



# HEALTH CARE STABILIZATION FUND



APRIL 2006

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## New surcharge rates adopted by the Board of Governors

Annually the Health Care Stabilization Fund Board of Governors meets with their independent actuary for the purpose of reviewing surcharge rate recommendations for the next fiscal year beginning on July 1 of each year. The actuary is a contract service provider who is not affiliated or working directly with an insurance company that writes the basic professional liability insurance coverage in Kansas. The actuary used by the Board is Russel L. Sutter, FCAS, MAAA, of Towers Perrin Tillinghast, St. Louis, Missouri.

After review and discussion by the Board, an average increase of 5.9% was adopted. This increase is distributed differently for class groups 1 through 14 of Kansas health care providers. The differences among class groups are based on the loss experience of each group. Health care provider class groups 15 through 21, which continue to pay a percentage based surcharge amount will have no change made to their Fund surcharge percentage rates. It is anticipated, however, that the cost of their basic coverage will increase about 6% which will result in a similar increase in their Fund surcharge payment amounts.

This is the second consecutive year of Fund surcharge rate increases. There were no surcharge rate increases for Fiscal Years 2003, 2004 and 2005. The table on page four presents the surcharge rate changes in both the percentage of change and the dollar increase for Fund Class Groups 1 through 14 adopted by the Board of Governors. (The surcharge rates for Fund Class Groups 15 through 21 are also on page four.)

Also, please refer to the *Review of Fund surcharge rates changes* article on page three of this newsletter. \*

## Do you want to change your Fund coverage limits?

Health care providers who currently maintain Fund coverage limits of \$100,000/\$300,000 or \$300,000/\$900,000, may request a higher Fund coverage limit by submitting their written request to the Fund Board of Governors. If you desire to increase your Fund coverage limits, please do the following:

1. Obtain a Request To Increase Health Care Stabilization Fund Coverage Limits form from the Fund office or your basic professional liability insurer. This form can

also be downloaded from the HCSF Internet site (<http://www.hcsf.org/Forms.htm>).

2. Complete and sign the request form, attach any supporting documentation or material and submit your request form to the Fund office by facsimile or U.S. Mail. You may wish to send a copy of your completed form that is clearly marked "copy of request sent to the Fund office" to your basic professional liability insurer.

You should receive an acknowledgement within seven

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## Health Care Stabilization Fund claim information

Health Care Stabilization Fund claims statistics for Fiscal Year 2005 indicate increased activity compared to previous fiscal years experience. During the period July 1, 2004 through June 30, 2005, there were more trials involving Kansas health care providers, more claim settlements involving Fund coverage, and an increased amount of Fund dollars involved in settlements. The bit of positive news for the year was a 9% decrease in the number of new cases reported to the Fund. The following tables illustrate some of the information contained in the latest annual medical professional liability experience report.

**Trials.** Number of trials involving Kansas health care providers:

	Fiscal Year				
	2005	2004	2003	2002	2001
Total	34	28	27	19	21
Defense Verdict	22	23	23	10	13
Plaintiff Verdict	7	3	3	6	6
Hung Jury	1		1		1
Split Verdict	3	2		2	
Mistrial	1			1	1

During Fiscal Year 2005, 14 of the 34 cases were tried in Sedgwick County. Three trials took place in Finney County, and two each in Saline County, Wyandotte County, and U.S. District Court of Kansas. One trial took place in each of the following counties: Douglas, Franklin, Johnson, Lyon, McPherson, Nemaha, Ness, Reno, Shawnee, Stevens, and Jackson County, Missouri.

**Settlements involving the Fund.** During Fiscal Year 2005, 90 claims in 74 cases were settled involving contribution from the Fund. Settlement amounts incurred by the Fund for the fiscal year totaled \$23,544,658, for an average per claim of \$261,607. These numbers represent significant increases over the previous fiscal years.

Fiscal Year	No. of Claims	No. of Cases	Fund Amount	Settlement Average
2005	90	74	\$23,544,658.00	\$261,607
2004	79	64	\$18,905,505.00	\$239,310
2003	87	76	\$17,483,778.00	\$200,963
2002	67	58	\$16,173,742.00	\$241,399
2001	54	44	\$15,592,748.80	\$288,755
2000	69	59	\$20,071,607.50	\$290,893

**Number of new cases.** For both Fiscal Year 2004 and 2005, the Fund experienced a drop in the number of new reported cases. These decreases followed three consecutive fiscal years in which we experienced a steady increase in the number of new cases.

This good news, however, is short-lived. To avoid the impact of Missouri's new tort reform measures, plaintiffs' attorneys filed every possible suit before the August implementation date. As a result, a large number of cases have been filed in Missouri (primarily Jackson County) involving Kansas health care providers during Fiscal Year 2006. We expect the total number of new cases for Fiscal Year 2006 to reach an all-time high.

If you have any questions about this article or would like additional information, contact Chief Attorney Rita Noll at [ritanoll@ink.org](mailto:ritanoll@ink.org) or 785-291-3407. \*

Fiscal Year	Number of Cases
2005	336
2004	368
2003	392
2002	361
2001	341
2000	294

### Employees of the Fund

**Robert D. Hayes**  
Executive Director

Rita L. Noll, Chief Attorney  
Marta Linenberger, Attorney  
Mary Christopher, Claims Manager  
Wendy Hug, Legal Assistant  
Cherryl Smith, Senior Admin. Assistant  
Crystal Swoyer, Administrative Assistant  
Gary Zook, Coverage Specialist  
Lorie Anderson, Coverage Specialist  
Laura Ray, Administrative Specialist  
Dani Snook, Administrative Assistant  
Cami Roberts, Administrative Assistant  
Mary Ellen Shisler, Office Assistant  
Becci Nelson, Accountant  
Betsy Hoke, Senior Admin. Assistant

## Review of Fund surcharge rate changes

Increasing Fund surcharge rates may seem to be the norm, however, the table at the right shows that there has been a mix of no changes, increases and one decrease over the past eight years.

To demonstrate the impact of these surcharge rate changes, the following surcharge payments are from the Fund coverage records for a specific Kansas general surgeon:

Review of General Surgeon who selected the \$800,000/\$2,400,000 Fund limits		
Fiscal Year	Actual Basic Coverage Premium Paid	Actual Fund Surcharge Paid
1997	\$14,312	\$8,587
1998	15,957	5,025
1999	17,552	3,350
2000	17,552	3,853
2001	19,668	4,238
2002	22,817	4,662
2003	24,757	4,662
2004	26,484	4,662
2005	27,252	4,662
2006	28,252	5,252
2007	29,665 (est.)	6,003

(The actual percentage change for individual providers will vary from the overall surcharge percentage change. During 1997 to 2007 the basic coverage premium cost for this surgeon increased 107%.)

### Surcharge rate changes for Class Groups 1 to 14

Fiscal Year	Overall Percentage Change*
1999	-29%
2000	+15%
2001	+10%
2002	+8%
2003	0%
2004	0%
2005	0%
2006	+15% **
2007	+5.9% **

\*Actual percentage change for specific coverage limits will vary from the overall percentage change. \*\*Changes for these two fiscal years were distributed based on Fund Class Group experience.

Comparison of these two tables and the impact of the most recent Fund surcharge rate changes reveal that your Fund Board of Governors have attempted to continue the Fund surcharge rates at reasonable levels. Setting the Fund surcharge rates is not a simple task. Many factors, some which will always be unpredictable, must be considered in maintaining a Fund balance that can be reported as meeting reasonable actuarial standards. \*

## Do you want to change your Fund coverage limits?

*(Continued from page 1)*

days of your application. Included in the acknowledgement will be information regarding the estimated date of the Board of Governors review and action upon your application.

**NOTICE:** Attempts by health care providers and their professional liability insurers to increase Fund coverage limits by methods other than following the above instructions have resulted in the unnecessary submission of extra Fund surcharge payments, delayed approval dates of increased Fund coverage limits, and frustration for the health care provider. The Fund will make every effort to assist the provider in resolving these problems. Making a higher Fund coverage limit selection on the Notice of Basic Coverage form is not acceptable. Remember, before increased Fund coverage limits can be effective, the health care provider's written request must be approved by the Board of Governors.

### Follow these guidelines if you wish to decrease your Fund coverage limits

Reductions in your Fund coverage limits to either the \$100,000/\$300,000 or the \$300,000/\$900,000 limits may be accomplished by notifying the Fund through your basic professional liability insurer (prior approval of the Fund Board of Governors for reduced Fund coverage limits is not required). It is recommended, however, that health care providers utilize the Request To Decrease Health Care Stabilization Fund Coverage Limits form. Copies of this form are available from the Fund office, your basic professional liability insurer or from the HCSF Internet site (<http://www.hcsf.org/Forms.htm>). When you submit this form to the Fund office, you should receive acknowledgement of your request along with any other applicable information within seven working days. \*

**New surcharge rates for FY 2007 (examples).** (The following examples of dollar surcharge comparisons are based on Fund coverage limits of \$800,000/\$2,400,000 for health care providers with 5 or more years of Fund compliance periods, with no Missouri practice. Any changes or corrections will be posted on the web site of the Fund.)

FUND CLASS GROUPS	CLASS GROUP DESCRIPTIONS . Please refer to the FY 2007 Annual Premium Surcharge and Rating Classification System Brochure that is available on the <a href="http://www.hcsf.org">http://www.hcsf.org</a> Internet site, request additional assistance from the Fund or seek assistance from your insurance agent .	FY 2007 Surcharge Rate	Surcharge Rate Change	FY 2007 Surcharge Increase
<b>PHYSICIANS AND SURGEONS (M.D. &amp; D.O.)</b>				
1	<b>Physicians-No Surgery, includes:</b> Allergy, Dermatology, Forensic Medicine, Legal Medicine, Pathology, Psychiatry (including child), Psychoanalysis, Psychosomatic Medicine, Public Health.	\$1,045	3%	\$30
2	<b>Physicians-No Surgery, includes:</b> Aerospace Medicine, Cardiovascular Disease, Diabetes, Endocrinology, Family Practice, Gastroenterology, General Practice, General Preventive Medicine, Geriatrics, Gynecology, Hematology, Hypnosis, Infectious Diseases, Internal Medicine, Laryngology, Neoplastic Diseases, Nephrology, Neurology (including child), Nuclear Medicine, Nutrition, Occupational Medicine, Ophthalmology, Otolaryngology, Otorhinolaryngology, Pediatrics, Pharmacology, Physiatry, Physical Medicine & Rehabilitation, Pulmonary Diseases, Radiology, Rheumatology, Rhinology, Urgent Care Physicians and other Physicians who are not performing surgery and are not otherwise classified.	1,724	15%	225
3	<b>Physicians-Performing Minor Surgery or Assisting in Surgery, includes:</b> Cardiovascular Disease, Dermatology, Diabetes, Endocrinology, Family Practice (no OB procedures), Gastroenterology, General Practice, Geriatrics, Gynecology, Hematology, Infectious Diseases, Internal Medicine, Intensive Care Medicine, Invasive Procedures (as defined and classified by the basic coverage insurer), Laryngology, Neoplastic Diseases, Nephrology, Neurology (including child), Ophthalmology (including minor and major surgery), Otolaryngology, Pathology, Pediatrics, Radiology, Rhinology, Shock Therapy and other Physicians who are performing minor surgery and are not otherwise classified.	2,255	10%	205
4	<b>Family Physicians or General Practitioners-Performing Minor Surgery or Assisting in Surgery, includes obstetrical procedures, but not Cesarean Sections.</b>	2,475	5%	118
5	<b>Surgical Specialists, includes:</b> Broncho-Esophagology, Colon and Rectal, Endocrinology, Gastroenterology, Geriatrics, Neoplastic, Nephrology, Urological, Family Physicians or General Practitioners performing Major Surgery.	2,904	5%	138
6	<b>Surgical Specialists, includes:</b> Emergency Medicine (no major surgery), Laryngology, Otolaryngology, Rhinology.	3,736	5%	178
7	<b>Specialists In Anesthesiology:</b> Includes DDS certified to administer anesthetics.	2,916	10%	265
8	<b>Surgical Specialists, includes:</b> Emergency Medicine (including major surgery), Abdominal, <i>Bariatric*</i> , Gynecology, Hand, Head and Neck, Plastic (Otorhinolaryngology), Plastic (Not Otherwise Classified), General (This classification does not apply to any family or general practitioner or to any specialist who occasionally performs major surgery). (*added for FY 2007)	6,702	15%	874
9	<b>Surgical Specialists, includes:</b> Cardiac, Cardiovascular Disease, Orthopedic, Thoracic, Traumatic, Vascular.	6,854	3%	200
10	<b>Surgical Specialists, includes:</b> Obstetrics, Obstetrics & Gynecology, Perinatology.	9,672	10%	879
11	<b>Surgical Specialists, includes:</b> Neurology (including child).	13,898	15%	1,813
<b>CHIROPRACTORS</b>				
12	<b>Chiropractors</b>	562	3%	16
<b>REGISTERED NURSE ANESTHETISTS</b>				
13	<b>Registered Nurse Anesthetists</b>	990	15%	129
<b>PODIATRISTS</b>				
14	<b>Podiatrists</b>	2,546	3%	74
<b>OTHER HEALTH CARE PROVIDERS</b>				
15	All health care providers insured by or subject to the rating rules of the Kansas Health Care Provider Insurance Availability Plan, including authorized basic professional liability self-insurers.	Apply the following percentage surcharge rates to the premium charged by the insurer for the required basic professional liability coverage:		
16	Professional corporations, partnerships, limited liability companies and not-for-profit corporations as included in the definition of health care provider in K.S.A. 40-3401(f).			
17	Medical Care Facilities (special hospitals, general hospitals, surgical centers or recuperation centers).	<b>For Fund Coverage Limit Of:</b>	<b>FY 2007 Surcharge Rate:</b>	
18	Mental Health Centers or Mental Health Clinics.	\$100,000/\$300,000	20%	
19	Psychiatric Hospitals (selected facilities only).	\$300,000/ \$900,000	30%	
20	Persons engaged in approved residency training programs.	\$800,000/\$2,400,000	35%	
21	Other health care providers not otherwise classified in Fund Classes 1 through 20	(Percentage rates did not change from FY 2006)		
<b>MISSOURI PRACTICE MODIFICATION FACTOR:</b> An additional surcharge amount of 20% of the annual surcharge shall be added to the surcharge payment of the Kansas resident health care provider who is licensed (registered, etc.) and rendering professional services in Missouri.				

**Planning to leave Kansas practice? Please check with the Fund regarding “tail” coverage.**

Health care providers who have complied with the Health Care Stabilization Fund for less than five years may obtain continuing Fund coverage for professional services rendered while in compliance with the basic coverage and Fund surcharge requirements. For these providers, the cost of obtaining the Fund’s continuing “tail” coverage can be substantial.



If you are planning to discontinue practice in Kansas, whether or not you have more or less than five years of Fund coverage, we recommend that you review the many factors and options which may be available to you. You should be able to request assistance from your insurance agent, your insurance company, the business manager for your practice and the Fund.

There is an article regarding this feature of the Fund in the April 2005 newsletter. You can find this newsletter on our web site at the following address: <http://www.hcsf.org/newsletterpage.htm> (second article starting on the first page of the April 2005 newsletter). \*

**Locum tenens can be accommodated in Kansas**

The January 2006 newsletter, also available on our web site, included an article on page two about locum tenens arrangements relating to Kansas and the Health Care Stabilization Fund. We believe that this article provides helpful information for Kansas health care providers and other individuals who utilize locum tenens providers in their health care delivery programs.

Some out-of-state locum tenens providers feel that the Kansas Health Care Stabilization Fund is detrimental when sending a locum tenens provider to Kansas. While we know that we cannot please all providers, we do know that many out-of-state locum tenens providers and locum tenens groups provide supporting services in the Kansas health care system.

If additional information or assistance is needed regarding the coverage requirements for locum tenens providers, please contact Lorie Anderson or Gary Zook in our office (785-291-3777). \*

**30th Anniversary of the Health Care Stabilization Fund**

July 1, 2006 will be the 30th anniversary of the Fund. This will also be the 11th anniversary of the separation of the Fund from the Kansas Insurance Department.

There are many interesting facts regarding the Fund over these many years. One of those facts is that there were 913 individual health care providers who complied with the Fund in its first year, Fiscal Year 1976, and were also in compliance during Fiscal Year 2005! \*



**Look on the inside for articles on:**

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**If You Have Questions Or Need Additional Assistance with the Health Care Stabilization Fund :**

Please contact the Fund office for any additional assistance. You may contact the Health Care Stabilization Fund by telephone, fax, e-mail or mail. \*



FACSIMILE  
785-291-3550

E-MAIL  
hcsf@ink.org



TELEPHONE  
785-291-3777

MAIL  
Health Care Stabilization Fund  
300 SW 8th Ave, 2nd Floor  
Topeka, KS 66603-3912



INTERNET ADDRESS  
<http://www.hcsf.org>



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Health Care Stabilization Fund  
300 S.W. 8th Avenue, Second Floor  
Topeka, KS 66603-3912

Telephone No. 785-291-3777  
Fax No. 785-291-3550  
Web Page: <http://www.hcsf.org>