

**AGENCY NAME:****SC Patients' Compensation Fund****AGENCY CODE:****R140****SECTION:****76**

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## **Fiscal Year 2017-18 Accountability Report**

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### **SUBMISSION FORM**

**AGENCY MISSION**

The South Carolina Patients' Compensation Fund was created for the purpose of paying that portion of a medical malpractice or \*general liability claim, settlement, or judgment which is in excess of two hundred thousand dollars for each incident or in excess of six hundred thousand dollars in the aggregate year for one year. The Fund is liable only for payment of claims against licensed health care providers in compliance with the provisions of the Enabling Statute Title 38, Chapter 79, Article 5 and includes reasonable and necessary expenses incurred in payment of claims and the Fund's administrative expense.

Our mission is to ensure the stability and security of the South Carolina Patients' Compensation Fund for our members with sound investment practices, rate adequacy, superior customer service and risk management practices.

**AGENCY VISION**

To be the premier provider of excess professional liability insurance and risk management services in South Carolina.

Our Values:

- Focus on the needs of our members.
- Support and respect all healthcare providers and related relationships.
- Establish a culture of consistency and fairness in our performance.
- Provide leadership with knowledge-based decisions and operate with integrity.
- Embrace change through continuous improvement.
- Work together as a team.
- Make a difference in the community.
- Utilize best business practices.

The Fund provides customer services to its members through enrollment of new members, renewal of current members, collection of fees and assessments and payment of claims. It provides credentialing information to hospitals and managed care organizations.

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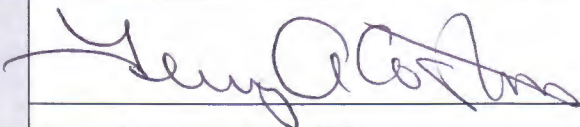
Please select yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.

<b>RESTRUCTURING RECOMMENDATIONS:</b>	<b>Yes</b>	<b>No</b>
	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please identify your agency's preferred contacts for this year's accountability report.

	<u><b>Name</b></u>	<u><b>Phone</b></u>	<u><b>Email</b></u>
<b>PRIMARY CONTACT:</b>	Terry A. Coston, SCLA, CPM	803-896-5291	Terry.coston@pcf.sc.gov
<b>SECONDARY CONTACT:</b>	Leigh Brazell	803-896-5293	Leigh.Brazell@pcf.sc.gov

I have reviewed and approved the enclosed FY 2017-18 Accountability Report, which is complete and accurate to the extent of my knowledge.

<b>AGENCY DIRECTOR (SIGN AND DATE):</b>	
<b>(TYPE/PRINT NAME):</b>	Terry A. Coston, SCLA, CPM

<b>BOARD/CMSN CHAIR (SIGN AND DATE):</b>	 9-19-18
<b>(TYPE/PRINT NAME):</b>	Donald B. Mackay, PCF Board Chairman

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### **AGENCY'S DISCUSSION AND ANALYSIS**

The PCF Board of Governors is composed of three physicians, two dentists, two hospital representatives, two insurance representatives, two attorneys, and two representatives of the general public, all appointed by the Governor. The appointed members serve a term of six years. Currently, we are awaiting the replacement of one hospital member.

The Board continues to amend its Plan of Operation and Manual of Rules and Rates for efficient administration of the Fund, consistent with the provisions of the Plan of Operations and Article 5 of the enabling legislation.

The Executive Director is charged with the day-to-day operations of the Fund. Quarterly newsletters are sent to the members/stakeholders providing updates concerning underwriting changes, news, risk management initiatives and spotlights on our members.

The PCF consists of four full-time employees. There is one vacant position due to the retirement of one administrative assistant. The Executive Director, along with the Board of Governors, closely monitors the staff's ability to meet the demands and needs of its members. The PCF is a highly complex organization that works extensively with legal counsel for claims defense, expert witnesses and claims investigations, all in conjunction with the primary carrier. The effective selection, coordination and management of these professionals are critical to the success of the PCF. It requires a staff with specialized skills and a high work ethic.

At the close of the fiscal year, the PCF had a membership total of 2,614. This includes 40 Clinics and Hospitals, 140 professional associations, 1,398 physicians, 704 dentists and oral surgeons, 324 Midlevel healthcare providers, 8 full time equivalent positions (shared memberships with 32 physicians). The PCF paid a total of \$6,677,483 for claims, settlements and judgments during the fiscal year. This represents 40% increase in claims payments made from the prior fiscal year. The PCF collected \$9,153,722 in membership fees which constitutes an approximate decrease of 5% from the prior fiscal year.

The PCF is an organization that works extensively with legal counsel for claims defense, expert witnesses, and claims investigations, all in conjunction with the primary carrier. The effective selection, coordination and management of these professionals are critical to the success of the PCF. It requires professionals with special skills and a high work ethic. For all of the PCF claims that went to trial during this fiscal year, 90% of the claims resulted in defense verdicts. This fiscal year continued to show a downward trend in the total number of claims, however, the severity of the claims reported increased minimally. This appears to be in line with the national trend, which continues to show a soft market for Medical Malpractice insurance.

The PCF has maintained our membership numbers in spite of the continuing practice of South Carolina hospitals purchasing physician practices and to competitive pricing by other carriers coming into the state as a result of a soft medical malpractice market. Retirement has played a small part in the total number of cancellation of memberships. These factors, along with the increasing number of members choosing lower PCF limits, increased shared limit options, and increased use of credits on membership account for the decrease in membership fees.

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The Board has engaged in strategic planning efforts throughout the fiscal year, which included the continual review and revision of the PCF Plan of Operations, Underwriting Manual of Rules and Rates and claims handling procedures. The Plan of Operations details procedural information that provides for economic, fair and nondiscriminatory administration and for the prompt and efficient provision of excess medical malpractice insurance. The Plan contains other provisions including, but not limited to, assessment of all members for expenses, deficits, losses, reasonable underwriting standards, acceptance and cession of reinsurance, appointment of servicing carriers, and procedures for determining the amounts of insurance to be provided by the Fund. The Plan of Operations and any amendments to the Plan are subject to the approval of the Board and of the Director of Insurance or his designee. The Board continues to review and consider legislative changes that will allow for the more efficient operation and management of the Fund.

At the end of this fiscal year the PCF memberships consisted of the following limits:

\$10 Million per occurrence \$12 Million annual aggregate	40%
\$5 Million per occurrence \$7 Million annual aggregate	7.5%
\$3 Million per occurrence \$6 Million annual aggregate	23%
\$2 Million per occurrence \$4 Million annual aggregate	2.5%
\$1 Million per occurrence \$3 Million annual aggregate	25%
Excess Limits over 1M/3M Basic Coverage (Non-JUA)	2%

Active memberships with unlimited coverage ended with May 1, 2010 renewals.

The Fund provides a high level of customer services to its members through enrollment of new members, renewal of current members, collection of fees and payment of claims. It provides credentialing information to hospitals and managed care organizations. The Fund also provides free Locum Tenens coverage for up to 45 days per year for substitutions for our members.

The Board has authorized the revision of the membership agreement and the development of applications to better serve its members. The Board continues to allow its members to pay their annual membership fee on a quarterly basis, with a small administrative fee.

The PCF website now allows new members to apply on-line for a PCF membership, existing members to pay membership fees, and direct access to renewal information for hospitals and managed care organizations credentialing agents.

Physicians and dentists who attend the South Carolina Medical Association and the South Carolina Dental Association Risk Management Seminar, which is co-sponsored by the JUA, receive a discount in their annual membership fee. The new Dentists discount now includes a 40% discount for first year of practice with a 10% discount for the second year. If new dental graduates attend the Risk Management Seminar held at the MUSC Dental School they will also receive a 25% discount on their first year's membership fees. It is a one-time discount. The discount does not apply to a physician's professional association.

The PCF Board of Governors approved a new on-line Risk Management program in partnership with The MRM Group and The South Carolina Joint Underwriters Association. This program provides online modules to our member physicians, oral surgeons & allied healthcare provider. There are three modules that when completed will provide our members CME credits at no charge to the members. The first year's topic is Electronic Health Records. The program began in June 2016 and is currently up for a three year

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renewal. Each provider who completes the online program will receive up to 6% credit on their next year's PCF renewal fees.

### ***Economic Outlook***

The principal challenge facing the PCF is to retain current members and at the same time, adjust membership fees appropriately to reduce the loss reserve liability. The other significant challenge the PCF faces is to manage the claims process effectively and coordinate with the primary carriers for satisfactory resolution of all claims. The PCF's ultimate goal is to provide medical professionals with effective medical malpractice liability coverage, while ensuring that the PCF is in a sound financial position to pay all of its claims commitments. There are no pending judgments on appeal that affect the PCF.

Based on actuarial reviews and recommendations, the PCF Board of Governors feels confident that the rates established this fiscal year are appropriate. The PCF continues to rate members for claims experience as well as surcharge members for state licensing issues. New underwriting initiatives have been established to assist in maintaining and improving membership numbers such as discounts based on group size, number of years of continued coverage through the PCF and positive loss experience. Coverage enhancements have also been added which consists of nose coverage for converting a claims-made membership back to an occurrence membership. Step factors for claims-made memberships have been reduced to be more in line with other admitted medical malpractice insurers.

The South Carolina Patients' Compensation Fund shows an overall deficit on its books due to the fact that, since 2002, it has recorded the actuarial liability for unpaid claims as well claims that are "incurred but not reported." Prior to 2002, the Fund's accounts did not reflect such reserves operating on a cash basis. Over the past 14 years the PCF Board of Governors has taken steps to reduce the net deficit of the PCF by \$181,000,000. As a result, the PCF continues to show an upward trend in its overall financial outlook. During the fiscal year, the PCF met all its financial and legal obligations in a timely manner.

The Fund is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the Fund's economic outlook during the fiscal year beginning July 1, 2018.



# South Carolina Patients' Compensation Fund (R140) Organizational Chart

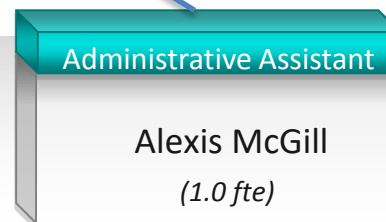
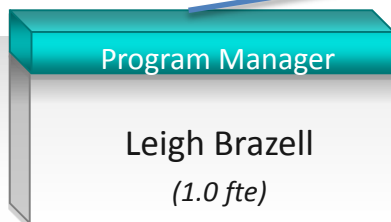
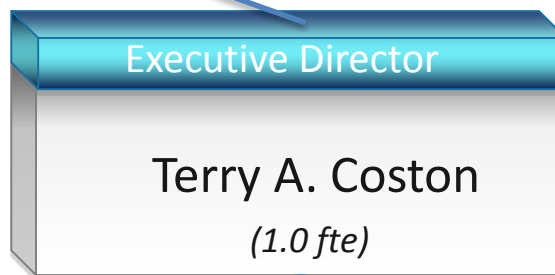
## Mailing Address:

111 Executive Center Drive, Suite 103  
Columbia, SC 29210

## Physical Address:

111 Executive Center Drive, Ste.103  
Columbia, SC 29210

Authorized Positions = 5  
Filled Positions = 4



Approved by: \_\_\_\_\_  
Terry Coston, Executive Director Date



## South Carolina Patients' Compensation Fund (R14) Board of Governors Chart

### Board of Governors

Seat: Insurance Rep.

D. Bruce Mackay, C.P.C.U.  
Chairman

Seat: Public

Dixon C. Cunningham, D.B.A.

Seat: SCMA Physician

Steven E. Swift, M.D.

Seat: Attorney

Patrick W. Carr, Esq.

Seat: Dentist

William B. Farrar, D.D.S.

Seat: Public

Milon C. Smith

Seat: Dentist

James Mercer

Seat: Attorney

Cheryl D. Shoun, Esq.

Seat: Hospital

William Barnes

Seat: Insurance Rep.

Jeffrey C. Miller

Seat: Physician

Richard M. Kennedy, M.D.

Seat: Hospital

Vacant

Seat: Physician

Larry L. Ware, M.D.

Approved by: \_\_\_\_\_

*Terry Coston, Executive Director*

*Date*

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Strategic Planning and Performance Measurement Template												
Statewide Enterprise Strategic Objective	Type	Item #			Description	2017-18			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure
		Goal	Strategy	Measure		Base	Target	Actual				
Education, Training, and Human Development	G	1			Risk Management Services to reduce medical errors by PCF members							
Education, Training, and Human Development	S	1.1			On-line Risk Management course 2016 implementation							
Education, Training, and Human Development	M			1.1.1	60% completion by PCF members	100%	40%	19%	6/30/2018	Med-IQ report	Aggregate data from Source	To promote patient safety
Education, Training, and Human Development	M			1.1.2	Provide CME credits and membership discounts for each completed module	100%	100%	100%	6/30/2018	PCFA Membership system	PCFA data	To encourage participation
Education, Training, and Human Development	S	1.2			Assist to facilitate New Physician & Dentist Risk Management program							
Education, Training, and Human Development	M			1.2.1	Attendance by 90% of new physician & dentist members	90%	50%	10%	6/30/2018	JUA report	Physical Count	Premium credit and to promote good risk management and patient safety
Education, Training, and Human Development	M			1.2.2	Provide discount to course completion	100%	100%	100%	6/30/2018	PCFA System	Data Report from PCF System	Reduce premium & prevent patient harm
Government and Citizens	G	2			Reduce total Claims Expense by 25%							
Government and Citizens	S	2.1			ADR (Alternative Dispute Resolution)							
Government and Citizens	-			2.1.1	Early resolution reduces claims expenses on meritorious claims	100%	50%	50%	6/30/2018	JUA Claim Files	File Review	Reduce Claims expense and total claims
Government and Citizens	S	2.2			Defend claims with no merit							
Government and Citizens	M			2.2.1	Decrease number of frivolous claims	10%	10%	Unknown	6/30/2018	Claims reports - PCFA	National Data	Lower claims expense and total claims
Government and Citizens	S	2.3			Claims Review							
Government and Citizens	M			2.3.1	To maintain adequate claim file reserves	100%	100%	90%	6/30/2018	JUA/PCF Claim files	Claim file audit	Adequate reserves for financial reports
Government and Citizens	G	3			Marketing to increase PCF membership							
Government and Citizens	S	3.1			Recruit key agents/brokers involved in writing excess medical malpractice							
Government and Citizens	M			3.1.1	Higher commissions to agents for new and returning members	100%	100%	100%	6/30/2018	PCFA reports	10-15% of membership fees paid	To encourage agents to promote excess coverage with the PCF
Government and Citizens	M			3.1.2	8% commission to agents on PCF membership fees	100%	100%	100%	6/30/2018	PCFA reports	8% of membership fees	To maintain PCF members
Government and Citizens	S	3.2			Education to members and agents/brokers of new PCF products and/or							
Government and Citizens	M			3.2.1	Electronic billing and correspondence	100%	90%	90%	6/30/2018	PCFA System	Reduction in operating costs	To reduce operating costs
Government and Citizens	M			3.2.2	E-news blasts with education, risk management & underwriting news	100%	75%	75%	6/30/2018	Actual eblasts	Review of electronic sources	To educate agents and members
Government and Citizens	-			3.2.3	Educate licensed healthcare providers on adequate protection	100%	100%	100%	6/30/2018	Review of Electronic sources	Review of electronic sources	To make sure the PCF members are adequately protected against claims
Government and Citizens	S	3.3			Incorporate print media and Social Media							
Government and Citizens	M			3.3.1	Advertise in professional periodicals	25%	25%	25%	6/30/2018	SCMA Bulletins	Review periodicals	To promote membership in the PCF
Government and Citizens	M			3.3.2	Maintain and update Facebook with current PCF information	25%	0%	0%	6/30/2018	PCF Facebook Page	Review of Facebok page	Another source to educate members
Government and Citizens	G	4			Increase Revenue by 10%							
Government and Citizens	S	4.1			Use of independent Actuary firm							
Government and Citizens	M			4.1.1	Complete annual rate study & rate comparison	100%	100%	100%	6/30/2018	Annual Rate Study	Time Completion	Resource for rate approval by the PCF Board of Governors
Government and Citizens	M			4.1.2	Complete quarterly reserve study	100%	100%	100%	6/30/2018	Quarterly reserve studies	Time Completion	For completion of quarterly and annual financials
Government and Citizens	S	4.2			Provide affordable malpractice rates							
Government and Citizens	M			4.2.1	To be competitive in the market place	100%	100%	100%	6/30/2018	Yearly comparison of membership statistics	PCFA membership reports/Industry periodicals	Affordable medical malpractice premiums



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Strategic Planning and Performance Measurement Template													
Statewide Enterprise Strategic Objective	Type	Item #			Description	2018-19			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure	
		Goal	Strategy	Measure		Base	Target	Actual					
Education, Training, and Human Development	G	1			Risk Management Services to reduce medical errors by PCF members								
Education, Training, and Human Development	S	1.1			On-line Risk Management course 2018 implementation (Second 3 year								
Education, Training, and Human Development	M			1.1.1	60% Completion by eligible PCF Members	75%	50%	TBD	6/30/2019	Med-IQ data	Aggregate Data from Source	To promote safe healthcare and reduce malpractice claims	
Education, Training, and Human Development	M			1.1.2	Provide CME credits and membership discounts for each completed module	100%	100%	100%	6/30/2019	PCFA Data Report	Aggregate Data from Source	To encourage and promote the online courses	
Education, Training, and Human Development	S	1.2			Assist to facilitate New Physician & Dentist Risk Management program								
Education, Training, and Human Development	M			1.2.1	Attendance by 50% of new physician & dentist members	100%	50%	TBD	6/30/2019	JUA data	Physical Count	To promote good patient care for new physicians and dentists	
Education, Training, and Human Development	M			1.2.2	Provide discount to course completion	100%	100%	100%	6/30/2019	JUA data	PCFA system and reports	To encourage attendance	
Government and Citizens	G	2			Reduce total Claims Expense by 25%								
Government and Citizens	S	2.1			Continued use of ADR (Alternative Dispute Resolution) for early								
Government and Citizens	M			2.1.1	Early resolution reduces claims expenses on meritorious claims	50%	50%	TBD	6/30/2019	JUA recommendation and/or Court mandate	JUA claims files	To reduce overall claims costs	
Government and Citizens	S	2.2			Defend Malpractice claims with no merit								
Government and Citizens	M			2.2.1	Decrease number of frivolous cliams	10%	10%	TBD	6/30/2019	PCF & JUA Data; National benchmark data	Yearly comparison of data	To discourage frivolous lawsuits and reduce total claim costs	
Government and Citizens	S	2.3			Claims Review of Basic Carrier claims								
Government and Citizens	M			2.3.1	Maintain adequate claim file reserves	90%	90%	TBD	6/30/2019	Actuary Data	Final Actuary reserve studies	Protection of the financial stability of the Fund	
Government and Citizens	G	3			Marketing to increase and/or maintain PCF Memberships								
Government and Citizens	S	3.1			Recruit key agents/brokers involved in writing excess medical malpractice								
Government and Citizens	M			3.1.1	Higher commissions to agents for new and returning members	50%	25%	TBD	6/30/2019	PCFA Data Report	Data comparison with previous year	Promote the PCF above all admitted medical malpractice insurers	
Government and Citizens	M			3.1.2	Continue providing 8% commission to agents on PCF membership fees	100%	100%	199%	6/30/2019	PCFA Data Report	8% of membership fees	To promote Agent service to PCF memberships	
Government and Citizens	S	3.2			Education to members and agents/brokers of new PCF products and/or								
Government and Citizens	M			3.2.1	Electronig Billing and Correspondence to reduce operating costs	100%	90%	TBD	6/30/2019	PCFA System	Reduction in operating costs	To reduce operating costs	
Government and Citizens	M			3.2.2	E-news blasts with education, risk management & underwriting news	25%	25%	TBD	6/30/2019	Actual eblasts	Review of electronic sources	To educate agents and members	
Government and Citizens	M			3.2.3	Educate licensed healthcare providers on adequate protection	75%	75%	TBD	6/30/2019	Review of Electronic sources	Review of electronic sources	To make sure the PCF members are adequately protected against claims	
Government and Citizens	S	3.3			Incorporate print media and Social Media								
Government and Citizens	M			3.3.1	Advertise in professional periodicals	25%	25%	TBD	6/30/2019	SCMA Bulletins	Review periodicals	To promote membership in the PCF	
Government and Citizens	M			3.3.2	Maintain and update Facebook with current PCF Information	25%	0%	TBD	6/30/2019	PCF Facebook Page	Review of Facebok page	Another source to educate members	
Government and Citizens	G	4			Increase Revenue by 10%								
Government and Citizens	S	4.1			Use of Independent Actuary Firm								
Government and Citizens	M			4.1.1	Complete annual rate study & rate comparison	100%	100%	100%	6/30/2019	Annual Rate Study	Time Completion	Resource for rate approval by the PCF Board of Governors	
Government and Citizens	M			4.1.2	Complete quarterly reserve study	100%	100%	100%	6/30/2019	Quarterly reserve studies	Time Completion	For completion of quarterly and annual financials	
Government and Citizens	S	4.2			Provide affordable medical malpractice membership fees								
Government and Citizens	M			4.2.1	To be competitive in the malpractice market	100%	100%	TBD	6/30/2019	Yearly comparison of membership statistics	PCFA membership reports/Industry periodicals	Affordable medical malpractice premiums	







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## Partner Template

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