

**Senate Bill 1137, PA Access to Basic Care
& The Mcare Abatement**

How does the ABC legislation help physicians?

- **ABC Keeps Doctors Practicing in Pennsylvania**
This bill ends the Mcare Fund liabilities. No longer will today's doctors be assessed to cover the medical malpractice claims of the past. As a result, the cost of medical malpractice insurance for doctors will drop.
- **ABC Brings Physicians Cost Relief**
Over the next 10 years, doctors will be relieved of \$1.3 billion in Mcare malpractice costs. Furthermore, this bill gives physicians continued abatements of their MCARE assessment.
- **ABC Gives Physicians 10 years of Cost Predictability**
Each year the legislature has to reauthorize the Mcare abatement. As a result, doctors cannot rely on their costs being abated. This bill guarantees the abatement for the next 10 years.
- **ABC Legislation Will End Mcare**
ABC phases out the government-run Mcare Fund and replaces that coverage through the private market. This is a goal long-sought by the Pennsylvania Medical Society, HAP and other health care provider organizations.
- **ABC Will Address Mcare's \$2 billion Unfunded Liability**
ABC pays off the \$2 billion unfunded liability of the Mcare Fund. Absent this legislation, physicians would be responsible for paying off this tail
- **ABC Reimburses Physicians at Higher Rates than Medicaid and the Governor's CAP plan**
ABC will mean that more people who are seeking care will actually have insurance, meaning increased reimbursements for physicians.

How does ABC propose paying off the unfunded liability – or tail – of the Mcare Fund?

This package requires that half of the surplus in the Health Care Provider Retention Account (which is funded by the cigarette tax and helps doctors pay their malpractice insurance) is directed to a special account and locks it away with its interest earnings until Mcare coverage ends on January 1, 2018. As of January 2018 these funds will be used to pay off the MCARE tail.

When Mcare coverage ends, the two sources which currently fund Mcare -- the \$42 million a year from the AutoCAT fund and the 25¢ cigarette tax monies – will fund the ABC program. Any surplus not needed for the ABC program can be used for the ongoing Mcare claims and operating expenses. If there is not enough surplus to pay for Mcare claims in a given year, withdrawals are permitted from the lockbox account to make up the difference.

Mcare’s annual claim payments in recent years

Calendar Year	Mcare Claim Payments (Millions)
2000	\$341
2001	\$322
2002	\$348
2003	\$379
2004	\$320
2005	\$233
2006	\$210
2007	\$191

What if any improvements have occurred in the marketplace for malpractice insurance?

For 2008, the two largest private medical malpractice carriers, PMSLIC and MedPro, **decreased** rates an average of 11 percent and an average of 6 percent, respectively. From 2006 to 2008 health care providers saw essentially no increase in their medical malpractice insurance costs because the reforms enacted caused the insurance rates to be flat for those two years. .

Another indication of the impact of these reforms is the fact that there is renewed interest by companies that want to sell medical malpractice insurance in Pennsylvania, with 57 newly licensed entities writing medical malpractice coverage since April of 2002, giving doctors greater choice of insurer.

Another indicator of physicians being able to buy coverage in the private market is by looking at the number of doctors obtaining coverage from the Joint Underwriting Association (JUA), the malpractice insurer of last resort in Pennsylvania. Enrollment in the JUA has dropped to its lowest level since 2001 and is projected to continue to decrease.

What are the trends in the price of the primary layer (\$500,000 worth of coverage) of medical liability insurance for physicians?

In 2007, the state's two largest medical malpractice insurers – PMSLIC and Medical Protective – kept their rates flat for the second year in a row.

In 2008, PMSLIC reduced base premiums by an average of 11 percent average reduction as compared to 2007 and Medical Protective reduced rates by 6 percent.

This provides a sharp contrast to 2002, when PMSLIC increased its rates an average of 40 percent and Med Pro 45 percent. In 2003, PMSLIC increased rates another 54 percent and Med Pro an additional 16 percent.