

OHIO MEDICAL MALPRACTICE MARKET

PREMIUM / RATE IMPACT OF FORMING A PATIENTS COMPENSATION FUND

Prepared for: Ohio Department of Insurance

Prepared by: Robert L. Sanders, F.C.A.S., M.A.A.A.
Consulting Actuary

Charles W. Mitchell, F.C.A.S., M.A.A.A.
Actuary

Nathan P. Baker
Actuarial Technician

Milliman, Inc.
Brookfield, Wisconsin
(262) 784-2250

November 15, 2004

OHIO MEDICAL MALPRACTICE MARKET

PREMIUM / RATE IMPACT OF FORMING A PATIENTS COMPENSATION FUND

TABLE OF CONTENTS

<i>Section</i>	<i>Page</i>
INTRODUCTION.....	1
THIRD PARTY DISTRIBUTION	2
TERMINOLOGY	3
EXECUTIVE SUMMARY	5
RECOMMENDATIONS.....	13
KEY ASSUMPTIONS.....	17
PROFILE OF CURRENT MARKET	18
GENERAL DISCUSSION OF ANALYSIS	25
DETAILED DISCUSSION OF ANALYSIS	32
Impact of a PCF on the Physician Market	32
Impact of a PCF on the Hospital Market	37
Impact of a PCF on the Other Provider Market	40
OTHER CONSIDERATIONS.....	42
ACKNOWLEDGEMENTS	44
CLOSING	45
EXHIBITS 1 - 12	

OHIO MEDICAL MALPRACTICE MARKET

PREMIUM / RATE IMPACT OF FORMING A PATIENTS COMPENSATION FUND

INDEX OF CHARTS AND TABLES

	Page
Chart 1: Physicians Policy Limits Distribution	21
Chart 2: Hospitals Policy Limits Distribution	23
Table 1: Example of Excess Loss Obligation.....	4
Table 2: Total Market Savings - Option 1: PCF Layer of \$250k xs \$750k	7
Table 3: Impact on Rates - Option 1: PCF Layer of \$250k xs \$750k.....	8
Table 4: Total Market Savings - Option 2: PCF Layer of \$500k xs \$500k	8
Table 5: Impact on Rates - Option 2: PCF Layer of \$500k xs \$500k.....	9
Table 6: Total Market Savings - Option 3: PCF Layer of \$1.25m xs \$750k	9
Table 7: Impact on Rates - Option 3: PCF Layer of \$1.25m xs \$750k	10
Table 8: Total Market Savings - Option 4: PCF Layer of \$1.5m xs \$500k	11
Table 9: Impact on Rates - Option 4: PCF Layer of \$1.5m xs \$500k	11
Table 10: Summary of PCF Premiums by Scenario.....	12
Table 11: Summary of PCF Premium by Provider Type.....	12
Table 12: 2003 National Medical Malpractice Written Premiums	19
Table 13: Ohio Premium Distribution by Provider Type	19
Table 14: Major Writers of Ohio Physicians Coverage	20
Table 15: Ohio Physicians Premiums by Layer	22
Table 16: Major Writers of Ohio Hospital / Nursing Home Coverage.....	22
Table 17: Ohio Hospital Premiums by Layer.....	24
Table 18: Operating Margin for Current Ohio Market.....	30
Table 19: Estimated Potential Expense Savings of PCF	30
Table 20: Macro Impact of PCF on Ohio Physicians Market - Option 2	33
Table 21: Estimated Rate Impact on Physicians by Territory - Option 2	35
Table 22: Commercial Market Composite Family Practice - No Surgery Rates.....	35
Table 23: Statewide Composite Rates for Family Practice - No Surgery	36
Table 24: Example of PCF Rate Impact on Individual Specialty.....	37
Table 25: Macro Impact of PCF on Ohio Hospital/Nursing Home Market - Option 2	39
Table 26: Estimated Rate Impact on Hospitals by Territory - Option 2	40
Table 27: Macro Impact of PCF on Ohio Other Providers - Option 2	41

OHIO MEDICAL MALPRACTICE MARKET

PREMIUM / RATE IMPACT OF FORMING A PATIENTS COMPENSATION FUND

INTRODUCTION

Milliman, Inc. (Milliman) was retained by the Ohio Department of Insurance to evaluate the effect that the creation of a patients compensation fund (PCF) in Ohio would have on the overall premium/rate levels for various healthcare providers. This report summarizes our analysis.

THIRD PARTY DISTRIBUTION

Milliman's work is prepared solely for the use and benefit of the Department in accordance with its statutory and regulatory requirements. Milliman recognizes that materials it delivers to the Department may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit and assumes no duty or liability to any third parties who receive Milliman's work in this fashion. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, the Department agrees that it shall not disclose Milliman's work product to third parties without Milliman's prior written consent, which shall not be unreasonably withheld.

TERMINOLOGY

Throughout this report, a number of terms are used that should be clarified in advance.

Excess Layer of Coverage: The contemplated PCF would provide an excess layer of insurance coverage. For example, a commercial insurance company might provide coverage for the first \$500,000 of indemnity payments for each claim. The PCF might then provide coverage for the next \$500,000 of any claim greater than \$500,000. This is often referred to in the following ways:

- Providing excess coverage in the layer from \$500,000 to \$1 million; or
- Providing coverage for the layer \$500,000 excess of \$500,000.

Attachment Point: The dollar threshold at which the PCF starts providing coverage is known as the attachment point. In the example above, the PCF is said to attach at \$500,000.

Coverage Ceiling: The dollar threshold where the PCF stops providing coverage is referred to as the PCF coverage ceiling. In the example above, the coverage ceiling is \$1,000,000. It should be noted in this scenario the PCF has a maximum exposure of \$500,000 per claim.

The following table illustrates how the indemnity position of a claim would be divided between the commercial market and the PCF under the above example:

Table 1			
Example of Excess Loss Obligation			
Indemnity Amount	First \$500,000 of Indemnity (Commercial Market)	Indemnity in Layer \$500,000 Excess of \$500,000	Indemnity Excess of \$1 Million ¹
\$200,000	\$200,000	\$0	\$0
850,000	500,000	350,000	0
\$1,200,000	500,000	500,000	200,000

¹ This would be paid by commercial market or physician depending on whether the physician has purchased coverage limits greater than \$1 million.

In this example, the PCF would provide coverage for indemnity claims greater than \$500,000 and the PCF would have a maximum exposure of \$500,000 per claim. For example, if an insured physician were held liable for an indemnity loss of \$850,000, the primary insurer would pay the first \$500,000 and the PCF would pay \$350,000. Claims less than \$500,000 would be paid solely by the primary insurer. If a judgment greater than \$1 million were imposed, the PCF would pay the maximum of \$500,000.

The examples above illustrate how coverage would apply on a per claim basis. Policy limits for medical malpractice coverage include both a per claim limit, as well as an annual aggregate amount of coverage for the provider. The annual aggregate is typically three times the per claim limit (example: \$1 million per claim / \$3 million annual aggregate). We have assumed that the PCF would only provide coverage on a per claim basis, and PCF coverage would be provided only excess of applicable primary limits, with the annual aggregate limit provided by the primary market remaining unchanged. For example, should a provider have a claim after exhausting their aggregate coverage limit, the primary company would not cover the claim. We have assumed the PCF would not provide coverage either; otherwise, complications arise with regard to the defense of the claim.

EXECUTIVE SUMMARY

The formation of a PCF would introduce a major change to the medical malpractice market in Ohio. In analyzing the structure of the PCF, we believe a number of key elements should be considered, including:

- Retain enough premium/coverage in the commercial market in order to:
 - Maintain a healthy level of competition; and
 - Align the economic interest of the primary insurer to provide adequate defense of claims;
- Shift enough premium volume to the PCF to generate significant cost savings for providers; and
- Explore the possibility of the PCF providing higher limits of coverage than what is currently bought in the commercial market.

These criteria are discussed in more detail in a subsequent section of this report along with a number of other considerations in structuring the PCF coverage.

A key conclusion incorporated into our analysis is that the PCF can provide coverage for excess layers of loss at a cost 30% below that of the commercial market. The estimation of this cost savings is detailed later in this report.

Based on the above criteria, we present results below for potential PCF structures in which the PCF would cover indemnity in the following layers:

- Option 1: \$250,000 excess of \$750,000;
- Option 2: \$500,000 excess \$500,000;
- Option 3: \$1,250,000 excess of \$750,000; and
- Option 4: \$1,500,000 excess \$500,000.

In estimating the premium/rate impact for each of these scenarios, we have assumed that:

- The State will require all providers to purchase coverage at least up to the coverage ceiling of the PCF. For example, should the PCF provide coverage for the layer \$500,000 excess of \$500,000, then providers would be required to carry at least \$1 million of coverage;
- The PCF will provide per claim coverage for indemnity in the layer specified;
- Providers can continue to voluntarily purchase coverage in excess of the PCF coverage ceiling from the commercial market;
- The PCF will provide the specified layer of coverage based on a cost structure 30% below the current market; and
- The commercial market will not change its pricing of the layers of coverage that remain in the commercial market.

Option 1: PCF Coverage for Layer \$250,000 Excess of \$750,000

The following table displays the estimated overall market premium impact should the PCF provide coverage in the layer \$250,000 excess of \$750,000:

Table 2			
2003 Direct Written Premiums for Ohio Medical Malpractice			
Provider Type	Current Market	Option 1 \$250k xs \$750k	Overall Premium Impact
Physicians	\$403,365,000	\$394,038,000	(2.3)%
Hospitals/Nursing Homes	76,168,000	74,942,000	(1.6)
Other Providers	42,008,000	41,232,000	(1.9)
Other Facilities	19,762,000	19,762,000	0.0
All Other	4,222,000	4,222,000	0.0
Total	\$545,525,000	\$534,196,000	(2.1)%

To interpret this table, in 2003 the commercial market wrote \$545.5 million of premium in Ohio for medical malpractice coverage. We estimate that had a PCF structured as specified for Option 1 been in place for 2003, it would have resulted in an overall premium decrease of approximately \$11.3 million (or 2.1%) in the total statewide medical malpractice premiums.

The table above focuses on the macro (statewide) impact. In determining the micro impact (by individual provider specialty), a key consideration is with regard to whether the PCF will utilize territorial rating. If the PCF does utilize territorial rating, then the rate impact would be fairly uniform across territories. If the PCF were to preclude territorial rating, then there would be some cost shifting in relation to the current commercial market, and the impact on rates would differ by territory.

While we recommend that the PCF utilize territorial rating consistent with the commercial market, the following table demonstrates the effect if territorial rating is precluded from the PCF rating structure. The table displays the overall estimated impact on the Family Practice - No Surgery specialty for the first \$1 million of coverage if the PCF has a uniform statewide rate:

Table 3	
Estimated Rate Impact on Family Practice - No Surgery Specialty Option 1: \$250,000 excess of \$750,000	
Territory	Rate Impact
Cincinnati	(1.4)%
Cleveland	(4.8)
Remainder of State ¹	(2.6)

¹ Does not represent all of Ohio other than Cincinnati and Cleveland. Rather “Remainder of State” reflects an area that has not been specifically rated by any of the companies utilized in the composite, such as Union County.

Option 2: PCF Coverage for Layer \$500,000 Excess of \$500,000

The following table displays the estimated overall premium impact should the PCF provide coverage in the layer \$500,000 excess of \$500,000:

Table 4			
2003 Direct Written Premiums for Ohio Medical Malpractice			
Provider Type	Current Market	Option 2 \$500k xs \$500k	Overall Premium Impact
Physicians	\$403,365,000	\$381,208,000	(5.5)%
Hospitals/Nursing Homes	76,168,000	73,227,000	(3.9)
Other Providers	42,008,000	40,360,000	(3.9)
Other Facilities	19,762,000	19,762,000	0.0
All Other	4,222,000	4,222,000	0.0
Total	\$545,525,000	\$518,779,000	(5.0)%

Had a PCF been in place in 2003 structured in this fashion, we estimate that it would have resulted in an overall premium decrease of approximately \$26.7 million (or 5.0%) in the total statewide medical malpractice premiums.

The following table displays the overall estimated impact on the Family Practice - No Surgery specialty for the first \$1 million of coverage should territorial rating be precluded in the PCF rating structure:

Table 5	
Estimated Rate Impact on Family Practice - No Surgery Specialty Option 2: \$500,000 excess of \$500,000	
Territory	Rate Impact
Cincinnati	(3.5)%
Cleveland	(10.5)
Remainder of State ¹	(6.0)

¹ Does not represent all of Ohio other than Cincinnati and Cleveland. Rather “Remainder of State” reflects an area that has not been specifically rated by any of the companies utilized in the composite, such as Union County.

Option 3: PCF Coverage for Layer \$1,250,000 Excess of \$750,000

The following table displays the estimated overall premium impact should the PCF provide coverage in the layer \$1,250,000 excess of \$750,000:

Table 6				
2003 Direct Written Premiums for Ohio Medical Malpractice				
Provider Type	Current Market	Adjusted Current¹ Market	Option 3 \$1.25M xs \$750k	Overall Premium Impact
Physicians	\$403,365,000	\$473,963,000	\$436,376,000	8.2%
Hospitals/Nursing Homes	76,168,000	82,749,000	77,813,000	2.2
Other Providers	42,008,000	48,095,000	45,493,000	8.3
Other Facilities	19,762,000	N/A	19,762,000	0.0
All Other	4,222,000	N/A	4,222,000	0.0
Total	\$545,525,000		\$583,666,000	7.0%

¹ Adjusted to reflect commercial cost of mandatory minimum coverage limits of \$2 million.

In this scenario, the result is to increase the overall medical malpractice premium by approximately 7.0%. The cause of the increase is that most physicians and other providers currently carry only \$1 million of coverage. This scenario would require them to carry \$2 million of total coverage.

The following table displays the overall estimated impact on the Family Practice - No Surgery specialty for physicians currently buying \$1 million of coverage should territorial rating be precluded in the PCF rating structure:

Table 7	
Estimated Rate Impact on Family Practice - No Surgery Specialty Option 3: \$1,250,000 excess of \$750,000	
Territory	Rate Impact
Cincinnati	17.7%
Cleveland	6.1
Remainder of State ¹	13.6

¹ Does not represent all of Ohio other than Cincinnati and Cleveland. Rather "Remainder of State" reflects an area that has not been specifically rated by any of the companies utilized in the composite, such as Union County.

It should be emphasized that this table compares the current commercial rate for \$1 million of coverage to the rate for \$2 million of coverage including the PCF participation.

Option 4: PCF Coverage for Layer \$1,500,000 Excess of \$500,000

The following table displays the estimated overall premium impact should the PCF provide coverage in the layer \$1,500,000 excess of \$500,000:

Table 8				
2003 Direct Written Premiums for Ohio Medical Malpractice				
Provider Type	Current Market	Adjusted Current¹ Market	Option 3 \$1.5M xs \$500k	Overall Premium Impact
Physicians	\$403,365,000	\$473,963,000	\$423,542,000	5.0%
Hospitals/Nursing Homes	76,168,000	82,749,000	76,098,000	0.1
Other Providers	42,008,000	48,095,000	44,620,000	6.2
Other Facilities	19,762,000	N/A	19,762,000	0.0
All Other	4,222,000	N/A	4,222,000	0.0
Total	\$545,525,000		\$568,244,000	4.2%

¹ Adjusted to reflect commercial cost of mandatory minimum coverage limits of \$2 million.

The result of this option is to increase the overall medical malpractice premium by approximately 4.2%. Again, this is because most physicians and other providers currently carry only \$1 million of coverage and this scenario would require them to carry \$2 million of coverage.

The following table displays the overall estimated impact on the Family Practice - No Surgery specialty for physicians currently buying \$1 million of coverage should the legislature preclude territorial rating in the PCF coverage structure:

Table 9	
Estimated Rate Impact on Family Practice - No Surgery Specialty	
Option 4: \$1,500,000 excess of \$500,000	
Territory	Rate Impact
Cincinnati	15.7%
Cleveland	0.1
Remainder of State ¹	10.1

¹ Does not represent all of Ohio other than Cincinnati and Cleveland. Rather "Remainder of State" reflects an area that has not been specifically rated by any of the companies utilized in the composite, such as Union County.

It should be emphasized that this table compares the current commercial rate for \$1 million of coverage to the rate for \$2 million of coverage including the PCF participation.

Summary of Resulting Premiums

The estimated statewide premium distribution between the commercial market and the PCF is summarized in the table below for each of the scenarios:

Table 10					
Summary of PCF Premium Impact					
Scenario	Current Market Premium (000)	Total Premium After PCF (000)	Overall Premium Impact	Estimated Commercial Market Premium with PCF (000)	PCF Layer Premium (000)
\$250k xs \$750k	\$545,525	\$534,196	(2.1)%	\$507,764	\$26,432
\$500k xs \$500k	545,525	518,779	(5.0)%	456,374	62,405
\$1.25M xs \$750k	545,525	583,665	7.0%	478,374	105,291
\$1.5M xs \$500k	545,525	568,244	4.2%	426,969	141,275

The following table provides a breakdown of the PCF layer premium by provider type for each of the four options:

Table 11				
Summary of PCF Premium by Provider Type				
Provider Type	Option 1 \$250k xs \$750k	Option 2 \$500k xs \$500k	Option 3 \$1.25M xs \$750k	Option 4 \$1.5M xs \$500k
Physicians	\$21,764	\$51,699	\$87,703	\$117,649
Hospitals/Nursing Homes	2,859	6,861	11,517	15,520
Other Providers	1,810	3,846	6,070	8,106
Total	\$29,432	\$62,405	\$105,291	\$141,275

RECOMMENDATIONS

Milliman believes that the formation of a PCF can be an integral part of a long-term solution to the medical malpractice crisis in Ohio provided the PCF is structured properly and operated soundly. Our sense of the current market is that the most important objective for a PCF at this time would be to provide overall cost savings to providers. Based on this, we recommend that should a PCF be formed, the PCF be structured to provide coverage for the layer \$500,000 excess of \$500,000 (Option 2). Furthermore, we recommend the following provisions be incorporated into the structure of the PCF:

Eligibility

The PCF should cover all providers who are covered by the damage limits in Ohio Senate Bill 281.

Participation

We recommend that the PCF require mandatory participation for all eligible providers, including self-insured providers. This would be consistent with the long-term objective of a PCF to provide stability to the medical malpractice market, as the ability of the PCF's Board to take a long-term perspective in addressing market changes is greatly enhanced if participation in the PCF is mandatory for all eligible providers.

We recommend that the PCF rates be set on an "at cost" basis, with no explicit profit margin. This is also based on an assumption that participation will be mandatory.

We recommend that the PCF rates for each group of providers (physicians, hospitals, etc.) be actuarially sound and self-supporting. Hence, we do not believe excluding providers other than physicians would significantly alter the feasibility of creating a PCF. As such, our results are presented separately for physicians, hospitals, and other providers (dentists, chiropractors, etc.), so that the impact of excluding any of these categories can be assessed.

Litigation and Defense Costs

In order to minimize the infrastructure required to support the operations of the PCF, we recommend that the enabling legislation require the primary carriers to continue to provide defense for all claims filed, as has been done in other states with PCFs.

Aggregate Coverage

We recommend that the PCF provide coverage on a per claim basis, the PCF provide coverage only excess of applicable primary limits, and the annual aggregate limit provided by the primary market remain unchanged. For example, should a provider have a claim after exhausting their aggregate coverage limit, the primary company would not cover the claim. As such, the PCF would not provide coverage either.

Territorial Rating

We recommend that the PCF be allowed to vary its rates by territory, consistent with the current rating practices of the commercial market.

Hospital Rating

Some state PCFs vary the rates for hospitals based on the size of the hospital, primarily as it relates to the annual aggregate exposure. Since we have recommended that the Ohio PCF would only provide excess coverage on a per claim basis, with the annual aggregate limit remaining unchanged for the primary market, the rating structure for the Ohio PCF would not need to vary by size of hospital.

Unlimited Coverage for Future Medical Expenses

Some state PCFs provide unlimited coverage for future medical expenses on a paid as incurred basis. This feature is a natural complement to a PCF structure that is either unlimited in coverage and/or is positioned as a catastrophe fund. Based on our analysis, we believe the most likely scenario for an Ohio PCF will be to provide coverage in what the industry refers to as “working layers” of coverage. As such, the advisability of providing unlimited future medical coverage is diminished. We recommend that the PCF provide coverage for medical expenses consistent with the commercial market.

Attachment Point

The recommended PCF attachment point of \$500,000 could apply on either a per occurrence basis or a per defendant basis. For example, multiple providers could be named in a malpractice claim. Under a per occurrence attachment point there would be only one primary limit of coverage of \$500,000 shared by all defendants before the PCF coverage begins. Under a per defendant attachment point, the PCF coverage would begin after each defendant has exhausted their primary limit of coverage. The current commercial market provides coverage limits on a

per defendant basis. We recommend that the attachment point adopted by the PCF apply on a per defendant basis.

Coverage Type

Currently, medical malpractice policies are sold on both claims-made and occurrence coverage forms. We recommend that the PCF provide coverage for each insured on the same basis as the underlying commercial policy (i.e., following form). A concern that typically arises for PCFs providing claims-made coverage is the unfunded tail exposure for a physician that leaves the state. We recommend that PCF coverage only respond where there is underlying primary coverage. If a physician leaves the state and does not secure proper tail coverage, then in the event of a claim, that physician would not have primary coverage, and hence no PCF coverage.

Death, Disability & Retirement Coverage

The current market in Ohio pre-funds tail coverage for physicians with claims-made coverage in the event of death, disability or retirement (DDR). We recommend that the PCF also pre-fund tail coverage for DDR.

KEY ASSUMPTIONS

In our analysis, we made the following key assumptions:

Litigation and Defense Costs

In developing the structure of the PCF, it will be critical to set the attachment point high enough so that the primary carriers have sufficient economic incentive to provide an adequate defense. While the PCF should retain the right to individual counsel, we assumed that under the scenarios presented, the need for the PCF to utilize its own counsel would occur infrequently. As such, our premium estimates for the PCF are based on an assumption that all defense costs would be borne by the primary carriers.

Prospective Premium/Rate Impacts

The estimated cost savings in our report represent the savings in the *current* market rates that may be realized if a PCF is formed. We believe that the savings percentages indicated by our analysis are representative of what would be expected when the 2005 rate levels are established.

For example, under Option 2, our analysis indicates that an overall reduction of 5% in the market's current premium would result from a PCF being formed to cover the layer \$500,000 excess of \$500,000. Our indicated rates for the PCF are based on the market's current rates for this layer (adjusted for a 30% cost savings). If the market rates in Ohio should increase in 2005 by 10%, the indicated PCF rates would most likely also increase by 10%.

PROFILE OF CURRENT MARKET

This section of our report profiles the current market for medical malpractice coverage in Ohio. We have summarized the size of the market, identified the major writers, and quantified the amount of coverage currently being purchased by providers. The data shown reflects the experience of all companies licensed to underwrite insurance in Ohio, based on the statutory financial statements or rate filings that these companies are required to file with the Department of Insurance.

Our analysis does not include the experience of providers that self-insure or place their coverage through other alternative risk transfer (ART) mechanisms, such as captives or trusts, as these self-insurance vehicles are not required to file financial or rating information with the Department. While difficult to precisely quantify, estimates are that as much as 50% of the overall market (on a national basis) is placed through mechanisms other than licensed insurance companies. We do not believe that the lack of information on trusts and other ART vehicles has biased our analysis.

Size of the Ohio Market

The Ohio medical malpractice market had \$545.5 million of direct written premiums in 2003. The size of the Ohio market placed it in the top 10 states, being the seventh largest market in 2003:

Table 12		
State	Total 2003 Direct Written Premium	Market Share
1. New York	\$1,240,773,000	11.2%
2. California	906,850,000	8.2%
3. Florida	892,329,000	8.0%
4. Illinois	670,993,000	6.0%
5. Texas	642,310,000	5.8%
6. Pennsylvania	558,774,000	5.0%
7. Ohio	545,525,000	4.9%
8. New Jersey	491,275,000	4.4%
9. Tennessee	385,726,000	3.5%
10. Georgia	350,821,000	3.2%
Top Ten	\$6,685,376,000	60.3%
Industry Total	\$11,095,956,000	100.0%

Source: National Underwriter Insurance Data Services from Highline Data.

The Ohio market is heavily skewed toward premiums paid for physicians coverage, which represent nearly 75% of the total market:

Table 13		
2003 Ohio Direct Written Premium		
Provider Type	\$	%
Physicians	\$403,365,000	73.9%
Hospitals/Nursing Homes	76,168,000	14.0
Other Providers	42,008,000	7.7
Other Facilities	19,762,000	3.6
All Other	4,222,000	0.8
Total	\$545,525,000	100.0%

Source: Ohio Department of Insurance.

Characteristics of Ohio Physicians Market

The five largest writers of physicians in Ohio in 2003 wrote nearly 82% of the market, as summarized in the table below:

Table 14		
2003 Direct Written Premiums for Ohio Physician Coverage		
Company	\$	%
Medical Assurance Company	\$110,367,000	27.4%
Medical Protective Company	101,738,000	25.2
OHIC Insurance Company	55,815,000	13.8
American Physicians Assurance Corporation	33,593,000	8.3
The Doctors Company	29,449,000	7.3
All Other Companies	72,403,000	18.0
Total	\$403,365,000	100.0%

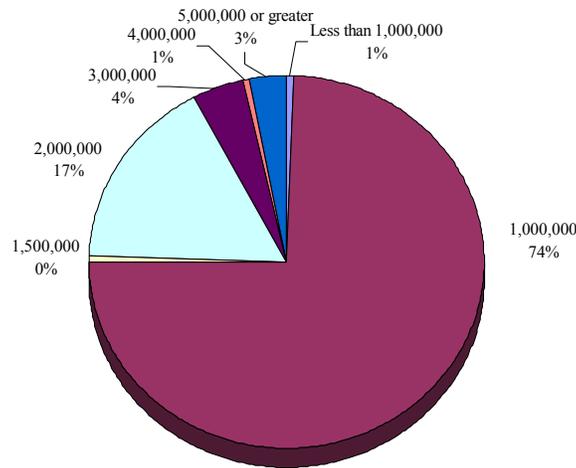
Source: Ohio Department of Insurance.

The Ohio Department provided Milliman with the current rating manuals and supporting rate filings for all five of the leading writers of physicians coverage in Ohio, and our analysis is based on the composite experience of all five companies (this is described in greater detail in a later section of our report).

The rate manual information provided by the Department allowed us to determine how much the largest writers of physicians coverage in Ohio are currently charging physicians for various limits of coverage. To allow us to determine how much coverage physicians are currently buying in Ohio, we approached the largest writers for a profile of their Ohio physicians exposures by limit of coverage. The composite of the information provided to Milliman is summarized in the chart below:

Chart 1

Ohio Physician Policy Limit Distribution (\$)



We would note two key observations from this table:

- Only 58 physicians out of 11,171 (or 0.5%) currently purchase limits below \$1 million per claim. That is, 99.5% of all physicians in Ohio purchase limits of at least \$1 million of coverage; and
- Only 25% of physicians in Ohio purchase limits in excess of \$1 million.

The total commercial market for physicians in Ohio in 2003 had \$403 million of premiums. Based on this profile of physician policy limits, combined with the information provided to Milliman on the current filed rates for the top five writers of physicians in Ohio, we have estimated the premiums by layer of coverage as shown in the table below:

Table 15		
Estimated 2003 Ohio Physician Premiums by Layer		
Layer of Coverage	\$	%
First \$500,000	\$288,222,000	71.5%
Next \$250,000	42,764,000	10.6
Next \$250,000	31,092,000	7.7
Above \$1,000,000	41,287,000	10.3
Total	\$403,365,000	100.0%

Note that the estimated premiums of \$288 million for the first \$500,000 of coverage include the cost of the first \$500,000 on every claim as well as all defense costs. The estimated premiums for the layers in excess of \$500,000 would then reflect only a provision for the expected losses in that layer, with no provision for defense costs.

Characteristics of the Ohio Hospital Market

The top five writers of hospitals and nursing homes in Ohio in 2003 had about an 80% share of the market, as summarized in the table below:

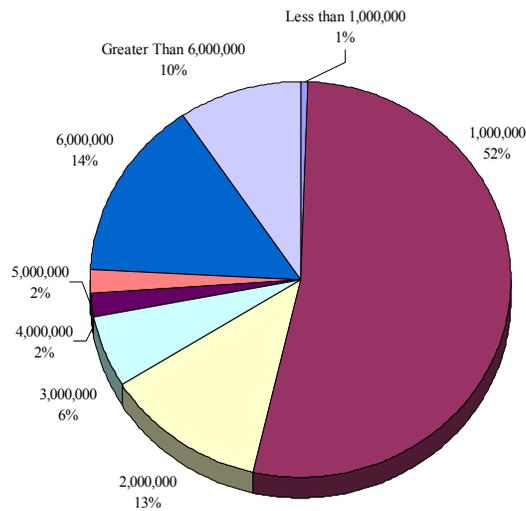
Table 16		
2003 Direct Written Premiums for Ohio Hospital/Nursing Home Coverage		
Company	\$	%
OHIC Insurance Company	\$25,199,000	33.1%
Lexington Insurance Company	19,483,000	25.6
Cincinnati Insurance Company	6,491,000	8.5
American Excess Insurance Exchange	5,542,000	7.3
Steadfast Insurance Company	3,850,000	5.1
All Other	15,603,000	20.5
Total	\$76,168,000	100.0%

As with the physicians analysis, our hospitals analysis relies on publicly available rate filings provided by the Ohio Department. Since a substantial amount of this business is written on an excess and surplus lines basis in which rate manuals are not required to be filed, we relied on a limited number of rate filings that were provided.

The following chart summarizes the distribution of policy limits purchased by hospitals utilized in our analysis:

Chart 2

Ohio Hospital Policy Limit Distribution (\$)



Please note that this policy limits distribution is based on hospitals that currently purchase coverage in the commercial market. Most large health systems self-insure much of their exposure, and are excluded from our data.

The total commercial market for hospitals in Ohio in 2003 had \$76 million of premiums. Based on the profile of hospital policy limits that was provided to Milliman, we have estimated the premiums by layer of coverage as shown in the table below:

Table 17		
Estimated 2003 Ohio Hospital Premiums by Layer		
Layer of Coverage	\$	%
First \$500,000	\$49,356,000	64.8%
Next \$250,000	5,717,000	7.5
Next \$250,000	4,084,000	5.4
Above \$1,000,000	17,011,000	22.3
Total	\$76,168,000	100.0%

GENERAL DISCUSSION OF ANALYSIS

This section provides a general discussion of our analysis and conclusions. A detailed discussion of our calculations is provided in a subsequent section.

Goals of PCF

Milliman was retained to assist the Department in evaluating which layer of coverage should be provided by the PCF, and which layers should continue to be provided by either the commercial market or self-insurance. In our analysis, we concluded that in order to be successfully implemented, a PCF should satisfy a number of objectives:

- From the providers perspective
 - The PCF should provide an immediate reduction to the overall premiums currently being paid by providers;
 - In the long-term, the PCF should help bring stability to the market both in terms of availability and affordability of coverage;
- From the commercial insurance market perspective
 - The PCF should leave enough premium/coverage in the commercial market to:
 - Maintain a healthy level of competition in the commercial market; and
 - Maintain sufficient economic interest for the primary insurer to provide adequate defense of claims; and
- From the patient perspective
 - The PCF should not adversely affect the level of protection that the current commercial market provides to patients for injuries suffered due to medical malpractice.

It should be noted that the goals above are conflicting and need to be balanced. For example, maximizing the cost savings would entail moving as much coverage as possible into the PCF. However, this could jeopardize the health and interests of the commercial market. Also, requiring higher coverage limits to be maintained may provide greater protection to patients but would add to the overall cost paid by physicians.

Market Stability

The long-term objective of bringing stability to the market will to a large extent be dictated by the discipline shown by the PCF's governing body in making critical decisions regarding coverage issues, funding levels, investments, etc. With respect to availability, the structure for the PCF's layer should retain sufficient premium volume in the commercial market to maintain the competitive nature of the current market. With respect to affordability, if the PCF's Board strives to operate the PCF on an actuarially sound basis over the long-term, it has been our experience that when the claims environment for medical malpractice changes suddenly and unexpectedly, then the PCF can take a long-term view in addressing the changes. Under a longer-term perspective, the PCF may not need to react as severely as a commercial carrier. The ability of the PCF's Board to take a long-term perspective in addressing key issues is greatly enhanced if participation in the PCF is mandatory for all eligible providers.

PCF Coverage Layer

Selecting the coverage layer to be insured by the PCF is an exercise in balancing the goals, as described above. This section outlines a number of factors to be considered when deciding on the attachment point or coverage ceiling for the PCF.

Coverage Ceiling

As previously illustrated, our analysis indicates that virtually all physicians and hospitals in Ohio currently purchase limits of coverage of at least \$1 million per claim. While most hospitals purchase coverage in excess of \$1 million, only 25% of physicians currently buy more than \$1 million of coverage.

To the extent the structure of the PCF requires physicians to purchase coverage beyond the \$1 million policy limits that they are predominantly buying, the physicians would incur additional costs. If the need to introduce immediate cost savings for providers is a critical element in implementing a PCF in Ohio, then structuring the PCF's layer of coverage to require higher coverage limits than those currently being purchased would be contrary to this objective.

Based on these considerations, we have provided examples for coverage limits of \$1 million or \$2 million. With a \$1 million coverage ceiling, the majority of physicians who currently purchase only \$1 million of coverage will not be required to purchase more coverage due to the establishment of the PCF. With a \$2 million ceiling, most physicians will be required to carry more coverage. The additional cost of this coverage is somewhat (but not entirely) offset by the cost savings expected to be generated by the PCF.

Attachment Point

Selecting a lower attachment point for the PCF will move more premiums out of the commercial market and into the PCF. Since the PCF can provide coverage at a lower cost than the commercial market, more savings can be generated with a lower attachment point. However, the expense savings that can be generated by a PCF needs to be balanced against the other goals of

the PCF mentioned above, which are the desire to maintain a healthy and competitive commercial market and the need to maintain the economic interest of the primary insurers in providing defense. As such, we believe the most feasible attachment point would be either \$500,000 or \$750,000.

Cost Savings

The most important assumption affecting the results of our analysis is with regard to the savings that can be generated by a PCF. A PCF has a number of cost advantages over companies writing in the commercial market, primarily in the areas of underwriting expenses, the underwriting profit and contingency margin, and the treatment of investment income.

With respect to underwriting expenses, a PCF should be able to operate at a lower expense ratio in each of the following expense categories:

- *Distribution and Marketing Costs:* We have assumed that participation in the PCF would be mandatory for all eligible providers in Ohio, and hence the PCF would not incur any distribution or marketing costs (primarily agents' commissions);
- *State Taxes:* As a state agency, we have assumed that the PCF would be exempt from state premium taxes; and
- *Administrative Costs:* The cost of the general administration of a PCF (expressed as a percentage of premium) is generally lower than the commercial market.

The composite underwriting expense ratio in the current filed rates of the top five writers of physicians in Ohio is 18.3% of premium. We have assumed that an Ohio PCF can operate at an expense ratio of 2% to 4% of premium. Based on our recommended structure (Option 2), we would expect the PCF to collect at least \$60 million of premium in its first year of operation. An expense ratio of 2% to 4% of premium then equates to an operating budget of \$1.2 million to \$2.4 million, which is in line with the current operating budgets of other state PCFs.

With respect to the underwriting profit and contingency margin, as a mandatory state agency, we have assumed that the Ohio PCF would operate on an “at cost” basis with no explicit profit provision to accumulate surplus funds. Related to the concept of providing insurance “at cost”, we have assumed that all investment income expected to be earned by the PCF would be used as a credit to offset the premiums otherwise needed to cover its losses and expenses.

The composite pre-tax underwriting profit and contingency margin in the current filed rates of the top five writers of physicians in Ohio is 9% of premium. Over the past three years, the pre-tax investment income earned on funds provided by policyholders for medical malpractice specialty writers has averaged 15% of premium. Assuming a 35% corporate federal income tax rate, we estimate the overall after-tax operating margin for medical malpractice coverage currently being written in Ohio is 16% of premium, as derived in the table below:

Table 18	
Estimated After-Tax Operating Margin For Current Ohio Medical Malpractice Market	
Underwriting Profit	9%
Investment Income	15%
Federal Income Taxes	(8)%
After-Tax Operating Margin	16%

The following table summarizes the approximate savings that might be achieved by the PCF:

Table 19			
Estimated Potential Expense Savings of PCF			
	Industry	PCF	Estimated Savings
Underwriting Expenses	18%	2% - 4%	14% - 16%
Operating Margin	16%	0%	16%
Total	34%	2% - 4%	30% - 32%

We estimate that a PCF can provide excess coverage at a cost level approximately 30% below that of the current commercial market. We emphasize that this cost differential will fluctuate with the underwriting cycle of the property-casualty market. The current environment is viewed as a “hard” market after several years of double-digit rate increases. Medical malpractice coverage in Ohio is currently priced far more adequately than the decade of the 1990s, which was viewed as an extended “soft” market by most insurance professionals. When the commercial market inevitably turns soft again, the spread between the PCF’s rates and the equivalent commercial premiums will narrow, perhaps considerably. However, in the current market, we believe an Ohio PCF can provide coverage at a cost less than the commercial market.

Please note that the estimated 30% cost savings is based entirely on the underwriting expenses, profit and investment income items identified above. We have assumed that the indemnity costs ultimately paid by the PCF will be identical to those that would have otherwise been paid by the commercial market. Likewise, we have assumed no reduction in defense costs (which will continue to be the responsibility of the commercial market).

DETAILED DISCUSSION OF ANALYSIS

Impact of a PCF on the Physician Market

This section of our report illustrates our calculation of the estimated premium/rate impact of forming a PCF on the current market in Ohio for physicians and surgeons professional liability coverage. This section illustrates how we estimated the premium/rate impact:

- At the macro (or statewide) level; and
- At the micro (or individual physician) level.

For purposes of this illustration, results are presented for Option 2 in which the PCF provides coverage for the layer of loss \$500,000 excess of \$500,000. In estimating the premium/rate impact for this scenario, we have assumed that:

- The State will require all physicians to purchase at least \$1 million of coverage;
- The PCF will provide coverage for indemnity in the layer \$500,000 excess of \$500,000;
- Physicians can continue to voluntarily purchase coverage in excess of \$1 million from the commercial market;
- The PCF will provide this coverage based on a cost structure 30% below the current market; and
- The commercial market will not change its pricing of the layers of coverage that remain in the commercial market.

Impact of a PCF at the Macro Level

The impact on the market at a macro level is estimated by:

- 1) Estimating the overall cost savings achievable by the PCF;
- 2) Stratifying the current market premiums by layer; and
- 3) Applying the estimated cost savings to premiums in the layer to be written by the PCF.

As presented in detail in the “General Discussion” section of this report, our analysis assumes that a PCF can provide excess coverage at a cost 30% below that of the current commercial market. In the “Profile of the Current Market” section, we display the physician premiums stratified by layer.

With these assumptions, the table below shows that on a macro (statewide) basis under Option 2, we would expect physicians to save an average of about 5.5% of the premiums that they are currently paying:

Table 20			
Statewide Ohio Physicians Market			
Layer of Coverage	Current Market	Option 2	Savings
Commercial Market (\$500,000)	\$288,222,000	\$288,222,000	0.0%
PCF Layer (\$500,000)	73,856,000	51,699,000	30.0
Commercial Market (Excess of \$1 Million)	41,287,000	41,287,000	0.0
Total	\$403,365,000	\$381,208,000	5.5%

Impact of a PCF at the Micro Level

Milliman was asked by the Department to estimate the impact of forming a PCF on the premiums currently being paid for the following specialties:

- Family practice with no surgery;
- Family practice with OB, fewer than 50 deliveries;
- Diagnostic radiology;
- OB/GYN;
- General surgery;
- Orthopedic surgery;
- Neurological surgery;
- Thoracic surgery; and
- Emergency room/urgent care.

In general, within a rating territory the impact did not vary much by specialty. Also, if territorial rating is incorporated consistent with the commercial market as recommended, then the average rate impact would be uniform for all providers.

However, if territorial rating is precluded from the PCF rating structure, then the rate impact will vary by territory. The following table displays the approximate impact on the premiums currently being paid for \$1,000,000 / \$3,000,000 mature claims-made coverage for a few rating territories:

Table 21	
Estimated Rate Impact by Territory No Territory Rating for PCF	
Territory	Option 2 \$500k xs \$500k
Cincinnati	(3.5)%
Cleveland	(10.5)
Remainder of State ¹	(6.0)

¹ Does not represent all of Ohio other than Cincinnati and Cleveland. Rather “Remainder of State” reflects an area that has not been specifically rated by any of the companies utilized in the composite, such as Union County.

Exhibits 1 through 8 display the estimated rate impact by territory for each of the specialties above and for each scenarios presented in this report for the situation in which territorial rating is precluded from the PCF rating structure.

In determining the rate impact on specific specialties when territorial rating is precluded from the PCF structure, it was first necessary to develop the current *market composite* rates by limit and by territory, combining the rates of the five companies utilized in our physicians analysis. We accomplished this by weighting the current rates with the 2003 written premium distribution for the five companies. An example is displayed in the table below for Family Practice - No Surgery rates in Cincinnati.

Table 22			
Family Practice - No Surgery Rates in Cincinnati			
	Distribution by Premium	Current \$1M / \$3M Mature Claims-Made Rate	Current \$500K Mature Claims-Made Rate
TMAC	33.3%	\$14,819	\$11,929
MedPro	30.7	11,415	9,182
OHIC	16.9	16,137	12,990
Doctors Company	8.9	13,373	10,832
AP Capital	10.2	11,831	9,819
Composite Rate	100.0%	\$13,563	\$10,952

In order to compare to the anticipated costs under the PCF for the situation in which the PCF will not incorporate territorial rating, we needed to estimate the *statewide* composite rates by limit. This was done by weighting the rates across territories based on the American Medical Association’s distribution of physicians by territory in Ohio. The results are displayed in the table below for Family Practice No - Surgery.

Table 23		
Statewide Composite Rates for Family Practice - No Surgery		
Limits of Coverage	\$500,000	\$1,000,000
Composite Rate	\$12,858	\$15,915

We were then able to estimate the PCF rates with no territorial rating by applying the estimated cost savings previously discussed to the statewide composite rates for the anticipated PCF layer of coverage. For example, the comparable rate we would expect a physician to pay for \$1,000,000 of coverage would be the commercial market primary rate plus the statewide composite rate for the excess layer reduced by 30% to reflect the cost savings produced by the PCF. This is illustrated in the table below for a Family Practice - No Surgery Physician in Cincinnati for the scenario where the PCF attaches at \$500,000.

The table below illustrates that a Family Practice - No Surgery physician practicing in Cincinnati is currently paying \$13,563 on average for \$1 million of mature claims-made coverage (line 2). For Option 2 in which the PCF would provide coverage for \$500,000 excess of \$500,000, the physician would continue to pay the market rate of \$10,952 for the first \$500,000 of coverage (line 1). The PCF would then provide the next \$500,000 of coverage for a cost of \$2,140

(line 7). This equals a total cost to the physician of \$13,092 (\$10,952 + \$2,140), for an average savings of \$471 (line 9).

In order to determine the cost of the PCF layer of coverage with no territorial rating, we first needed to estimate the *statewide composite* rates for \$1 million of coverage and \$500,000 of coverage, lines 3 and 4, respectively. The difference of these two rates (line 4) represents the statewide average commercial rate for this layer to which the 30% savings is applied to estimate the PCF cost for this layer (line 7).

Table 24	
Family Practice – No Surgery Physician in Cincinnati	
Average Commercial Rates	
1. Average Cincinnati Primary Rate @ \$500,000	\$10,952
2. Average Cincinnati Primary Rate @ \$1,000,000	\$13,563
Development of PCF Rate (No Territorial Rating)	
3. Statewide Average Rate @ \$1,000,000	\$15,915
4. Statewide Average Rate @ \$500,000	\$12,858
5. Statewide Average Rate for \$500,000 xs \$500,000 (3) - (4)	\$3,057
6. PCF Savings	30%
7. PCF Excess Rate (5) x (70%)	\$2,140
8. PCF Rate @ 1,000,000 = (1) + (7)	\$13,092
9. Difference (2) - (8)	\$(471)
10. Difference (9) ÷ (2)	(3.5)%

Impact of a PCF on the Hospital Market

This section of our report illustrates the potential impact of forming a PCF on the current market in Ohio for hospitals professional liability (HPL) coverage. As with the physicians analysis, we reviewed the impact on the overall statewide premium. We also reviewed the impact on rates by territory when territorial rating is precluded from the PCF coverage. The impact on individual

hospitals is difficult to estimate due the extensive use of experience rating and the wide variety of coverage provisions, as discussed below.

Impact of a PCF at the Macro Level

The impact at the macro level was estimated in the same fashion as physicians. We estimated the 2003 HPL written premiums by layer of coverage based on the information provided to us by the Ohio Department and then applied a cost savings to the recommended PCF layer. We have assumed that the PCF will provide coverage for the same layer for all exposures and we utilized the 30% estimated cost savings for all exposures.

The option we have illustrated is based on an attachment point of \$500,000. The same assumptions relied on for physicians are used for hospitals as follows:

- The State will require all hospitals to purchase at least \$1 million of coverage;
- The PCF will provide coverage for indemnity in the layer \$500,000 excess of \$500,000;
- The PCF will provide this coverage based on a cost structure 30% below the current market;
- Hospitals can continue to voluntarily purchase coverage in excess of \$1 million from the commercial market; and
- The commercial market will not change its pricing of the layers of coverage that remain in the commercial market.

With these assumptions, the table below shows that on a macro (statewide) basis under Option 2, we would expect hospitals to save an average of about 3.9% of the premiums that they are currently paying:

Table 25			
Statewide Ohio Hospitals Market			
Layer of Coverage	Current Market	Option 2	Savings
Commercial Market (\$500,000)	\$49,356,000	\$49,356,000	0.0%
PCF Layer (\$500,000)	9,801,000	6,861,000	30.0
Commercial Market (Excess of \$1 Million)	17,011,000	17,011,000	0.0
Total	\$76,168,000	\$73,227,000	3.9%

Impact of a PCF at the Micro Level

The impact on individual hospital exposures is not possible to accurately estimate for a number of reasons including:

- Common use of experience rating;
- Wide variety of coverage provisions, such as layers insured; and
- Unavailability of Rating Manuals Due to Extensive Use of Excess and Surplus Market.

The table below demonstrates the effects of precluding territorial rating from the PCF. These effects are for \$1 million of coverage. In other words, they do not consider the premiums for coverage excess of \$1 million, which would not change under the recommended PCF structures. If the premiums for coverage in excess of \$1 million were included in the table below, it would lessen (or flatten) the rate decreases, but the effects across territories would be relatively the same in that Cleveland would see a higher reduction than other lower rated territories.

Table 26	
Estimated Rate Impact by Territory No Territory Rating for PCF	
Territory	Option 2 \$500k xs \$500k
Cleveland	(5.9)%
Remainder of State	(4.3)

Impact of a PCF on the Other Provider Market

This section of our report illustrates the potential impact of forming a PCF on the current market in Ohio for a number of other providers, including chiropractors, dentists, optometrists, podiatrists, and psychologists. As with the physicians analysis, we reviewed the impact on the overall statewide premium. We then reviewed the impact on rates by territory and specialty.

Impact of a PCF at the Macro Level

The impact at the macro level was estimated in the same fashion as physicians. We estimated the 2003 “Other Provider” written premiums by coverage layer based on the information provided to us by the Ohio Department and then applied a cost savings to the recommended PCF layer. We have assumed that the PCF will provide coverage for the same layer for all exposures and we utilized the 30% estimated cost savings for all exposures.

Based on the same assumptions utilized for physicians and hospitals, the following table displays the estimated overall statewide impact under Option 2. Under this scenario, we would expect these other providers to save an average of about 3.9% of the premiums that they are currently paying. It should be noted that we have assumed for sake of this analysis that all of the providers

in this category currently purchase \$1 million limits of coverage. While we were unable to acquire limits distributions, we believe that this assumption is predominantly true and will not significantly bias the results.

Table 27			
Statewide Ohio Other Providers Market			
Layer of Coverage	Current Market	Option 2	Savings
Commercial Market (\$500,000)	\$36,514,000	\$36,514,000	0.0%
PCF Layer (\$500,000)	5,494,000	3,845,000	30.0
Total	\$42,008,000	\$40,360,000	3.9%

Impact of a PCF at the Micro Level

Exhibits 9 through 12 demonstrate the impact by territory for the individual provider specialties listed above under the scenario where territorial rating is precluded from the PCF rating structure.

OTHER CONSIDERATIONS

Several final points should be made. First, any study of premium/rate levels involves a number of critical assumptions. While our recommendations represent our best professional judgment, arrived at after careful analysis of the available data, it is important to note that a significant degree of variation from our projected underwriting results is not only possible but, in fact, probable. While the degree of such variation cannot be quantified, it could be in either direction from our estimates.

Second, we have relied on the rate filings provided by the Department without audit or independent verification. Also, data and other background information underlying our analysis have been provided to us by the Department, without audit or independent verification, as such was beyond the scope of our analysis. If the data or information provided to us is inaccurate or incomplete, our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Third, a number of the commercial carriers active in the Ohio market are clients of Milliman. In developing indicated rates for the PCF, we relied exclusively on the information that was contained in their publicly available rate filings and statutory annual statements. While we do not believe our reliance upon the publicly available information is a conflict, we do believe it warrants disclosure to the Department.

Any reader of this report must possess a certain level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions and the impact of these assumptions on the illustrated results. The reader should be advised by actuaries or other professionals competent in the area of actuarial projections of the type in this report, so as to properly interpret the projection results.

ACKNOWLEDGEMENTS

Our analysis required a significant amount of information and data be provided in a timely manner. We would like to thank the staff of the Department who provided this support diligently and expeditiously. Particularly, we would like to thank Peg M. Ising, Assistant Director - Property & Casualty Services, and James M. Harrison, Executive Policy Counsel, who served as our main contacts at the Department; John R. Pedrick, Chief Actuary, who provided the detailed breakdown of the Ohio market by provider type; and Maureen Motter, who provided the rate manuals and rate filings for the major writers of medical malpractice coverage in Ohio.

We would also like to acknowledge the cooperation we received from the major insurance writers, who provided information on policy limits for their insured healthcare providers.

CLOSING

We appreciate the opportunity to perform this analysis for the Department.

Respectfully submitted,



Robert L. Sanders, F.C.A.S., M.A.A.A.
Consulting Actuary



Charles W. Mitchell, F.C.A.S., M.A.A.A.
Actuary



Nathan P. Baker
Actuarial Technician

RLS/CWM/NPB/klr

November 15, 2004

OHIO PCF IMPACT ON PHYSICIANS PREMIUMS

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$750,000
 PCF Mandatory Layer: \$250,000 excess \$750,000

Specialty: Family practice, No surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$13,563	\$13,367	(\$196)	-1.4%
Cleveland	24,631	23,541	(1,090)	-4.4%
Remainder of State	16,176	15,769	(406)	-2.5%

Specialty: Emergency Room, No surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$38,101	\$37,569	(\$532)	-1.4%
Cleveland	70,657	67,291	(3,366)	-4.8%
Remainder of State	45,535	44,361	(1,174)	-2.6%

Specialty: General Surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$55,083	\$54,314	(\$769)	-1.4%
Cleveland	101,341	96,514	(4,826)	-4.8%
Remainder of State	65,765	64,067	(1,698)	-2.6%

Specialty: OB/GYN

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$73,380	\$72,309	(\$1,072)	-1.5%
Cleveland	133,490	127,143	(6,347)	-4.8%
Remainder of State	86,705	84,471	(2,235)	-2.6%

Specialty: Neurological Surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$98,299	\$96,938	(\$1,360)	-1.4%
Cleveland	181,739	173,090	(8,649)	-4.8%
Remainder of State	118,301	115,214	(3,087)	-2.6%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$750,000
 PCF Mandatory Layer: \$250,000 excess \$750,000

Specialty: Family practice with OB, fewer than 25 deliveries

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$29,783	\$29,324	(\$459)
Cleveland	53,005	50,463	(2,541)	-4.8%
Remainder of State	34,176	33,320	(856)	-2.5%

Specialty: Diagnostic Radiology

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$18,815	\$18,568	(\$247)
Cleveland	35,068	33,510	(1,559)	-4.4%
Remainder of State	22,840	22,269	(571)	-2.5%

Specialty: Orthopedic Surgery (Including Spinal)

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$55,288	\$54,512	(\$776)
Cleveland	102,022	97,148	(4,875)	-4.8%
Remainder of State	66,096	64,380	(1,716)	-2.6%

Specialty: Orthopedic Surgery (Excluding Spinal)

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$52,336	\$51,574	(\$762)
Cleveland	95,196	90,686	(4,510)	-4.7%
Remainder of State	62,235	60,614	(1,621)	-2.6%

Specialty: Thoracic Surgery

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$65,729	\$64,784	(\$945)
Cleveland	120,643	114,882	(5,760)	-4.8%
Remainder of State	77,973	75,960	(2,013)	-2.6%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$500,000
 PCF Mandatory Layer: \$500,000 excess \$500,000

Specialty: Family practice, No surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$13,563	\$13,092	(\$471)	-3.5%
Cleveland	24,631	22,049	(2,582)	-10.5%
Remainder of State	16,176	15,209	(967)	-6.0%

Specialty: Emergency Room, No surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$38,101	\$36,823	(\$1,278)	-3.4%
Cleveland	70,657	62,726	(7,931)	-11.2%
Remainder of State	45,535	42,756	(2,778)	-6.1%

Specialty: General Surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$55,083	\$53,237	(\$1,847)	-3.4%
Cleveland	101,341	89,933	(11,408)	-11.3%
Remainder of State	65,765	61,738	(4,027)	-6.1%

Specialty: OB/GYN

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$73,380	\$70,811	(\$2,569)	-3.5%
Cleveland	133,490	118,466	(15,024)	-11.3%
Remainder of State	86,705	81,401	(5,304)	-6.1%

Specialty: Neurological Surgery

Total Cost for \$1 Million of Coverage				
Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$98,299	\$95,038	(\$3,261)	-3.3%
Cleveland	181,739	161,274	(20,465)	-11.3%
Remainder of State	118,301	110,974	(7,327)	-6.2%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$500,000
 PCF Mandatory Layer: \$500,000 excess \$500,000

Specialty: Family practice with OB, fewer than 25 deliveries

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$29,783	\$28,680	(\$1,103)
Cleveland	53,005	46,967	(6,038)	-11.4%
Remainder of State	34,176	32,137	(2,039)	-6.0%

Specialty: Diagnostic Radiology

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$18,815	\$18,221	(\$594)
Cleveland	35,068	31,397	(3,671)	-10.5%
Remainder of State	22,840	21,488	(1,352)	-5.9%

Specialty: Orthopedic Surgery (Including Spinal)

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$55,288	\$53,425	(\$1,863)
Cleveland	102,022	90,478	(11,544)	-11.3%
Remainder of State	66,096	62,020	(4,076)	-6.2%

Specialty: Orthopedic Surgery (Excluding Spinal)

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$52,336	\$50,505	(\$1,831)
Cleveland	95,196	84,493	(10,703)	-11.2%
Remainder of State	62,235	58,377	(3,858)	-6.2%

Specialty: Thoracic Surgery

Territory	Total Cost for \$1 Million of Coverage		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	Cincinnati	\$65,729	\$63,460	(\$2,269)
Cleveland	120,643	107,022	(13,621)	-11.3%
Remainder of State	77,973	73,198	(4,774)	-6.1%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$750,000
 PCF Mandatory Layer: \$1,250,000 excess \$750,000

Specialty: Family practice, No surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$13,563	\$15,969	\$2,406	17.7%
Cleveland	24,631	26,143	1,511	6.1%
Remainder of State	16,176	18,371	2,195	13.6%

Specialty: Emergency Room, No surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$38,101	\$45,272	\$7,171	18.8%
Cleveland	70,657	74,993	4,336	6.1%
Remainder of State	45,535	52,063	6,528	14.3%

Specialty: General Surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$55,083	\$66,359	\$11,275	20.5%
Cleveland	101,341	108,559	7,218	7.1%
Remainder of State	65,765	76,111	10,346	15.7%

Specialty: OB/GYN

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$73,380	\$88,582	\$15,202	20.7%
Cleveland	133,490	143,417	9,927	7.4%
Remainder of State	86,705	100,744	14,039	16.2%

Specialty: Neurological Surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$98,299	\$118,953	\$20,654	21.0%
Cleveland	181,739	195,104	13,365	7.4%
Remainder of State	118,301	137,228	18,927	16.0%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$750,000
 PCF Mandatory Layer: \$1,250,000 excess \$750,000

Specialty: Family practice with OB, fewer than 25 deliveries

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$29,783	\$35,510	\$5,727	19.2%
Cleveland	53,005	56,649	3,644	6.9%
Remainder of State	34,176	39,506	5,330	15.6%

Specialty: Diagnostic Radiology

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$18,815	\$22,367	\$3,552	18.9%
Cleveland	35,068	37,309	2,240	6.4%
Remainder of State	22,840	26,068	3,228	14.1%

Specialty: Orthopedic Surgery (Including Spinal)

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$55,288	\$66,443	\$11,155	20.2%
Cleveland	102,022	109,078	7,056	6.9%
Remainder of State	66,096	76,310	10,214	15.5%

Specialty: Orthopedic Surgery (Excluding Spinal)

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$52,336	\$62,692	\$10,356	19.8%
Cleveland	95,196	101,804	6,608	6.9%
Remainder of State	62,235	71,732	9,497	15.3%

Specialty: Thoracic Surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$65,729	\$78,824	\$13,096	19.9%
Cleveland	120,643	128,923	8,280	6.9%
Remainder of State	77,973	90,000	12,027	15.4%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$500,000
 PCF Mandatory Layer: \$1,500,000 excess \$500,000

Specialty: Family practice, No surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cincinnati	\$13,563	\$15,693	\$2,131	15.7%
Cleveland	24,631	24,651	19	0.1%
Remainder of State	16,176	17,811	1,635	10.1%

Specialty: Emergency Room, No surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cincinnati	\$38,101	\$44,526	\$6,425	16.9%
Cleveland	70,657	70,428	(229)	-0.3%
Remainder of State	45,535	50,459	4,924	10.8%

Specialty: General Surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cincinnati	\$55,083	\$65,281	\$10,198	18.5%
Cleveland	101,341	101,977	636	0.6%
Remainder of State	65,765	73,782	8,018	12.2%

Specialty: OB/GYN

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cincinnati	\$73,380	\$87,085	\$13,704	18.7%
Cleveland	133,490	134,740	1,250	0.9%
Remainder of State	86,705	97,675	10,970	12.7%

Specialty: Neurological Surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cincinnati	\$98,299	\$117,052	\$18,753	19.1%
Cleveland	181,739	183,288	1,549	0.9%
Remainder of State	118,301	132,989	14,687	12.4%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Physician Specialty

Scenario

PCF Attachment: \$500,000
 PCF Mandatory Layer: \$1,500,000 excess \$500,000

Specialty: Family practice with OB, fewer than 25 deliveries

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$29,783	\$34,866	\$5,083	17.1%
Cleveland	53,005	53,152	148	0.3%
Remainder of State	34,176	38,323	4,147	12.1%

Specialty: Diagnostic Radiology

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$18,815	\$22,020	\$3,205	17.0%
Cleveland	35,068	35,196	128	0.4%
Remainder of State	22,840	25,287	2,447	10.7%

Specialty: Orthopedic Surgery (Including Spinal)

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$55,288	\$65,355	\$10,067	18.2%
Cleveland	102,022	102,408	386	0.4%
Remainder of State	66,096	73,951	7,854	11.9%

Specialty: Orthopedic Surgery (Excluding Spinal)

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$52,336	\$61,623	\$9,287	17.7%
Cleveland	95,196	95,611	415	0.4%
Remainder of State	62,235	69,495	7,260	11.7%

Specialty: Thoracic Surgery

Territory	\$1 Million Current vs. \$2 Million w/PCF		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
Cincinnati	\$65,729	\$77,500	\$11,772	17.9%
Cleveland	120,643	121,062	419	0.3%
Remainder of State	77,973	87,239	9,266	11.9%

OHIO PCF IMPACT ON ALLIED PROVIDERS PREMIUMS

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Specialty - Other Providers

Scenario

PCF Attachment: \$750,000
 PCF Mandatory Layer: \$250,000 excess \$750,000

Specialty: Chiropractor

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Statewide	\$2,215	\$2,179	(\$36)	-1.6%

Specialty: General Dentist - No Surgery

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Statewide	\$1,314	\$1,285	(\$29)	-2.2%

Specialty: Optometrist

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$1,027	\$986	(\$42)	-4.0%
Cleveland	\$2,247	\$2,107	(\$141)	-6.3%
Remainder of State	\$1,284	\$1,222	(\$62)	-4.9%

Specialty: Podiatrist

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cleveland	\$10,939	\$10,625	(314)	-2.9%
Remainder of State	\$8,897	\$8,730	(\$167)	-1.9%

Specialty: Psychologist

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$2,016	\$1,975	(\$40)	-2.0%
Cleveland	\$3,747	\$3,600	(147)	-3.9%
Remainder of State	\$2,634	\$2,556	(79)	-3.0%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Specialty - Other Providers

Scenario

PCF Attachment: \$500,000
 PCF Mandatory Layer: \$500,000 excess \$500,000

Specialty: Chiropractor

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Statewide	\$2,215	\$2,139	(\$76)	-3.4%

Specialty: General Dentist - No Surgery

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Statewide	\$1,314	\$1,252	(\$62)	-4.8%

Specialty: Optometrist

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$1,027	\$968	(\$59)	-5.8%
Cleveland	\$2,247	\$1,950	(\$298)	-13.3%
Remainder of State	\$1,284	\$1,175	(\$109)	-8.5%

Specialty: Podiatrist

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cleveland	\$10,939	\$10,273	(\$666)	-6.1%
Remainder of State	\$8,897	\$8,543	(\$354)	-4.0%

Specialty: Psychologist

Total Cost for \$1 Million of Coverage

Territory	Current Commercial	Total Cost With PCF	Difference	
			Dollar	Percent
Cincinnati	\$2,016	\$1,930	(\$86)	-4.3%
Cleveland	\$3,747	\$3,434	(\$312)	-8.3%
Remainder of State	\$2,634	\$2,467	(\$167)	-6.3%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Specialty - Other Providers

Scenario

PCF Attachment: \$750,000
 PCF Mandatory Layer: \$1,250,000 excess \$750,000

Specialty: Chiropractor

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Statewide	\$2,215	\$2,326	\$111	5.0%

Specialty: General Dentist - No Surgery

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Statewide	\$1,314	\$1,429	\$115	8.7%

Specialty: Optometrist

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cincinnati	\$1,027	\$1,319	\$292	28.4%
Cleveland	\$2,247	\$2,440	\$193	8.6%
Remainder of State	\$1,284	\$1,555	\$271	21.1%

Specialty: Podiatrist

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cleveland	\$10,939	\$11,579	640	5.8%
Remainder of State	\$8,897	\$9,684	\$787	8.8%

Specialty: Psychologist

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial	Total Cost With PCF	Dollar	Percent
	@ \$1 Million	@ \$2 Million		
Cincinnati	\$2,016	\$2,172	\$156	7.8%
Cleveland	\$3,747	\$3,797	50	1.3%
Remainder of State	\$2,634	\$2,752	118	4.5%

OHIO DEPARTMENT OF INSURANCE

Evaluation of Rate Impact of Patients Compensation Fund

Rate Impact by Specialty - Other Providers

Scenario

PCF Attachment: \$500,000
 PCF Mandatory Layer: \$1,500,000 excess \$500,000

Specialty: Chiropractor

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
	Statewide	\$2,215	\$2,286	\$71

Specialty: General Dentist - No Surgery

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
	Statewide	\$1,314	\$1,396	\$82

Specialty: Optometrist

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
	Cincinnati	\$1,027	\$1,302	\$274
Cleveland	\$2,247	\$2,283	\$36	1.6%
Remainder of State	\$1,284	\$1,508	\$224	17.4%

Specialty: Podiatrist

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
	Cleveland	\$10,939	\$11,226	287
Remainder of State	\$8,897	\$9,496	\$599	6.7%

Specialty: Psychologist

Territory	<u>\$1 Million Current vs. \$2 Million w/PCF</u>		Difference	
	Current Commercial @ \$1 Million	Total Cost With PCF @ \$2 Million	Dollar	Percent
	Cincinnati	\$2,016	\$2,127	\$111
Cleveland	\$3,747	\$3,631	(116)	-3.1%
Remainder of State	\$2,634	\$2,664	30	1.1%