, after transferring up to \$300,000 to the Office of the Comptroller to pay for mailings of applications and enrollment instructions for the Maryland Medical Assistance Program and the Maryland Children's Health Program for families with children. The Administration estimates the amount thus transferred into the Account, plus the premium tax exemption value, will total approximately \$115.7 million. Through December 31,

2009, the Administration had paid \$52 million of the estimated \$115.7 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, 2009. The Administration intends to pay the remaining \$63.7 million of the estimated \$115.7 million fiscal year 2010 remaining revenue into the Account by June 30, 2010, 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, during fiscal year 2009 the Administration disbursed \$102.3 million to the Department of Health and Mental Hygiene for use by the Medical Assistance Program. This amount included \$7 million to be used to increase fee-for-service provider rates to dentists in fiscal year 2009 in accordance with §19-804(e) of the Insurance Article. It also included \$22.3 million for a fiscal year 2009 deficiency appropriation made to provide funds to the Medical Care Programs Administration to offset General Funds reductions approved by the October 2008 Board of Public Works cost containment action. The remaining \$73 million represented the fiscal year 2009

revenue remaining from the tax imposed on health maintenance organizations and managed care organizations under §6-102 of the Insurance Article 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, plus the premium tax exemption value paid by a nonprofit health maintenance organization. The Department utilized this \$73 million as noted in sections (ii) and (iii) below.

For fiscal year 2010, as of December 31, 2009 the Administration had disbursed \$52 million of the estimated \$115.7 million remaining revenue to the Department. The Administration intends to disburse the remaining estimated \$63.7 million of remaining revenue for fiscal year 2010 to the Department by June 30, 2010.

The Department advised us that in accordance with its fiscal year 2010 appropriation, \$46 million of the \$115.7 million will be used by the Medical Care Programs Administration to offset General Fund budget reductions. The remaining \$69.7 million will be used as noted in sections (ii) and (iii) below.

(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 rates through fiscal year 2010.

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.

Because of budget reductions, the Department has since needed to reduce the amount of these increases. Specifically, in response to budget reductions during fiscal year 2009 the Department reduced the physician fee schedule effective January 1, 2009 by 2.0%. Due to additional budget reductions, the fiscal year 2010 physician fee schedule was reduced by 2.6% and capitation rates paid to managed care organizations were reduced by 2.3%.

The Department advised us that the total amount allocated to implement these fee-for-service increases for fiscal year 2009 was \$51 million, supplemented by Federal

Medicaid funds totaling \$53.7 million, for a total of \$104.7 million. For fiscal year 2010 the allocated amount was \$44.3 million, supplemented by Federal Medicaid funds totaling \$44.3 million, for a total of \$88.6 million.

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

We were advised by the Department that in fiscal year 2009 it allocated \$22 million to increase capitation payments to managed care organizations. These amounts were matched by Federal Medicaid funds for a total of \$44 million. For fiscal year 2010 the Department allocated \$25.4 million to increase capitation payments to managed care organizations. This amount was matched by \$25.4 million of Federal Medicaid funds, resulting in a total capitation payment increase of \$50.8 million.

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 2006, 2007 and 2008, §19-803(b)(3) of the Insurance Article allocated \$52 million, \$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 2005, 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 2009 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 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' 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 \$95,363 paid to the Medical Mutual Liability Insurance Society of Maryland (the Society) during calendar year 2009 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 2009**

Insurer	Total Payments
Medical Mutual Liability Insurance Society of Maryland (Note 1)	\$ 95,363
NCRIC, Inc./ProAssurance Indemnity Company, Inc. (Note 2)	560,268
The Doctors Company, an Interinsurance Exchange	2,623,227
Medical Protective Company	1,543,640
Maryland Healthcare Providers Insurance Exchange/ Healthcare Providers Insurance Exchange (Note 3)	541,283
Total Payments Calendar Year 2009	\$ 5,363,781

Note 1 - As described in **Appendix B** to this Report, The \$95,363 paid to the Society during calendar year 2009 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, ProAssurance Indemnity 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
2007 Subsidy Year State Subsidies By Insurer**

Insurer	Amount Disbursed Through December 31, 2008	Amount Disbursed Through December 31, 2009	Projected Future Subsidy Year 2007 Disbursements	Total Projected Subsidy Year 2007 Disbursements
Medical Mutual Liability Insurance Society of Maryland (NOTE 1)	51,405	51,405	0	51,405
NCRIC, Inc./ProAssurance Indemnity Company, Inc.	2,248,876	2,273,995	0	2,273,995
The Doctors Company, an Interinsurance Exchange	3,601,210	3,873,606	19,804	3,893,410
Medical Protective Company	2,328,767	2,442,443	0	2,442,443
Maryland Healthcare Providers Insurance Exchange/ Healthcare Providers Insurance Exchange	956,266	1,082,128	225	1,082,353
Totals	9,186,524	9,723,577	20,029	9,743,606

NOTE 1 - The \$51,405 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. 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	Amount Disbursed Through December 31, 2009	Projected Future Subsidy Year 2008 Disbursements	Total Projected Subsidy Year 2008 Disbursements
Medical Mutual Liability Insurance Society of Maryland (NOTE 1)	71,132	71,132	0	71,132
NCRIC, Inc./ProAssurance Indemnity Company, Inc.	1,067,137	1,566,928	3,724	1,570,652
The Doctors Company, an Interinsurance Exchange	497,270	2,828,473	362,604	3,191,077
Medical Protective Company	74,361	1,444,073	368,110	1,812,183
Maryland Healthcare Providers Insurance Exchange/ Healthcare Providers Insurance Exchange	419,190	793,802	119,059	912,861
Totals	2,129,090	6,704,408	853,497	7,557,905

NOTE 1 - The \$71,132 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. 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 2009			PROJECTED TOTAL PAYMENTS	
SUBSIDY YEAR		TOTAL	SUBSIDY YEAR	
2007	2008		2007	2008

BALTIMORE CITY AND BALTIMORE COUNTY

ALLERGY	0	1,056	1,056	1,381	1,109
ANESTHESIOLOGY	1,492	105,672	107,164	157,720	143,753
ANESTHESIOLOGY (INCLUDING OB)	0	0	0	0	0
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0
ANESTHESIOLOGY PAIN ONLY	0	1,813	1,813	3,169	2,545
CARDIOLOGY	3,136	14,845	17,980	32,948	21,231
CARDIOVASCULAR DISEASE (MINOR SURGERY)	7,248	60,365	67,613	110,060	64,024
CARDIOVASCULAR DISEASE (NO SURGERY)	332	62,167	62,499	97,624	64,047
CERTIFIED NURSE MIDWIFE	0	429	429	513	902
CLINIC GROUPS	0	0	0	0	0
DERMATOLOGY	2,247	6,522	8,769	11,203	8,538
DERMATOLOGY (MINOR SURGERY)	0	0	0	0	0
DERMATOLOGY (NO SURGERY)	0	1,633	1,633	3,274	2,678
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0
EMERGENCY ROOM	0	0	0	0	0
ENDOCRINOLOGY (NO SURGERY)	5,637	15,373	21,010	35,343	26,286
FAMILY OR GENR'L PRACTICE (NO SURGERY)	6,647	25,098	31,745	58,108	34,102
FAMILY OR GENR'L PRACTICE-MINOR SURGERY	596	1,357	1,954	2,373	1,905
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	0	0	0	0	0
GASTROENTEROLOGY	10,455	37,887	48,342	62,317	41,443
GASTROENTEROLOGY - MINOR SURGERY	0	0	0	0	0
GASTROENTEROLOGY - NO SURGERY	0	0	0	0	0
GENERAL MEDICINE	0	2,793	2,793	6,658	3,194
GENERAL PREVENTIVE MEDICINE NO SURGERY	0	0	0	0	0
GENERAL SURGERY	4,421	15,449	19,870	32,822	21,666
GENETICIST	0	0	0	0	0
GERIATRICS NO SURGERY	0	0	0	0	0
GYNECOLOGY	1,003	39,155	40,158	61,286	54,432
GYNECOLOGY MAJOR SURGERY	0	2,524	2,524	9,923	7,738
GYNECOLOGY (MINOR SURGERY)	0	0	0	0	0
GYNECOLOGY (NO SURGERY)	0	0	0	591	0
HAND & FOOT SURGERY	0	36,760	36,760	47,711	38,598
HEMATOLOGY	0	6,459	6,459	9,864	9,067
HEMATOLOGY - NO SURGERY	0	1,819	1,819	1,653	1,819
HEMATOLOGY- ONCOLOGY	0	2,146	2,146	2,760	2,146
HOSPITALIST/HOUSE STAFF	0	0	0	31,995	24,465
IM NO SURGERY	0	0	0	0	0
IM CARDIOLOGY MINOR SURGERY	0	3,661	3,661	10,121	3,661
IM CARDIOLOGY NO SURGERY	0	2,381	2,381	3,114	2,381
INFECTIOUS DISEASE NO SURGERY	0	0	0	2,133	1,631
INTENSIVE CARE MEDICINE	0	0	0	3,839	2,936
INTERNAL MEDICINE	21,449	87,432	108,881	162,890	125,553
INTERNAL MEDICINE - MINOR SURGERY	0	0	0	7,678	5,872
INTERNAL MEDICINE - NO SURGERY	2,313	30,213	32,526	76,032	51,810
MD CORPORATION	0	0	0	0	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	0	0	3,839	2,936
NEOPLASTIC DISEASES - NO SURGERY	0	0	0	9,409	6,668
NEPHROLOGY - NO SURGERY	5,437	11,661	17,099	21,630	16,490
NEPHROLOGY - MINOR SURGERY	0	0	0	0	0
NEUROLOGY	1,109	1,020	2,129	9,355	3,062
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	0	0	0	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	0	3,225	3,225	17,060	12,686
NUCLEAR MEDICINE	0	1,627	1,627	2,744	2,275
NUTRITION	0	0	0	0	0

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

	STATE SUBSIDIES PAID CALENDAR YEAR 2009			PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR		TOTAL	SUBSIDY YEAR	
	2007	2008		2007	2008
NURSE MIDWIVES	0	0	0	0	0
OBSTETRICS & GYNECOLOGY	17,975	86,184	104,159	187,418	132,531
OCCUPATIONAL MEDICINE	679	3,470	4,148	5,363	4,908
ONCOLOGY	2,294	8,518	10,813	13,235	11,958
OPHTHALMOLOGY MAJOR SURGERY	0	0	0	28,266	0
OPHTHALMOLOGY - MINOR SURGERY	0	0	0	0	0
OPHTHALMOLOGY - NO SURGERY	8,352	20,255	28,607	39,666	29,427
ORTHOPEDIC EXCL. BACK	0	134,002	134,002	342,804	157,720
OTOLARYNGOLOGY	695	1,543	2,238	2,781	2,160
OTORHINOLARYNGOLOGY MINOR SURGERY	0	0	0	0	0
OTORHINOLARYNGOLOGY NO SURGERY	0	0	0	0	0
PAIN MANAGEMENT	(172)	4,454	4,282	5,338	4,454
PATHOLOGY	0	18,027	18,027	38,698	28,370
PATHOLOGY (NO SURGERY)	0	223	223	0	299
PEDIATRICS	7,263	31,857	39,119	54,844	44,557
PEDIATRICS MINOR SURGERY	(3,839)	0	(3,839)	15,356	11,744
PEDIATRICS (NO SURGERY)	9,031	11,059	20,090	52,257	37,738
PHYSIATRY/PHYS MED & REHAB	2,647	3,120	5,767	16,153	8,855
PHYSIATRY	0	0	0	1,617	0
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	1,538	0	1,538	1,538	3,262
PHYSICAL MEDICINE & REHAB	0	20,337	20,337	24,859	25,226
PHYSICIANS - N.O.C. - MINOR SURGERY	0	3,491	3,491	5,048	4,975
PHYSICIANS - N.O.C. - NO SURGERY	0	4,743	4,743	6,156	6,322
PODIATRY	614	1,583	2,197	14,029	1,662
PSYCHIATRY	0	5,482	5,482	8,064	7,203
PSYCHIATRY - INCLUDING CHILD	0	0	0	0	6,162
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	1,104	0	1,104	128,279	351
PULMONARY MEDICINE	0	79,808	79,808	0	106,733
RADIOLOGY	0	0	0	0	0
RADIOLOGY - THERAPEUTIC	0	0	0	33,736	0
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	0	10,565	10,565	0	16,437
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	0	0	375,291	2,131
RADIOLOGY INCL IVP	0	12,391	12,391	4,822	307,951
RHEUMATOLOGY	681	7,527	8,208	16,228	11,684
RHEUMATOLOGY - NO SURGERY	0	1,842	1,842	0	5,093
SHOCK THERAPY NOC	0	0	0	0	0
SURGEON - ABDOMINAL	0	0	0	48,808	0
SURGEON - CARDIAC	0	34,492	34,492	0	34,492
SURGEON - CARDIOVASCULAR	0	0	0	0	0
SURGEON - COLON AND RECTAL	0	0	0	0	0
SURGEON - EMERGENCY MEDICINE	0	0	0	12,150	6,899
SURGEON - FAMILY OR GENERAL PRACTICE	0	5,134	5,134	145,928	6,846
SURGEON - GENERAL - N.O.C.	0	54,727	54,727	5,332	120,472
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	0	0	0	4,077
SURGEON - HAND	0	0	0	7,678	0
SURGEON - NEOPLASTIC DISEASES	0	0	0	46,067	5,872
SURGEON - NEUROLOGY (INCLUDING CHILD)	6,235	40,042	46,277	270,577	40,042
SURGEON - OBSTETRICS & GYNECOLOGY	1,096	77,810	78,906	27,140	203,206
SURGEON - OPHTHALMOLOGY	5,782	28,199	33,981	228,913	41,760
SURGEON - ORTHOPEDIC	0	69,128	69,128	0	160,597
SURGEON - OTORHINOLARYNGOLOGY	0	0	0	0	0
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	11,135	0	11,135	62,228	0
SURGEON - PLASTIC	2,481	36,414	38,895	46,891	51,101

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

	STATE SUBSIDIES PAID CALENDAR YEAR 2009			PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR		TOTAL	SUBSIDY YEAR	
	2007	2008		2007	2008
SURGEON - THORACIC	0	19,866	19,866	5,645	29,884
SURGEON - UROLOGICAL	0	52,668	52,668	20,894	73,862
SURGEON - VASCULAR	738	12,997	13,735	2,937	14,963
SURGICAL SPECIALTY	0	1,680	1,680	0	2,358
SUSPENSION (1B)	1,129	0	1,129	4,492	0
THERAPEUTIC RADIOLOGY	1,421	2,087	3,507	231,732	2,930
UROLOGY	0	16,815	16,815	0	20,211
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	0	0	0	0	0
TOTAL	152,402	1,505,081	1,657,483	3,700,400	2,613,135

MONTGOMERY, PRINCE GEORGES, HOWARD, AND ANNE ARUNDEL COUNTIES					
ALLERGY	304	5,637	5,940	12,386	9,321
ANESTHESIOLOGY	13,099	85,483	98,582	137,145	116,581
ANESTHESIOLOGY (INCLUDING OB)	0	21,521	21,521	0	21,521
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0
ANESTHESIOLOGY PAIN ONLY	602	1,712	2,314	2,395	2,404
CARDIOLOGY	0	54,734	54,734	80,577	94,769
CARDIOVASCULAR DISEASE (MINOR SURGERY)	0	3,830	3,830	8,828	4,749
CARDIOVASCULAR DISEASE (NO SURGERY)	151	2,710	2,861	2,993	4,231
CLINIC GROUPS	0	0	0	0	0
DERMATOLOGY	1,952	6,783	8,735	10,012	8,958
DERMATOLOGY (MINOR SURGERY)	0	5,848	5,848	14,589	6,874
DERMATOLOGY (NO SURGERY)	0	9,254	9,254	17,511	16,874
DERMATOPATHOLOGY	0	947	947	0	947
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0
EMERGENCY ROOM	0	0	0	0	0
ENDOCRINOLOGY (NO SURGERY)	795	1,882	2,677	4,179	2,967
FAMILY OR GEN'R'L PRACTICE (NO SURGERY)	2,389	55,031	57,421	96,953	87,802
FAMILY OR GEN'R'L PRACTICE-MINOR SURGERY	1,928	9,721	11,649	23,050	13,499
FORENSIC/LEGAL MEDICINE - EX PSYCHIATRY	0	0	0	0	0
GASTROENTEROLOGY	4,594	19,274	23,868	37,513	28,505
GASTROENTEROLOGY - MINOR SURGERY	0	62,975	62,975	129,814	97,687
GASTROENTEROLOGY - NO SURGERY	0	0	0	0	0
GENERAL MEDICINE	0	0	0	0	0
GENERAL PRACTICE NO SURGERY	0	4,329	4,329	6,959	4,329
GENERAL PREVENTIVE MEDICINE NO SURGERY	0	0	0	0	0
GENERAL SURGERY	2,379	10,846	13,225	113,676	61,073
GENERAL SURGERY MINOR SURGERY	0	0	0	0	0
GENETICIST	0	0	0	0	0
GERIATRICS NO SURGERY	0	0	0	0	0
GYNECOLOGY	4,143	16,619	20,762	29,922	24,314
GYNECOLOGY MAJOR SURGERY	0	(2,318)	(2,318)	32,059	17,881
GYNECOLOGY (MINOR SURGERY)	0	2,032	2,032	10,190	6,419
GYNECOLOGY (NO SURGERY)	0	768	768	10,463	4,135
HAND & FOOT SURGERY	0	6,300	6,300	9,917	6,615
HEMATOLOGY	705	1,604	2,308	2,804	2,251
HEMATOLOGY - NO SURGERY	0	2,308	2,308	3,018	2,308
HOSPITALIST/HOUSE STAFF	0	0	0	276	766
IM NO SURGERY	0	0	0	0	0
IM ALLERGY NO SURGERY	0	0	0	1,154	1,015
IM CARDIOLOGY MINOR SURGERY	0	(585)	(585)	50,025	36,937
IM CARDIOLOGY NO SURGERY	0	1,001	1,001	5,140	5,973
IM ENDOCRINE NO SURGERY	0	(278)	(278)	5,746	3,816
IM NEPHROLOGY NO SURGERY	0	5,192	5,192	10,086	8,299

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

	STATE SUBSIDIES PAID CALENDAR YEAR 2009			PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR		TOTAL	SUBSIDY YEAR	
	2007	2008		2007	2008
IM ONCOLOGY NO SURGERY	0	4,265	4,265	16,999	14,485
IM PULMONARY MINOR SURGERY	0	(3,027)	(3,027)	3,631	(0)
IM PULMONARY NO SURGERY	0	20,214	20,214	12,534	23,523
IM RHEUMATOLOGY NO SURGERY	0	0	0	5,574	3,651
INFECTIOUS DISEASE	0	2,031	2,031	2,656	2,133
INFECTIOUS DISEASE NO SURGERY	0	0	0	4,214	4,225
INTENSIVE CARE MEDICINE	25,467	43,882	69,349	104,067	81,723
INTERNAL MEDICINE	10,356	108,787	119,143	195,836	146,626
INTERNAL MEDICINE - MINOR SURGERY	0	3,231	3,231	5,056	9,334
INTERNAL MEDICINE - NO SURGERY	1,103	40,424	41,527	118,999	95,092
MD CORPORATION	0	0	0	0	0
NEONATOLOGY	0	0	0	0	0
NEOPLASTIC DISEASES - MINOR SURGERY	0	0	0	0	0
NEOPLASTIC DISEASES - NO SURGERY	0	0	0	0	0
NEPHROLOGY - NO SURGERY	0	1,966	1,966	0	2,900
NEUROLOGY	0	2,497	2,497	11,489	2,622
NEUROLOGY INCLUDING CHILD - MINOR SURGERY	0	0	0	0	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	0	5,318	5,318	16,289	12,202
NEUROSURGERY	0	52,410	52,410	119,713	82,990
NUCLEAR MEDICINE	0	0	0	0	0
NUTRITION	0	0	0	0	0
NURSE MIDWIVES	0	60,330	60,330	95,120	83,926
OBSTETRICS & GYNECOLOGY	54,487	275,443	329,930	747,745	334,122
OCCUPATIONAL MEDICINE	297	4,151	4,448	15,033	8,072
ONCOLOGY	0	0	0	0	0
OPHTHALMOLOGY MAJOR SURGERY	0	4,837	4,837	46,470	5,756
OPHTHALMOLOGY - MINOR SURGERY	0	0	0	0	0
OPHTHALMOLOGY - NO SURGERY	2,263	2,777	5,040	16,333	2,777
ORTHOPEDIC EXCL. BACK	3,711	93,185	96,896	133,809	104,349
OTOLARYNGOLOGY	1,129	21,520	22,649	35,081	25,724
OTORHINOLARYNGOLOGY MAJOR SURGERY	0	0	0	0	0
PAIN MANAGEMENT	0	0	0	1,204	0
PATHOLOGY	0	16,072	16,072	36,991	28,786
PATHOLOGY (NO SURGERY)	0	9,033	9,033	17,069	13,341
PEDIATRICS	0	4,517	4,517	0	8,586
PEDIATRICS MINOR SURGERY	0	0	0	13,657	8,090
PEDIATRICS (NO SURGERY)	17,533	32,754	50,287	107,923	63,775
PHARMACOLOGY CLINICAL	0	0	0	0	0
PHYSIATRY/PHYS MED & REHAB	0	2,036	2,036	1,517	2,336
PHYSIATRY	0	0	0	8,383	0
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	0	0	0
PHYSICAL MEDICINE & REHAB	3,744	19,186	22,931	26,131	30,900
PHYSICIANS - N.O.C. - MINOR SURGERY	304	1,562	1,866	2,563	1,919
PHYSICIANS - N.O.C. - NO SURGERY	0	0	0	0	0
PODIATRY	0	1,236	1,236	1,708	1,297
PSYCHIATRY - INCLUDING CHILD	0	1,288	1,288	3,933	3,152
PSYCHIATRY	118	8,239	8,357	27,358	19,699
PSYCHOTHERAPY	0	0	0	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	0	38,961	38,961	59,580	48,159
RADIATION THERAPY- NOC	0	0	0	1,863	0
RADIOLOGY - DIAGNOSTIC	3,379	46,203	49,582	196,013	81,720
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	0	11,841	11,841	0	95,471
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	1,246	1,246	2,305	1,662

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

STATE SUBSIDIES PAID CALENDAR YEAR 2009			PROJECTED TOTAL PAYMENTS	
SUBSIDY YEAR		TOTAL	SUBSIDY YEAR	
2007	2008		2007	2008

RADIOLOGY INCL IVP	3,497	1,249	4,746	293,396	128,343
RADIOLOGY INTERVENTIONAL	0	52,972	52,972	0	57,344
RHEUMATOLOGY	694	7,751	8,445	20,995	13,285
RHEUMATOLOGY - NO SURGERY	0	0	0	0	0
SURGEON - ABDOMINAL	0	0	0	0	0
SURGEON - BARIATRICS	0	0	0	0	7,430
SURGEON - CARDIAC	0	0	0	0	0
SURGEON - CARDIOVASCULAR	4,569	1,426	5,995	80,789	6,287
SURGEON - COLON AND RECTAL	0	0	0	0	0
SURGEON - DERMATOLOGY	0	(4,245)	(4,245)	0	1,855
SURGEON - EMERGENCY MEDICINE	6,783	0	6,783	15,925	9,349
SURGEON - FAMILY OR GENERAL PRACTICE	0	0	0	2,258	0
SURGEON - GASTROENTEROLOGY	0	0	0	0	0
SURGEON - GENERAL - N.O.C.	6,401	80,643	87,044	131,667	102,641
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	0	0	0	0
SURGEON - HAND	0	7,143	7,143	13,744	9,736
SURGEON - NEUROLOGY (INCLUDING CHILD)	67,427	0	67,427	67,427	60,524
SURGEON - OBSTETRICS & GYNECOLOGY	38,412	376,902	415,314	625,752	629,307
SURGEON - OPHTHALMOLOGY	(547)	15,743	15,196	12,845	31,217
SURGEON - ORTHOPEDIC	2,090	41,756	43,846	71,516	46,279
SURGEON - OTORHINOLARYNGOLOGY	0	0	0	0	4,521
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	0
SURGEON - PLASTIC	1,569	57,226	58,796	108,955	88,180
SURGEON - SPECIALTY	0	3,690	3,690	0	3,875
SURGEON - THORACIC	0	61,697	61,697	0	71,632
SURGEON - TRAUMATIC	0	0	0	0	0
SURGEON - UROLOGICAL	0	1,884	1,884	8,535	7,302
SURGEON - VASCULAR	0	2,527	2,527	12,022	3,369
SURGICAL SPECIALTY	0	(1,850)	(1,850)	5,566	0
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	0	99,891	99,891	53,219	178,791
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	0	0	0	0	0
TOTAL	287,825	2,139,981	2,427,806	4,608,838	3,620,213

REMAINDER OF STATE (Other than Baltimore City, Anne Arundel, Baltimore, Howard, Montgomery, and Prince Georges Counties)					
ADMINISTRATIVE MEDICINE	0	0	0	289	0
ALLERGY	0	4,298	4,298	7,840	4,739
ANESTHESIOLOGY	(2,997)	6,056	3,059	25,900	10,588
ANESTHESIOLOGY (INCLUDING OB)	0	0	0	0	0
ANESTHESIOLOGY (OTHER THAN OB)	0	0	0	0	0
CARDIOLOGY	7,106	24,530	31,636	36,382	32,547
CARDIOVASCULAR DISEASE (MINOR SURGERY)	7,978	3,607	11,585	12,132	3,607
CARDIOVASCULAR DISEASE (NO SURGERY)	3,574	8,844	12,418	26,413	8,844
CERTIFIED NURSE MIDWIFE	0	3,100	3,100	622	4,108
CLINIC GROUPS	0	0	0	0	0
DENTAL LOCAL ANESTHESIOLOGY	0	0	0	0	0
DERMATOLOGY	0	0	0	1,706	0
DERMATOLOGY (MINOR SURGERY)	0	1,068	1,068	1,865	2,137
DERMATOLOGY (NO SURGERY)	0	0	0	1,276	921
EMERGENCY MEDICINE (NO MAJOR SURGERY)	0	0	0	0	0
EMERGENCY MEDICINE	0	2,655	2,655	3,954	2,788
EMERGENCY ROOM	0	0	0	0	0

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

	STATE SUBSIDIES PAID CALENDAR YEAR 2009			PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR		TOTAL	SUBSIDY YEAR	
	2007	2008		2007	2008
ENDOCRINOLOGY	0	1,132	1,132	1,994	1,589
ENDOCRINOLOGY (NO SURGERY)	879	634	1,513	3,863	2,532
FAMILY OR GENR'L PRACTICE (NO SURGERY)	3,168	20,935	24,102	35,819	37,000
FAMILY OR GENR'L PRACTICE-MINOR SURGERY	0	13,981	13,981	22,590	25,020
GASTROENTEROLOGY	0	1,528	1,528	3,438	2,145
GASTROENTEROLOGY - MINOR SURGERY	1,545	760	2,305	3,312	2,533
GASTROENTEROLOGY - NO SURGERY	0	0	0	0	0
GENERAL MEDICINE	0	0	0	0	0
GENERAL PRACTICE NO SURGERY	0	0	0	0	0
GENERAL SURGERY	2,004	71,054	73,058	107,234	76,221
GYNECOLOGY	2,256	7,369	9,625	14,198	8,974
GYNECOLOGY MAJOR SURGERY	0	0	0	5,784	4,021
GYNECOLOGY (MINOR SURGERY)	0	0	0	0	0
GYNECOLOGY (NO SURGERY)	0	0	0	0	0
HAND & FOOT SURGERY	892	1,759	2,651	3,388	2,463
HEMATOLOGY	0	0	0	0	0
HEMATOLOGY - NO SURGERY	0	3,914	3,914	5,316	5,025
HOSPITALIST/HOUSE STAFF	0	(1,766)	(1,766)	0	11,086
IM MINOR SURGERY	0	0	0	0	0
IM NO SURGERY	0	0	0	0	0
IM INFECTIOUS DISEASE NO SURGERY	0	0	0	4,789	0
INFECTIOUS DISEASE	0	1,733	1,733	2,290	1,819
INTENSIVE CARE MEDICINE	0	0	0	0	0
INTERNAL MEDICINE	3,082	48,942	52,024	104,220	76,952
INTERNAL MEDICINE - MINOR SURGERY	0	0	0	13,991	1,511
INTERNAL MEDICINE - NO SURGERY	2,325	9,941	12,266	21,547	15,535
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	0	0	0	0	0
NEUROLOGY INCLUDING CHILD - NO SURGERY	0	2,381	2,381	5,399	5,108
NUCLEAR MEDICINE	0	0	0	0	0
NURSE MIDWIVES	0	0	0	0	0
OBSTETRICS & GYNECOLOGY	16,028	138,758	154,786	203,931	237,348
OCCUPATIONAL MEDICINE	0	0	0	2,740	133
ONCOLOGY	0	5,168	5,168	8,617	9,372
OPHTHALMOLOGY MAJOR SURGERY	0	15,655	15,655	19,525	17,231
OPHTHALMOLOGY - NO SURGERY	0	0	0	0	0
ORTHOPEDIC	0	0	0	0	0
ORTHOPEDIC EXCL. BACK	0	39,574	39,574	82,832	54,088
OTOLARYNGOLOGY	0	(815)	(815)	12,903	0
OTORHINOLARYNGOLOGY	0	6,465	6,465	0	6,788
PAIN MANAGEMENT	8,283	4,639	12,922	16,400	10,091
PATHOLOGY	0	11,781	11,781	24,273	18,764
PATHOLOGY (NO SURGERY)	0	0	0	0	0
PEDIATRICS	3,242	22,382	25,625	21,912	29,781
PEDIATRICS (NO SURGERY)	4,332	6,320	10,652	16,183	11,205
PHYSIATRY/PHYS MED & REHAB	0	863	863	978	863
PHYSIATRY	0	0	0	0	0
PHYSIATRY/PHYS MED & REHAB/ACUPUNCTURE	0	0	0	0	0
PHYSICAL MEDICINE & REHAB	0	7,492	7,492	8,355	10,316
PHYSICIANS - N.O.C. - MINOR SURGERY	0	1,371	1,371	607	1,371
PHYSICIANS - N.O.C. - NO SURGERY	0	905	905	0	905
PSYCHIATRISTS - EXTENDED	0	0	0	0	0
PSYCHIATRY - INCLUDING CHILD	517	2,280	2,797	5,513	2,470

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

	STATE SUBSIDIES PAID CALENDAR YEAR 2009			PROJECTED TOTAL PAYMENTS	
	SUBSIDY YEAR		TOTAL	SUBSIDY YEAR	
	2007	2008		2007	2008
PUBLIC HEALTH	0	0	0	0	0
PULMONARY DISEASES	0	0	0	0	0
PULMONARY DISEASES - MINOR SURGERY	0	0	0	3,368	0
PULMONARY DISEASES - NO SURGERY	0	0	0	0	0
PULMONARY MEDICINE	0	21,465	21,465	29,261	33,074
RADIOLOGY - DIAGNOSTIC	1,500	2,899	4,399	5,967	4,070
RADIOLOGY - DIAGNOSTIC - MINOR SURGERY	0	0	0	5,068	1,228
RADIOLOGY - DIAGNOSTIC - NO SURGERY	0	0	0	0	0
RHEUMATOLOGY - MINOR SURGERY	0	0	0	0	0
RHEUMATOLOGY - NO SURGERY	0	3,159	3,159	1,941	4,138
SURGEON - ABDOMINAL	0	0	0	0	0
SURGEON - CARDIOVASCULAR	(4,250)	0	(4,250)	5,009	0
SURGEON - COLON AND RECTAL	0	0	0	0	0
SURGEON - GASTROENTEROLOGY	0	0	0	0	0
SURGEON - GENERAL - N.O.C.	0	70,255	70,255	43,540	93,337
SURGEON - GYNECOLOGY - FERTILITY/NO OB	0	0	0	0	0
SURGEON - HAND	0	4,585	4,585	6,579	4,585
SURGEON - NEUROLOGY (INCLUDING CHILD)	0	0	0	0	0
SURGEON - OBSTETRICS & GYNECOLOGY	4,422	168,928	173,350	193,325	172,047
SURGEON - OPHTHALMOLOGY	0	0	0	0	0
SURGEON - ORTHOPEDIC	18,734	112,679	131,413	142,261	158,205
SURGEON - OTORHINOLARYNGOLOGY	0	2,307	2,307	0	3,090
SURGEON - OTORHINOLARYNGOLOGY - PLASTIC	0	0	0	0	0
SURGEON - PLASTIC	7,892	25,215	33,107	46,026	38,441
SURGEON - THORACIC	0	(876)	(876)	24,685	12,998
SURGEON - UROLOGICAL	2,424	2,779	5,203	4,849	5,647
SURGEON - VASCULAR	0	0	0	0	0
SURGICAL SPECIALTY	696	1,633	2,329	2,769	2,293
SURGERY HAND & FOOT	0	0	0	0	0
SUSPENSION (1B)	0	0	0	0	0
URGENT CARE MEDICINE/NO HOSP. ER	0	1,572	1,572	0	15,099
UROLOGY	1,194	12,361	13,555	17,403	15,767
VICARIOUS CHARGE UNDER INDIVIDUAL DOCTOR	0	0	0	0	0
TOTAL	96,825	930,255	1,027,080	1,434,368	1,324,557
GRAND TOTAL	537,053	4,575,318	5,112,371	9,743,606	7,557,905

State Subsidies Paid by Subsidy Year During Calendar Year 2009:

Subsidy Year 2007	537,053	
Subsidy Year 2008	4,575,318	
State Subsidies Paid by Subsidy Year During Calendar Year 2008 Per This Schedule	5,112,371	
Subsidy Years 2005 and 2006 payments not shown on this schedule	156,047	
Payments to the Medical Mutual Liability Insurance Society of Maryland	95,363	NOTE 1
Total State Subsidies Paid during Calendar Year 2009	5,363,781	

NOTE 1 - The \$95,363 paid to the Society during calendar year 2009 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
Maryland Health Care Provider Rate Stabilization Fund
Costs Incurred by the Administration - Calendar Year 2009

General and Administrative	\$ 29,726
Review of Funding Requests	15,710
Fiscal	8,480
Audits of Participating Insurers	205,551
Total Cost for Calendar Year 2009	<u>\$ 259,467</u>

Note - The \$259,467 represents the total costs incurred in calendar year 2009 by the Administration in administering the Rate Stabilization Fund.

The amount actually charged to the Fund during calendar year 2009 was \$272,705. That amount represented administrative costs totaling \$113,749 incurred by the Administration during calendar year 2008 but charged to the fund in 2009, plus \$158,956 of the \$205,551 incurred during calendar year 2009 in audits of participating insurers.

The remaining \$100,511 of 2009 administrative expenses (i.e., \$259,467 - \$158,956) will be charged to the Fund during calendar year 2010.

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

Activity through December 31, 2009:

Transfers from Maryland Health Care Provider Rate Stabilization Fund		\$ 141,200,000
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)	
State Subsidies Paid Calendar Year 2008	(10,014,570)	
State Subsidies Paid Calendar Year 2009	(5,363,781)	
Total State Subsidies Paid through Calendar Year 2009	\$ (111,103,373)	
Less: Insurer Dividend Distributed to the Account (Note 1)	72,419,650	
Net State Subsidies Paid through Calendar Year 2009	\$ (38,683,723)	
Distribution to Department of health and Mental Hygiene (Note 2)		(83,275,000)
Distribution to Department of health and Mental Hygiene (Note 3)		(17,236,221)
Cash Balance as of December 31, 2009		\$ 2,005,056

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.

Note 3 - As discussed in more detail on pages 11 and 12 of this report, during calendar year 2009 the Administration transferred this amount to the Department of Health and Mental Hygiene in accordance with §19-803(b)(3)(vi) of the Insurance Article. This reduced the balance of the Rate Stabilization Account to the amount of the Administration's appropriation for remaining State subsidy payments as of December 31, 2009, which was \$2,005,056.

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, 2009 through December 31, 2009

Receipts:

Premium taxes	\$ 84,939,911
Premium tax exemption value (NOTE 1)	9,382,946
Interest income	<u>1,223,777</u>
Total revenue	<u>\$ 95,546,633</u>

Disbursements:

State Subsidy Payments	\$ 5,363,781
Payments to Department of Health and Mental Hygiene	129,111,279
Administrative Expenses	<u>272,705</u>
Total disbursements	<u>\$ 134,747,764</u>

Excess of disbursements over receipts (39,201,131)

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

Fund balance, December 31, 2009 \$ 24,263,873

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.

Audit Report

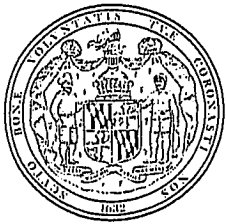
Maryland Health Care Provider Rate Stabilization Fund

January 1, 2009 to December 31, 2009



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Exhibit 6



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

March 5, 2010

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

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, 2009 and ending December 31, 2009.

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 medical professional liability (malpractice) insurance premiums for a specified number of years, and by increasing certain rates paid to providers by the Maryland Medical Assistance program (Medicaid) and payments to managed care organizations that serve that program. Beginning in fiscal year 2010, Fund revenue is no longer allocated for the purpose of subsidizing malpractice insurance premiums, although eligible subsidy requests applicable to previous years may still be paid.

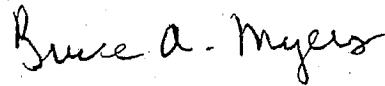
Our audit did not include procedures designed to verify the propriety of the subsidy payments made to medical professional liability insurers since State law requires MIA to conduct annual audits of each insurer for this purpose.

A schedule of the Fund's financial activity for the 2009 calendar year is included in this report. As disclosed in that schedule, the Fund's cash balance was approximately \$24.3 million as of December 31, 2009.

Our audit did not disclose any findings that warrant mention in 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 medical professional liability (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 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 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 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 continue through fiscal year 2009. Beginning in fiscal year 2010, all Fund revenues, less certain administrative costs, are to be allocated to the Medical Assistance Program Account.

Status of Finding From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated March 6, 2009. We determined that MIA satisfactorily addressed that finding.

Financial Information

On page 4 is a summary of the receipts and disbursements for the Maryland Health Care Provider Rate Stabilization Fund for the period beginning January 1, 2009 and ending December 31, 2009, 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, 2009 to
December 31, 2009**

RECEIPTS:

Premium taxes	\$ 84,939,911
Premium tax exemption value ⁽¹⁾	9,382,946
Interest income	1,223,776
	<hr/>
Total receipts	95,546,633

DISBURSEMENTS:

Payments to medical professional liability insurers	\$ 5,363,781
Payments to Department of Health and Mental Hygiene ⁽²⁾	129,111,279
Administration expenses	272,704
	<hr/>
Total disbursements	134,747,764

EXCESS OF DISBURSEMENTS OVER RECEIPTS (39,201,131)

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

FUND BALANCE (cash basis), December 31, 2009 \$ 24,263,873

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

(2) Includes \$22.3 million transferred to DHMH's Medical Care Programs Administration in May 2009 as part of a deficiency appropriation approved by the Board of Public Works.

Findings and Recommendations

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

A draft copy of this report was provided to MIA. Since there are no recommendations in this report, a written response was not necessary.

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, 2009 and ending December 31, 2009. 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 finding contained in our preceding audit report.

The areas addressed by the audit included cash receipts, cash disbursements, and certain required audits of Fund activity performed by MIA. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of Fund 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.

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.

AUDIT TEAM

Paul R. Denz, CPA
Audit Manager

Laura J. Hilbert, CFE
Senior Auditor

Michael D. Cheese
Ryan P. Stecher
Staff Auditors
