

Self-Insurance Internal Service Fund-Medical Malpractice

General Government

Ted Cwiek, Human Resources Director

Internal Service Fund	2017-2018 Actual	2018-2019 Adjusted	2019-2020 Requested	2019-2020 Recommended	Increase/ (Decrease)
Expenditures					
Services & Supplies	\$1,555,193	\$2,031,161	\$1,536,034	\$1,536,034	(\$495,127)
Centrally-Budgeted Expenses	13,688	33,323	678	678	(32,645)
Operating Transfers Out	800,000	0	0	0	0
Medical And Dental Insur ISF Ex	395,063	900,000	900,000	900,000	0
Total Appropriations	\$2,763,944	\$2,964,484	\$2,436,712	\$2,436,712	(\$527,772)
Earned Revenues By Source					
Interest/Rents	\$144,721	\$80,000	\$80,000	\$80,000	\$0
Self-Insurance Revenue	1,500,000	2,420,000	1,000,000	1,000,000	(1,420,000)
Total Revenues	\$1,644,721	\$2,500,000	\$1,080,000	\$1,080,000	(\$1,420,000)
Revenues Over/(Under) Expenses	\$1,119,223	\$464,484	\$1,356,712	\$1,356,712	\$892,228

- Medical and Dental Insurance ISF Expenses includes self-insurance claims paid by the Medical Malpractice Insurance budget.

Purpose

The Medical Malpractice Insurance (#8594800000) budget provides for the centralized administration of the County's self-funded Medical Malpractice Insurance program for various County departments including San Joaquin General Hospital, Correctional Health Services, Mental Health Services, Public Health Services, and the Sheriff-Coroner's Office.

The County's self-funded insurance programs are designed to provide quality, cost-effective benefits to eligible recipients. Frequently, market and legislative factors beyond the County's administrative control influence costs (mandated benefit levels and usage). The County uses a combination of premium adjustments and cost containment measures to assure adequately funded programs. Funding levels and premiums are determined actuarially on an annual basis.

Major Budget Changes

Services & Supplies

- \$3,853 Increase in administrative costs.
- (\$250,000) Decrease in County Counsel legal services.
- (\$150,000) Decrease in consulting fees.

- (\$78,980) Decrease in stop loss insurance premiums.
- (\$20,000) Decrease in office expense.

Centrally-Budgeted Expenses

- (\$32,645) Cost Allocation Plan adjustment.

Revenues

- (\$1,420,000) Decrease in Medical Malpractice premiums.

Program Discussion

The 2019-2020 recommended budget for the Medical Malpractice program is \$2,436,712, which is a decrease of \$527,772 from the 2018-2019 adjusted budget. During 2018-2019, the State Controller's Office evaluated the County's Medical Malpractice Insurance program, determined the reserve level was too high, and needed to be reduced down to the 80% confidence level. In May 2019, a \$2.0 million rebate was provided to user-departments. This rebate, along with the 2019-2020 projected Reserve reduction of \$1.4 million, will reduce the Reserve to the recommended level.

The County participates in the California State Association of Counties Excess Insurance Authorities' medical malpractice

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program. The excess medical malpractice insurance provides coverage from \$1.0 million to \$21.5 million, with the County maintaining a \$1.0 million self-insured retention.

The following is a summary of the claims for 2018-2019 through March 31, 2019:

<u>Claims</u>	
<i>New</i>	- 20
<i>Current</i>	- 22
<i>Closed</i>	- 31

The total cost paid out for closed claims was \$708,822 for expenses and settlements with an average cost per claim of \$32,219.

The 2019-2020 excess insurance premium is anticipated to be \$1.1 million, a decrease of \$78,980 from 2018-2019.

In December 2018, an actuarial report was completed. Major findings and recommendations are as follows:

- Year-end 2018-2019, outstanding liability claims are estimated at \$6.1 million at the 80% confidence level while program assets are estimated at \$7.5 million, resulting in a funding surplus of \$1.4 million.

- 2017-2018 was the first year to address a funding reserve surplus. As of March 31, 2019, the program had a cash balance of \$10,408,961. With the addition of the \$2.0 million rebate, it is anticipated that the fund balance will be reduced by approximately \$2.9 million by June 30, 2019.

- Department contributions for 2019-2020 will total \$1.0 million, a decrease of \$1.4 million from 2018-2019. By reducing department charges, it is anticipated that the 2019-2020 year-end fund balance will be \$6.1 million.

During 2019-2020, the fund balance will continue to be used with the goal of reducing the balance to the 80% confidence level as outlined in the annual actuarial report, estimated at \$6.1 million.

Based on the actuarial findings and recommendations, the 2019-2020 Medical Malpractice Insurance premium is set at \$1.0 million (\$2.43 million program cost less \$1.35 million from fund balance, and \$80,000 from interest earnings). This represents a decrease of \$1.42 million from 2018-2019.