

UNIVERSITY OF ILLINOIS

CHICAGO • SPRINGFIELD • URBANA-CHAMPAIGN

Healthcare Professional Liability Program Update

Board of Trustees Meeting

June 5, 2006

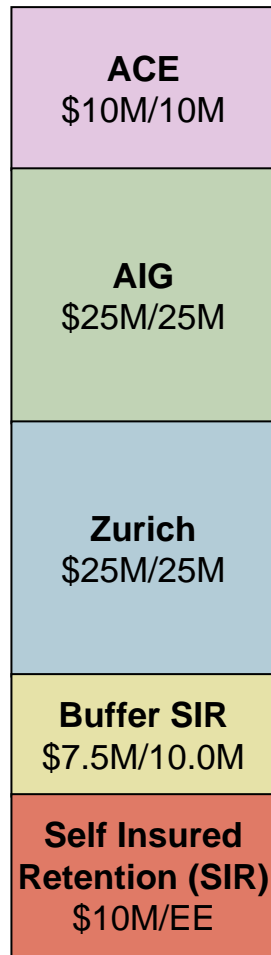
- Liability protection for health care professional employees and students in health care profession training programs is provided through the medical professional self-insurance program combined with excess liability insurance.
- The coverage addresses medical professional liability claims and public liability claims of the hospital and clinics.
- UIH resides in one of the most difficult medical malpractice venues in the United States (Cook County).

Excess Insurance Purchase Recognized UIC Risk Management Efforts

- University Healthcare Consortium provider (Zurich) offered the lowest quote for excess program lead.
- The cost of the excess insurance program will be reduced by more than \$200K versus the prior year.
- An update on UIC Patient Safety and Risk Management initiatives was presented to underwriters by
 - Timothy B. McDonald, MD,JD—Professor, Department of Anesthesiology, Associate Chief Medical Officer for Safety and Risk Management
 - Nikki Centomani—Director, Safety and Risk Management
 - Zurich provided discretionary premium reductions in FY06 and FY07.
- The University liability program compares favorably with peers in the Chicago market, however, UIH total revenue generation is not comparable.

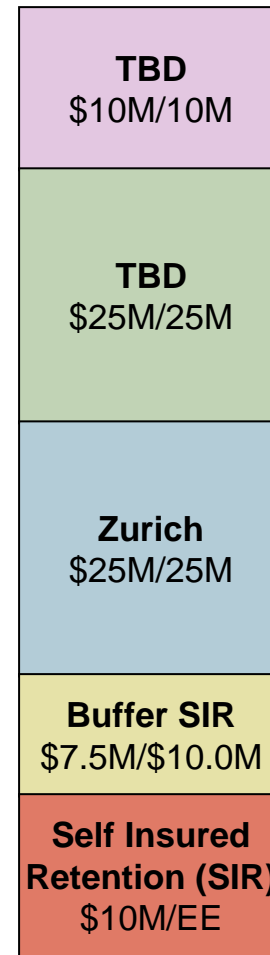
Expiring vs. Renewal Insurance Quotes

Expiring Insurance Program FY06



\$6,011,484
Total Risk
Transfer Cost

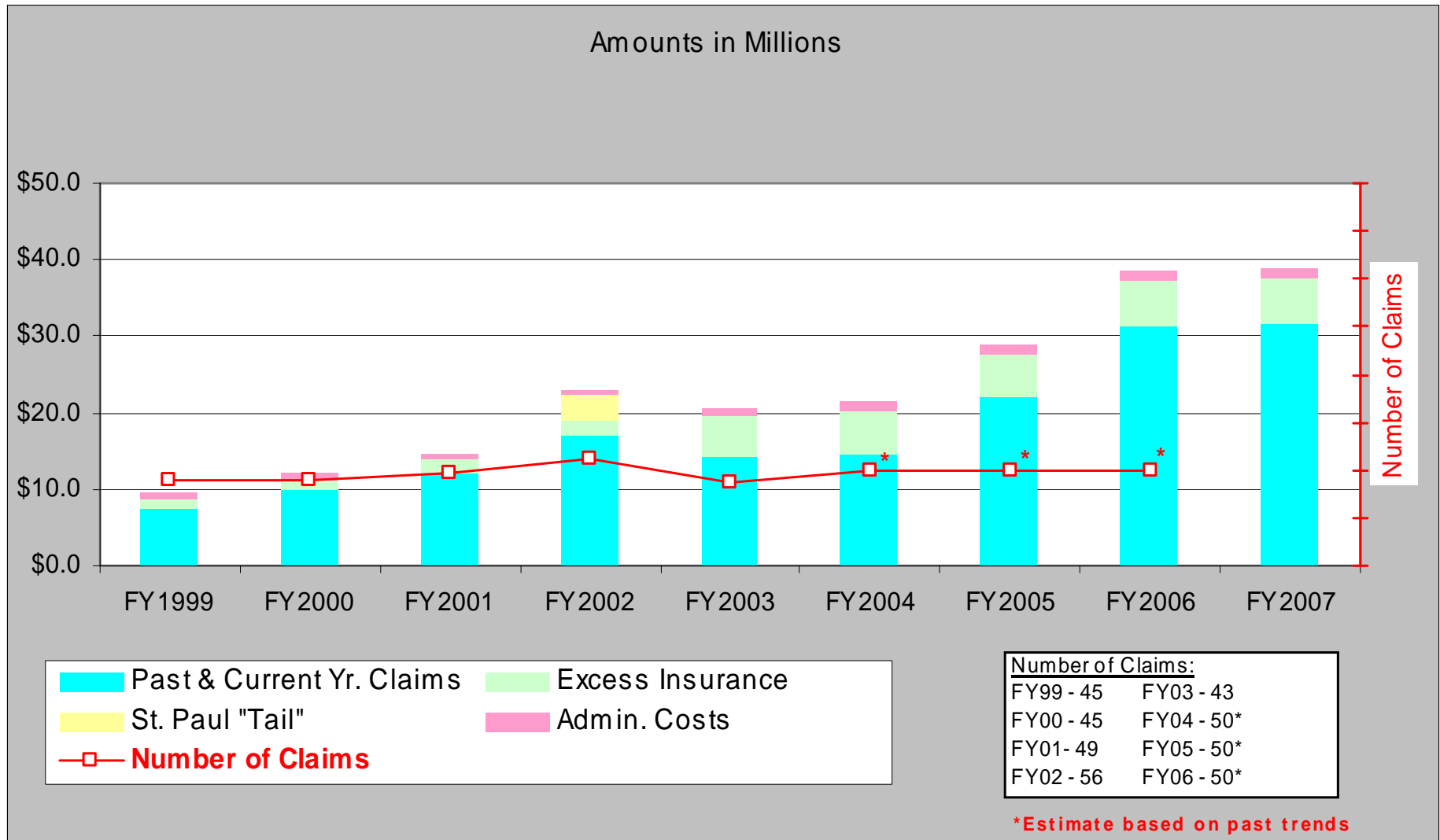
Renewal Insurance Program FY07



\$5,785,200
Total Risk
Transfer Cost

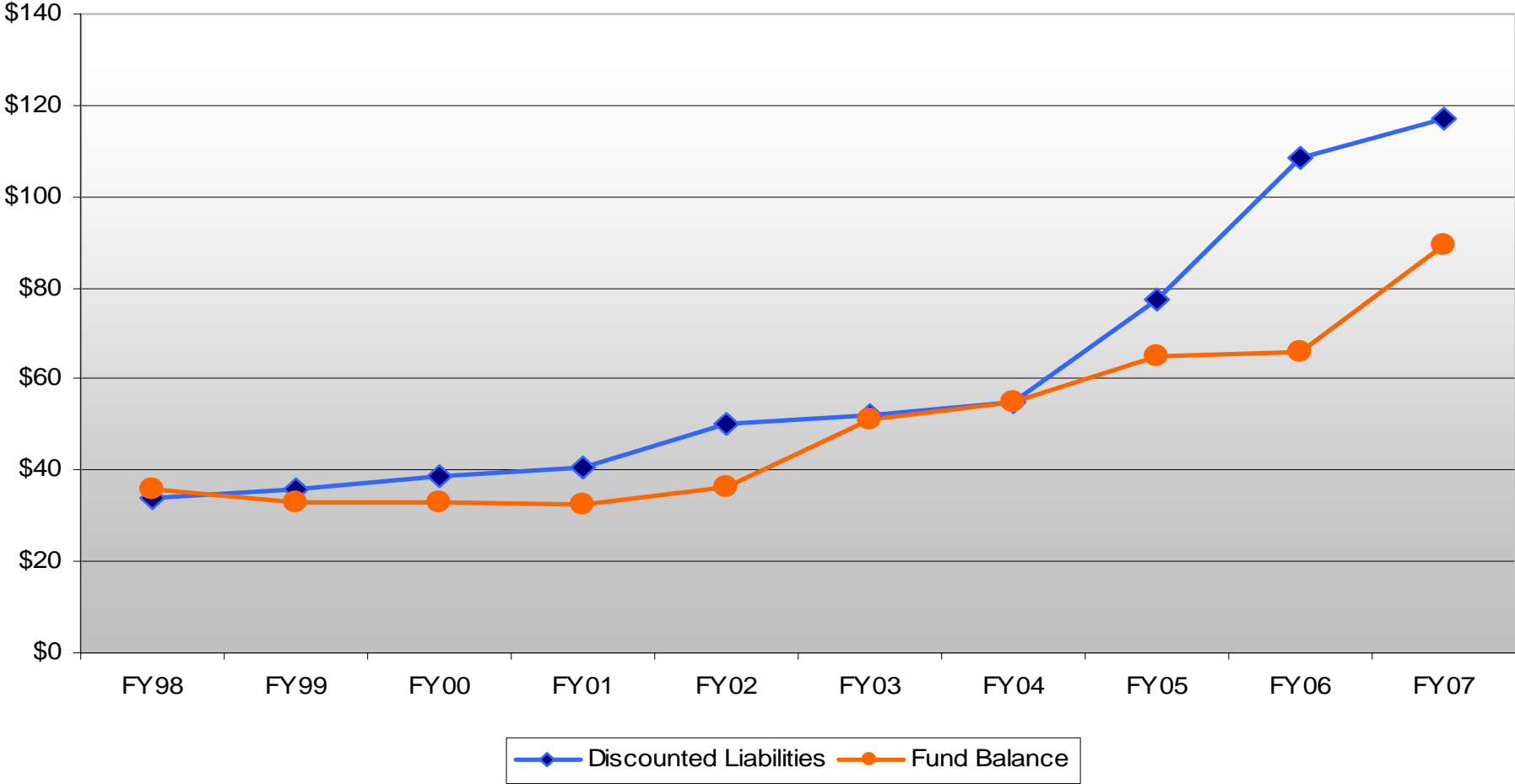
-\$226,284

University Medical Professional Liability Annual Cost Components



Hospital/Medical Professional Insurance Discounted Liabilities and Self Insurance Trust Fund Balance FY98-FY07

**HOSPITAL/MEDICAL PROFESSIONAL INSURANCE
DISCOUNTED LIABILITIES and SELF INSURANCE TRUST FUND BALANCE
(in millions)**



- Buffer Explained
- Peer Institution Excess Limits

- Easiest to think of self-insured buffer as a diminishing or vanishing deductible – in this case – a buffer in two layers - \$7.5M and \$2.5M.
- Buffer is eroded by 1 loss at \$17.5M or multiple losses excess of \$10M totaling \$7.5M in one policy year. An additional \$2.5M must be eroded on other claims above \$10M. Once the \$10M buffer layer has been exhausted, all other claims in this policy year are capped at \$10M each.

- **FY 2007 Example** \$10M with \$7.5M/\$10M Buffer

	<u>U of I Pays</u>	<u>Zurich Pays</u>
■ Claim 1: \$20M	\$17.5M	\$2.5M
■ Claim 2: \$14M	\$12.5M	\$1.5M

(buffer exhausted- \$10M paid excess of \$10M)

■ Claim 3: \$11M	\$10M	\$1M
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Total:	\$40M	\$5M
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Healthcare Umbrella/Excess Limits Cook County Hospitals

Hospital	A	B	C	D	E	F	G	H
Description of Operations	Healthcare System	Healthcare System	Teaching Institution	Teaching Institution	Teaching Institution	Healthcare System	Teaching Institution	Healthcare System
Service/Patient Revenue	\$1.5B	\$2.28B	\$1.1B	\$926M	\$876M	\$629M	\$327M	\$937M
Excess HPL insurance Attachment Point (Self Insured Retention)	\$20M	\$15M	\$7.5M/\$10M XS \$17.5M	\$20M	\$10M/\$10M XS \$15M	\$10M/\$20M XS \$1M	\$7.5M/\$10M XS \$10M	\$10.5M
Per Claim Excess limits Purchased	\$130M	\$200M	\$150M	\$175M	\$75M	\$70M	\$60M	\$100M