COMMISSION ON THE MCARE FUND

ACTUARIAL ANALYSES AND SUPPORT OF THE MCARE COMMISSION

PURSUANT TO ACT 88 OF 2005

Prepared by

Actuarial and Insurance Management Solutions

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

November 2006



PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300
www.pwc.com

November 28, 2006

Mr. Peter Adams
Deputy Insurance Commissioner
Pennsylvania Mcare Fund
30 North Third Street
8th Floor, Suite 800
Harrisburg, Pennsylvania 17108

Dear Mr. Adams:

Enclosed is our report documenting the analyses and modeling prepared in support of the Commission on the Mcare Fund. I greatly appreciate the assistance you and your staff have provided, and it has been a pleasure to work with you and the Commission over the past several months. I look forward to working with you in the future.

Please do not hesitate to call should you have any further questions or if I can be of further assistance.

Sincerely,

Timothy J. Landick
Timothy J. Landick

Director

Fellow of the Casualty Actuarial Society

Member of the American Academy of Actuaries

Enclosure

cc: Members of the Commission on the Mcare Fund

TABLE OF CONTENTS

Introduction	1
Background	1
Distribution and Use	2
Conditions and Limitations	3
Executive Summary	4
Appendix A - Work Task 1	6
Executive Summary	
Appendix B - Work Task 2	11
Introduction	12
Background	12
Conditions and Limitations	13
Executive Summary	
Trends in Medical Malpractice Rates	14
Rate Trends by Specialty and Geography	15
Analysis	
The Insurance Underwriting Cycle	17
Historical Trends	23
Reasonable Scenarios for Future Premium Rate Changes	31
Rate Trends by Specialty and Geography	
Data Sources	39
Citations	40
Appendix C - Work Task 3	
Introduction	43
Background	
Risk and Uncertainty	
Executive Summary	
Mcare Phase-Out Model	
Summary of Final Model Results	
Final Model Results - Observations	
Analysis	
Principal Model Variables	
Other Model Variables	
Sample Calculation	
Final Model Results	
Other Model Results	64
Exhibits	
Sample Model Calculation	
Final Model Results	
Other Model Results	
Addendum to Appendix C (under separate cover)	
Final Model Results	
Other Model Results	

INTRODUCTION

Background

The Commission on the Medical Care Availability and Reduction of Error Fund (the Commission) was established by an act of the Pennsylvania General Assembly to make recommendations to the Governor and the General Assembly regarding Pennsylvania's Medical Care Availability and Reduction of Error Fund (the Fund) and related medical malpractice issues. Act 88 of 2005, Section 5103.1(B)(3) provides:

The Commission shall make recommendations concerning continuation of the Mcare abatement; the elimination or phaseout of the Fund; and other provisions for providing adequate medical professional liability insurance, including, at a minimum, an evaluation and actuarial analysis of the projected scope of the Fund's future unfunded liability and any reasonable and available financing options for retiring those unfunded liabilities.

To have a framework from which to make recommendations, the Commission set forth eight work tasks, as follows:

- ♦ Work Task 1 Update actuarial estimates of unfunded liabilities of the Fund as of December 31, 2005;
- ♦ Work Task 2 Assess trends in medical malpractice rates and project rates annually through 2010 as well as long-term;
- ♦ Work Task 3 Develop annual estimates through 2010, as well as long-term trends, by specialty and geographic area, of the costs to providers of phasing out the Fund;
- Work Task 4 Estimate the options and costs for continuing abatements through 2009;
- Work Task 5 Identify and evaluate alternatives for financing the Fund's unfunded liabilities:
- Work Task 6 Identify rating factors for health care providers used by the JUA;

♦ Work Task 7 - Identify barriers to recruitment of providers to Pennsylvania through

interviews with physician recruiters and other recruiters, and develop at least qualitative

estimates of the relative importance of Fund assessments and malpractice premiums to

recruitment; and

• Work Task 8 - Compile information related to physicians' primary coverage by carrier

and region/county.

The Commission has retained PricewaterhouseCoopers (PwC) to provide actuarial services in

support of its efforts, primarily in connection with Work Tasks 1 through 3. The work

performed by PwC is documented in the Appendices to this report.

Distribution and Use

This report was prepared for use by the Commission in support of its Final Report and

Recommendations to the Governor and General Assembly. The supporting exhibits and

appendices are an integral part of this report; as such, the report must only be released in its

entirety. Third parties reviewing this report should recognize that the furnishing of this

report is not a substitute for their own due diligence and should place no reliance on this

report or the data contained herein that would result in the creation of any duty or liability by

PwC to the third party. PwC is available, subject to the Fund's approval and expense, to

answer questions regarding this report.

Conditions and Limitations

The analyses and support requested by the Commission required the estimation of industry premium trends, loss development and payment patterns, and numerous other variables over an extended period of time. During this period, a myriad of internal and external factors will affect the ultimate outcomes of these variables. These factors include, but are not limited to:

- Unexpected changes in the frequency or severity of medical malpractice claims;
- Changes in judicial or social attitudes toward compensability;
- Possible emergence of new theories of liability;
- Impacts of tort reform, either at the state or federal level;
- Changes in the rate of payment of medical malpractice claims;
- Shifts in the distribution of policy type purchased by health care providers; and
- Unanticipated changes in behavior over time, in response to the factors above, or to other internal or external factors.

There is significant uncertainty inherent in the projection of future events. No guarantee, either expressed or implied, should be inferred that actual results will emerge as projected in this report.

EXECUTIVE SUMMARY

Act 88 of 2005 provided for the establishment of the Commission on the Mcare Fund and

charged the Commission with responsibility for studying, reviewing, and making

recommendations regarding appropriate and effective methods to address any future

unfunded liabilities of the Mcare Fund and other aspects of Mcare, including continuation of

the Abatement Program.

The Commission first met on April 12, 2006, and held six additional meetings over the next

several months. The Commission also held a public hearing on November 2, 2006. In

addition, the Commission held several executive sessions regarding the process to be used in

finalizing the recommendations and report.

PwC participated in the Commission meetings and the public hearing and provided input and

support for several of the Commission's executive sessions. PwC was also asked to provide

fairly extensive support of the Commission's Work Task 1, Work Task 2, and Work Task 3.

The support provided for Work Task 1 included projecting the Fund's unfunded liability as of

12/31/2005. The work is discussed in the attached Appendix A - Work Task 1. The unfunded

liability projections also form an important input into the Commission's Work Task 3.

Specifically, the assumptions and methodology employed to estimate the unfunded liability

are used to estimate future costs, including: the increases in primary premium resulting from

increases in the primary limits of insurance, the costs of future coverage provided by the

Fund, and future remaining unfunded liability.

The support provided for Work Task 2 included an assessment of trends in medical

malpractice rates, including projections of rates annually through 2010 as well as over the

longer term. A number of reasonable scenarios are discussed, which form the basis for

scenario testing performed as part of Work Task 3. The work performed as part of Work

Task 2 is discussed in the attached *Appendix B - Work Task 2*.

The support provided for Work Task 3 included developing a model to illustrate the financial

impact of numerous variables, including but not limited to changes to primary policy limits,

amount of external funding, expected annual primary premium trend, and the possibility that

actual Fund results differ from those currently projected. The work performed as part of

Work Task 3 is discussed in the attached *Appendix C - Work Task 3*.

Each of the attached appendices includes separate sections discussing the work in greater

detail, including an Executive Summary within each appendix and other details as

appropriate. The supporting exhibits and appendices are an integral part of this report.

APPENDIX A - WORK TASK 1

Update Actuarial Estimates of Unfunded Liabilities of the

Meare Fund as of December 31, 2005

EXECUTIVE SUMMARY

The Commonwealth of Pennsylvania established the Fund ¹ on January 13, 1976 as part of its effort to make professional liability insurance available at a reasonable cost and to provide for prompt and fair compensation to persons sustaining injury due to the negligence of a health care provider.

The Fund currently provides excess coverage (above varying historical limits) for health care providers that have exhausted their primary limits, and also provides first dollar coverage, including defense, for claims that are reported within the statute of limitations, but four or more years after the occurrence event² (Section 715³).

In connection with the Commission's Work Task 1, we estimated the Fund's outstanding liability as of December 31, 2005 to be approximately \$2.33 billion. The indicated liability after discounting the Fund's liabilities at a 4% annual rate of interest is approximately \$1.87 billion. Discounting is the process of recognizing the time value of money (i.e., investment income potential) since payment of the unfunded liability will take many years. The estimated liability includes the projected impact of several Act 13 provisions, including those for:

• Scheduled changes in the limits of coverage;

¹ Pursuant to the provisions of Act 13 of 2002 (hereafter, "Act 13"), the Fund assumed the rights of the Medical Professional Liability Catastrophe Loss Fund on October 1, 2002.

² Subject to the continuing course of treatment provision, as described in the report.

³ Namely, Section 715 of Act 13. These were previously known as Section 605 claims. Pursuant to Act 13, all medical professional liability insurance policies issued on or after January 1, 2006 shall provide indemnity and defense for claims asserted against a health care provider for a breach of contract or tort which occurs four or more years after the breach of contract or tort occurred and after December 31, 2005.

⁴ This discount rate and the resulting estimate of the discounted liability may not be suitable for every purpose. Estimates at other discount rates are included in our report. Discounted estimates assume that the Fund's payments continue to be made at the end of each calendar year.

• Continuing Course of Treatment provision; and

• Section 513 (Statute of Repose).

Our projections also include an adjustment to reflect the recent apparent shift in claims from

Philadelphia to other venues, including an adjustment to reflect the anticipated resulting

reduced propensity for Fund claims to close with payment and the reduced average Fund

severity per claim closing with payment.

Details of the analysis supporting our estimate of the unfunded liability are included in the

report entitled Pennsylvania Medical Care Availability and Reduction of Error Fund,

Estimation of 12/31/2005 Unfunded Liability, Estimate of Future Years' Claims Payments,

Pursuant to Act 13 of 2002 (hereafter, the "unfunded liability report"), which has been

provided to the Fund under separate cover dated June 16, 2006.

Under current legislation, the mandatory primary coverage limits are scheduled to increase

(with corresponding decreases in the Fund coverage limits) in 2008 (from \$500,000 to

\$750,000 per claim) and in 2011 (from \$750,000 to \$1 million per claim), subject to the

Commissioner's assessment of basic insurance coverage capacity. The estimates contained

in the unfunded liability report assume that basic coverage limits increase as scheduled, and

that the Fund provides no "new" coverage beginning with policies issued or renewed in

2011. If the coverage capacity does not exist to increase the mandatory primary limits as

scheduled in 2008 and 2011, or if other legislative changes modify the Fund limits of

coverage, estimates of the total Fund liability and its associated payout would require

appropriate modification.

Assuming changes in the Fund coverage limits proceed as currently scheduled, the projected year-beginning unfunded liability, cost of covered "new" occurrences, calendar year claims payments, and resulting year-ending unfunded liability are included in the table below:

Projected Unfunded Liability, Costs of Covered Claims, and Annual Claims Payments Projections as of 12/31/2005, Rolled Forward to Future Years-Ending						
	Beginning	Cost of	Projected	Ending	Discounted (4%)	
Accident	Unfunded	Covered	Claims	Unfunded	Ending	
Year	Liability	Claims	Payments	Liability	Unfunded	
2005			•	2,328,712	1,872,649	
2006	2,328,712	320,424	225,000	2,424,136	1,966,146	
2007	2,424,136	288,972	275,000	2,438,108	1,990,841	
2008	2,438,108	207,130	317,885	2,327,354	1,911,439	
2009	2,327,354	154,281	320,587	2,161,048	1,785,230	
2010	2,161,048	124,984	323,446	1,962,587	1,627,753	
2011	1,962,587	31,653	320,302	1,673,938	1,396,423	
2012	1,673,938		305,782	1,368,156	1,146,498	
2013	1,368,156		277,646	1,090,509	914,711	
2014	1,090,509		239,268	851,241	712,032	
2015	851,241		194,312	656,930	546,202	
2016	656,930		149,418	507,512	418,632	
2017	507,512		111,944	395,567	323,433	
2018	395,567		83,117	312,450	253,253	
2019	312,450		62,233	250,218	201,150	
2020	250,218		47,232	202,986	161,964	
2021	202,986		36,406	166,580	132,037	
2022	166,580		28,797	137,782	108,521	
2023	137,782		22,888	114,895	89,974	
2024	114,895		18,178	96,717	75,395	
2025	96,717		14,695	82,022	63,716	
2026	82,022		12,051	69,972	54,215	
2027	69,972		9,899	60,073	46,484	
2028	60,073		8,078	51,995	40,266	
2029	51,995		6,558	45,438	35,319	
2030	45,438		5,456	39,982	31,276	
2031	39,982		4,623	35,359	27,904	
2032	35,359		3,981	31,378	25,039	
2033	31,378		3,574	27,804	22,467	
2034	27,804		3,309	24,495	20,057	
2035	24,495		3,121	21,374	17,738	
2036	21,374		2,969	18.405	15,478	
2037	18,405		2,817	15,587	13,280	
2038	15,587		2,647	12,940	11,164	
2039	12,940		2,461	10,479	9,150	
2040	10,479		2,247	8,232	7,269	
2041	8,232		1,997	6,235	5,562	
2042	6,235		1,717	4,518	4,067	
2043	4,518		1,416	3,102	2,814	
2044	3,102		1,094	2,008	1,833	
2045	2,008		751	1,257	1,156	
2046	1,257		497	760	705	
2047	760		331	430	402	
2048	430		220	210	198	
2049	210		138	72	68	
2050	72		58	13	13	
2051	13		12	1	1	
2052	1		1	-	-	
Total	-	1,127,445	3,456,157			

Note that the unfunded liability report was completed using data evaluated through the

Fund's 2005 claim year. At the time of our review, the Fund was projecting 2006 claim year

payments to be approximately \$225 million. Actual 2006 claim year payments are now

known to be approximately \$210 million. The modeling of Appendix C is adjusted to reflect

the 2006 payments of \$210 million. This and other adjustments to the unfunded liability

projections required in support of the Commission's Work Task 3 are described in the

attached Appendix C.

The projected ultimate losses, calendar year claims payments, and resulting unfunded

liability estimates are subject to variability. This variability arises from the fact that all

factors affecting the ultimate liability have not taken place and cannot be evaluated with

certainty. Such factors include, but are not limited to, tort reform, expected future

inflationary trends and jury awards. Our projection of liabilities is based on the Fund's

historical experience and our estimate of the impact of recent legislation on Fund claims

obligations. We have not anticipated any extraordinary changes to the various factors that

might impact the future costs of claims. We have, however, used methods of estimating

reserve requirements that we believe produce reasonable results given current information.

The modeling of Appendix C relies heavily on the unfunded liability report and is therefore

subject to the conditions and limitations cited therein. Third parties reviewing the unfunded

liability report should recognize that the furnishing of the report is not a substitute for their

own due diligence and should place no reliance on the report or the data contained herein that

would result in the creation of any duty or liability by PwC to the third party. PwC is

available, subject to the Fund's approval and expense, to answer questions regarding the

unfunded liability report.

APPENDIX B - WORK TASK 2

Assess trends in medical malpractice rates and project rates annually through 2010 as well as long-term.

INTRODUCTION

Background

In recent years, medical malpractice insurance rates have risen dramatically, with wide

variation both geographically and by specialty. According to rate surveys conducted by the

Medical Liability Monitor⁵ (MLM), rate increases in excess of 20% per year during 2000

PRICEWATERHOUSE COPERS @

through 2004 were relatively common, and resulted in a perceived lack of affordable medical

malpractice insurance in Pennsylvania and throughout the country. The American Medical

Association continues to identify Pennsylvania as one of twenty-one "crisis states", citing a

deteriorated medical liability climate and patients' loss of access to care⁶.

The Commission believes an analysis of the implications of eliminating or phasing-out the

Fund should consider the anticipated cost impact on health care providers, the Fund, and

sources of external funding. Since future rate changes have a direct impact on the premium

cost to health care providers, the Commission believes future rate changes are an important

component of such an analysis. A review of historical rate changes, economic indices, and

other available information can provide insight into the current state of the malpractice

market. This insight can then be leveraged to provide better estimates of future rate changes.

⁵ © Annual rate surveys compiled by the Medical Liability Monitor. Ascribed quotation permitted.

⁶ American Medical Association, 8 Jun 2004, accessed 27 Nov 2006, http://www.ama-

assn.org/ama/pub/category/12396.html.

Conditions and Limitations

The projection of future rate changes is subject to a high degree of uncertainty, since many of

the variables which will affect future rate changes have not yet occurred. As such, it is

appropriate to include scenario testing in the review of the implications of eliminating or

phasing-out the Fund. Historical rate change information can provide a basis for various

scenarios of reasonable future rate changes for consideration in the Commission's analysis.

However, scenarios of reasonable outcomes will not encompass the range of all possible

outcomes. When considering the elimination or phase-out of the Fund and the resulting

anticipated cost impact on health care providers, the Fund, and sources of external funding,

the Commission should be cognizant of the possibility that actual results will deviate,

perhaps significantly, from the various reasonable outcomes discussed herein.

This section provides a brief synopsis of the key observations of Work Task 2. A detailed

explanation of the work performed is given in the *Analysis* section.

Trends in Medical Malpractice Rates

Over the past three decades, the medical malpractice insurance industry experienced three

underwriting cycles - a hard market in the mid-1970s followed by a soft market of roughly

seven years, a hard market in the mid-1980s followed by a soft market of roughly 12 years,

and a hard market in the early 2000s. These cycles tend to have certain characteristics

regarding changes in medical malpractice insurance industry premium volume, underwriting

profitability, market composition, and the sensitivity of premium to interest rates.

Based on the observations from our review, as detailed in the *Analysis* section, the current

medical malpractice market appears to be softening. However, the extent of time during

which rates will decrease or remain relatively stable is impossible to estimate, since the

length of the soft market may be influenced by many variables which cannot reasonably be

anticipated, such as market disruption, catastrophic events, and interest rate changes. As

such, we believe that although a reasonable assumption is that rates will remain relatively

stable for a period of a few years, assuming other than a long-term trend beyond a few years

seems speculative.

Based on our review of countrywide written premium changes over time, industry

publications citing countrywide claims severity averaging roughly 7% to 8%, observations on

Pennsylvania claim severity included in our June 2005 report Estimate of the Impact of Act

13, Pursuant to Section 745(A)(2), and our review of historical Pennsylvania rate changes,

we believe that 7.5% per annum provides a reasonable long-term premium rate trend

assumption. We believe that 2.0% per annum provides a reasonable premium rate trend

assumption during a soft market, given historical evidence of a small positive trend in

premium excluding periods with significant rate increases.

Given the uncertainty inherent in the projection of future rate changes, it is appropriate to

include scenario testing in the Commission's review of the implications of eliminating or

phasing-out the Fund. We believe that at least three scenarios warrant inclusion in the

Commission's review:

• A scenario that considers small rate increases through 2008 and long-term trends

thereafter (as described above);

• A scenario that simply considers long-term trends in rate changes; and

• A scenario that considers a repeating insurance cycle, with large and generally sudden

rate increases characterizing the hardening of the market.

These premium scenarios were considered by the Commission in determining the

assumptions to be modeled in connection with its Work Task 3 efforts and are included in

Appendix C.

Rate Trends by Specialty and Geography

The Commission's interest in reviewing historical medical malpractice premium rate trends

and the projection of future premium rate changes extends to individual specialties and

geographies, since these factors contribute meaningfully to the cost of medical malpractice

insurance for heath care providers.

The uncertainty inherent in aggregate projections of medical malpractice costs is significant.

Given that the potential for variation by specialty or geography would tend to be even greater

than in the aggregate, we do not believe that separate projections that differentiate specialty

or geography can be reasonably constructed. However, the potential for significant variation

must be kept in mind as proposals are considered and potentially implemented.

ANALYSIS

The expectation of a gradual increase in premium rates over time due to inflationary forces on the claim and expense costs of providing insurance seems reasonable. However, medical malpractice premium rates have historically experienced relatively stable periods followed by periods of steep rate increases, a pattern commonly referred to as the "underwriting cycle". A multitude of factors, including competitive forces and perhaps changes in the interest rate environment, appears to contribute to the underwriting cycle. To glean insight into reasonable scenarios of future premium rate changes, understanding the underlying factors driving the underwriting cycle and the associated historical trends is of interest to the Commission.

The Insurance Underwriting Cycle

The insurance underwriting cycle⁷ describes the inherent shifts in the insurance industry

between "soft" and "hard" market conditions. In a soft market, affordable insurance is readily available as new entrants to the market and existing companies maintain stable rates or lower rates to maintain or expand market share. The pressure on premium rates causes profitability to suffer, possibly threatening the solvency of insurance companies who

Barron's Dictionary of Insurance Terms defines the insurance "underwriting cycle" as the "tendency of property and liability insurance premiums, insurers' profits, and availability of coverage to rise and fall with some regularity over time. A cycle can be said to begin when insurers tighten their underwriting standards and sharply raise premiums after a period of severe underwriting losses. Stricter standards and higher premium rates often bring dramatic increases in profits, attracting more capital to the industry and raising underwriting capacity. On the other hand, as insurers strive to write more premiums at higher levels of profitability, premium rates may be driven down and underwriting standards relaxed in the competition for new business. Profits may erode and then turn into losses if more lax underwriting standards generate mounting claims. The stage would then be set for the cycle to begin again."

⁷ Harvey W. Rubin Ph.D. CLU CPCU, <u>Dictionary of Insurance Terms, 4th Edition</u> (New York: Barron's Educational Series, Inc., 2000). Used with permission.

are unable to withstand a prolonged soft market. In a hard market, rates rise to return premiums to a profitable level, and such premium rate increases may be large and sudden. Companies may restrict their insurance writings in an effort to focus on more profitable risks or to maintain suitable ratios of premium to surplus⁸. In addition, the use of "last resort" insurers (e.g., the Pennsylvania Professional Liability Joint Underwriting Association, the "JUA"), alternative insurance markets (e.g., risk retention groups, "RRGs") and self-insurance may increase during a hard market.

As discussed above, increases in premium as the market hardens may be large and sudden, which is attributable at least partially to the pressure that exists during the soft market to lower or maintain relatively stable rates. For example, if underlying costs (losses, expenses, etc.) are assumed to increase at a rate of 5% per annum during a 5-year soft market with no premium rate increases, the premium increase needed at the end of the soft market would be 28%, as illustrated in the table below.

Indicated Rate Increases at Beginning of Hard Market Assuming No Rate Changes During Soft Market				
Underlying Medical Underlying Medical				
Malpractice Cost	Number of Years with No Rate Changes			
Trend	5 Years	10 Years		
5%	28%	63%		
6%	34%	79%		
7%	40%	97%		

The needed premium rate increase rises exponentially if the annual underlying cost trend is higher or if the duration of the soft market is lengthened.

⁸ The premiumto-surplus ratio is viewed as an indicator of the company's financial strength.

To aid in a further understanding of the underwriting cycle, it is helpful to have a general

understanding of how insurance coverage is priced. In the aggregate, premium collected by

the insurance company is intended to cover any resulting claims (indemnification and

defense) and expenses (claims handling, commission, and overhead), and provide a sufficient

profit to the company's owners for accepting the insurance risk. The ratio of losses and

expenses incurred to premiums is typically referred to as the "combined ratio". Underwriting

profits occur when actual claims and expense experience is lower than the premium charged;

that is, lower combined ratios result in higher underwriting profits.

An additional source of insurance company profit is investment income. Although premiums

are typically collected during the term of the insurance policy, some of the associated costs

are paid over a period of years, notably the costs of indemnification and defense. Insurance

companies also maintain surplus funds, which are necessary to provide a cushion against

adverse claims experience and additional cash flow as needed. Due to the time lag between

the collection of the premium and the payout of costs, insurance companies earn investment

income on premiums collected and on the surplus funds that support the insurance operation.

When losses and expenses are paid, on average, several years after premiums are collected

(i.e., for "long-tailed" lines of business), the amount of investment income earned by

insurance companies can be significant.

Insurance companies consider the amount of anticipated investment income when

establishing premiums, effectively passing a portion of this investment income to the

policyholder in the form of decreased rates. As such, insurance companies and policyholders

can be affected by changes in interest rates. For longer-tailed lines of business, where the

potential for investment income is larger, changes in interest rates can have a notable impact on the amount of anticipated investment income, as shown below:

Impact of Changing Interest Rates On Investment Income Earned by an Insurance Enterprise							
	Investment Income Earned on \$100				Percentage Reduction in Investment Income (vs. 6%)		
Interest	Average Payout (Years)				Average Payout (Years)		
Rate	3	5	7		3	5	7
6%	19	34	50		0%	0%	0%
5%	16	28	41		-17%	-18%	-19%
4%	12	22	32		-35%	-36%	-37%
3%	9	16	23		-51%	-53%	-54%

For example, assuming a 5-year average payout and interest rates of 6%, \$100 collected today can earn \$34 of investment income. If rates fall to 5%, investment income decreases by 18% to \$28. Assuming a 7-year average payout and interest rates of 6%, \$100 collected today can earn \$50 of investment income, but only \$32 if rates fall to 4%.

The table above highlights two important points:

- The potential for investment income increases significantly with the length of time until the average payout; and
- The extent of decrease in investment income as interest rates fall can be substantial.

For long-tailed lines of business such as medical malpractice, interest rates may have a considerable impact on insurer investment income and, in turn, on the rates charged by insurance companies to policyholders. As such, interest rates may play a meaningful role in the insurance underwriting cycle.

The Insurance Underwriting Cycle

- ♦ Possible insolvencies put pressure on capacity of remaining insurers
- ♦ Interest rates may decline, reducing investment income
- ♦ Profitability decreases; combined ratios rise

Soft Market

- ♦ Relatively stable / decreasing rates
- ◆ Decrease in direct written premium
- ◆ Insurance considered available & affordable
- ♦ Low combined ratios rise as rates remain relatively stable or decline
- New entrants to market and existing companies seek to expand market share

Hard Market

- ♦ Large / sudden rate increases
- ♦ Increase in direct written premium
- Available insurance not considered affordable
- High combined ratios fall as rates
- Growth in alternative markets, self-insurance, use of "last resort" insurers
- Push for market share and new entrants put downward pressure on rates
- ◆ Interest rates may rise, improving investment income
- ◆ Profitability increases; combined ratios drop

In summary, one would expect the insurance underwriting cycle to have the following characteristics:

- *Premium Volume* rises during the hard market and decreases or remains relatively stable during the soft market;
- *Insurer Underwriting Profitability* deteriorates during the course of the soft market, but improves significantly as premium rates increase during the hard market;

characterizing the hard market; and

• *Market Composition* changes during the underwriting cycle, with some insurers leaving the market (voluntarily or involuntarily) during or following a prolonged soft market, and an increase in the use of "last resort" or alternative insurance markets

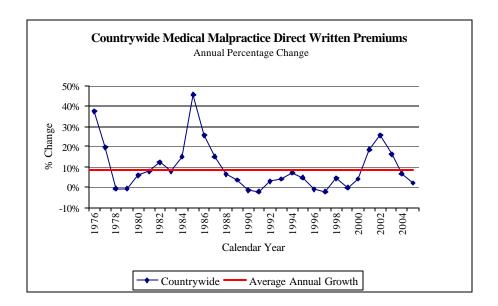
• *Interest Rate Sensitivity* at least partially explains changes in premium rates, with the soft market more characteristic of a rising interest rate environment and the hard market more characteristic of a declining interest rate environment.

The following section illustrates historical trends of these industry characteristics throughout various stages of the underwriting cycle.

Historical Trends

Premium Volume

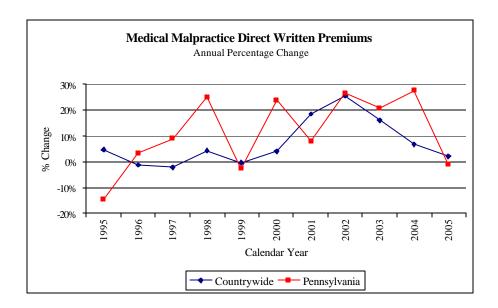
The hard market of the underwriting cycle is characterized by premium rate increases and resulting increases in premium volume. Historically, these increases have been large and sudden. The graph below shows the growth in countrywide medical malpractice premium⁹ from 1976 to 2005:



The exact endpoints of the soft and hard markets are subject to some debate; however, the general timeframes of recent hard markets experienced by the medical malpractice industry are 1975 to 1978, 1984 to 1987, and 2001 to 2004. These hard markets, as illustrated in the graph above, coincide with the large and relatively sudden increases in premium. On average, the annual increase in medical malpractice premium is roughly 8%.

⁹ Sources: 1994-2005 - Information included in statutory filings of traditional insurers, risk retention groups, and excess and surplus lines insurers as collected by Highline data; 1983-1993 - A.M. Best Aggregates & Averages, 2003 P/C edition. Reprinted by permission; 1975-1982 - A.M. Best special data compilation for Americans for Insurance Reform, reprinted by permission, A.M. Best Company.

Recent Pennsylvania trends have generally followed the countrywide pattern shown above, although the year-over-year changes tend to exhibit a higher degree of volatility¹⁰.

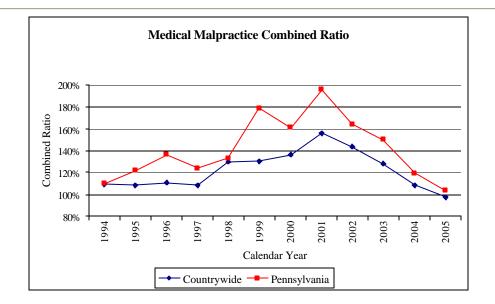


Insurer Underwriting Profitability

As previously discussed, premium increases in the hard market follow periods of deteriorating profitability during the soft market. After the large premium rate increases of the hard market, insurer profitability returns to sufficient levels, providing an incentive to decrease rates, which creates competitive pressure that is characteristic of the soft market. The combined ratio, a common measure of insurer underwriting profitability, is shown below for the medical malpractice industry from 1994 to 2005¹¹.

¹⁰ Source: Information included in statutory filings of traditional insurers, risk retention groups, and excess and surplus lines insurers as collected by Highline data. Note that Pennsylvania premium data does not include Fund assessments. Furthermore, premium changes in 1997, 1999 and 2001 would be impacted by the increasing primary limits of coverage mandated by Act 135 of 1996.
¹¹ Source: Information included in statutory filings of traditional insurers, risk retention groups, and excess and

¹¹ Source: Information included in statutory filings of traditional insurers, risk retention groups, and excess and surplus lines insurers as collected by Highline data.



Recent historical trends in combined ratios, both countrywide and in Pennsylvania, tend to follow our expectations. Namely, underwriting profitability deteriorated in the years leading up to the hard market (1998 through 2001), and improved as the market hardened (2002 and subsequent). The peak in 2001, the beginning of the most recent hard market, indicates a highly unprofitable underwriting year, with combined ratios of nearly 160% countrywide and close to 200% in Pennsylvania. This means for every \$100 of premium, Pennsylvania insurers incurred \$200 in losses and expenses.

Insurer profitability is also impacted by the use of reinsurance. Catastrophic losses arising from the events of September 11, 2001 or natural catastrophes such as the significant hurricanes of 2004 and 2005 may cause capacity constraints and price increases in the reinsurance market, perhaps even in lines of business that were not directly impacted. The resulting increase in reinsurance costs may provide an additional catalyst for the insurance market to harden.

Market Composition

In a hard market, available medical malpractice insurance coverage may not be perceived as

affordable, insolvencies may disrupt the market, and insurance companies may have limited capacity to write business while maintaining suitable premium-to-surplus ratios¹². In turn, health care providers may be forced to purchase coverage from the JUA or seek alternatives to the traditional

A Risk Retention Group (RRG) is a liability insurance company organized for the primary purpose of insuring all, or any portion, of the liability exposure of its group members. The group members are the sole owners of the RRG and are all engaged in similar or related businesses or activities with respect to liability exposure. A registered risk retention group, although registered to transact the business of insurance in this Commonwealth, is not subject to all of the insurance laws and regulations of the Commonwealth of Pennsylvania.

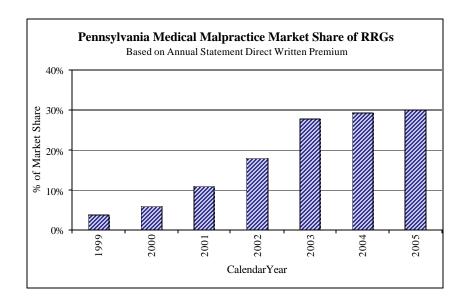
insurance market, such as risk retention groups 13 or self-insurance.

In the past six years, the landscape of the Pennsylvania medical malpractice insurance market has changed significantly. Several insurers with significant Pennsylvania market share in 1999 no longer write business in Pennsylvania, and some have ceased writing completely. The most significant components of the change are PHICO Insurance Company, which went into receivership in 2001, and MIIX Insurance Company, which ceased writing business in 2002. PHICO and MIIX wrote a combined Pennsylvania market share of 33% in 1999. These changes likely contributed to the Pennsylvania medical malpractice market hardening. Nationally, the market composition was also changing; St. Paul, which was the first or second largest insurer in over 20 states in 2001, began exiting the medical malpractice market in 2002.

¹² The premium-to-surplus ratio is a common insurance industry benchmark, and is believed to be indicative of a company's financial strength.

¹³ "Risk Retention Groups", Commonwealth of Pennsylvania Insurance Department, 27 Mar 2006, accessed 2 Sept 2006, http://www.ins.state.pa.us/ins/cwp/view.asp?A=1280&QUESTION_ID=527432. Used with permission.

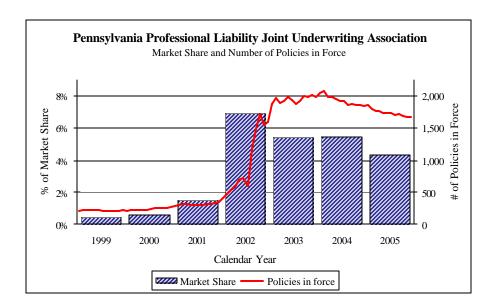
As prominent Pennsylvania insurers exited the market, the use of RRGs increased substantially. In 1999, roughly 4% of the Pennsylvania direct written premium was comprised of business written by RRGs. In 2005, RRGs comprised approximately 30% of the medical malpractice premium in Pennsylvania. This dramatic growth is illustrated in the following graph¹⁴.



Some health care providers lack the desire or ability to participate in RRGs. For these health care providers, the JUA, as the insurer of last resort, is available to provide medical professional liability coverage when coverage is otherwise unavailable. As such, we would expect to observe growth in the use of the JUA during a hard market. The market share of the JUA began gradually increasing during 2000 from its 1999 level of 0.5% to nearly 7% in 2002, and has decreased to roughly 5% in 2005. Similarly, the number of JUA in-force policies began gradually increasing in mid-2000 from an average of roughly 250 policies to approximately 2,000 policies in 2002 and 2003. Since then, the number of JUA in-force

¹⁴ Source: Information included in statutory filings of traditional insurers, risk retention groups, and excess and surplus lines insurers as collected by Highline data.

policies has gradually declined to roughly 1,700 as of December 2006. The number of JUA in-force policies has continued to decline to roughly 1,500 as of mid-2006. ¹⁵

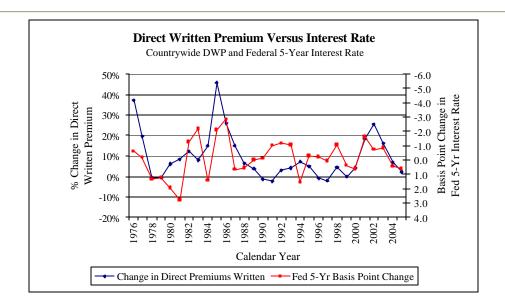


Interest Rate Sensitivity

Insurers can use anticipated investment income to reduce premium rates from what would otherwise be necessary to provide sufficient overall profitability. We would expect premiums ¹⁶ and premium rates to be inversely related to interest rates. That is, premiums should tend to fall or remain relatively stable when interest rates increase; premiums should tend to rise when interest rates fall.

¹⁵ Information provided by the JUA.

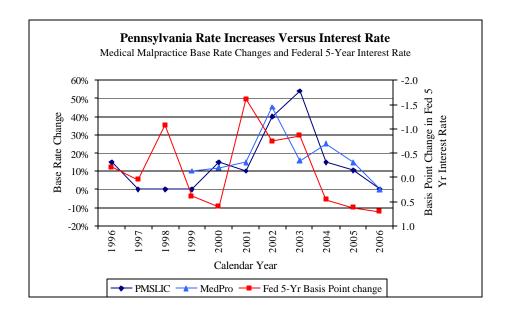
¹⁶ Direct Written Premium source - see footnote 9.



The graph above presents the direct written premium changes versus the interest rate changes on an inverse scale, with decreases in the interest rates represented graphically as increases in the "Fed 5-Yr Basis Point Change" line. Changes in the 5-year interest rate exhibit an inverse relationship with changes in direct written premium. As interest rates fell from the 11% to 14% range in the early 1980s to the 7% to 9% range in the late 1980s, premiums increased. Interest rates remained relatively stable during the 1990s, ranging from 5% to 7%, and premium increases were relatively stable, exhibiting a small upward trend. As interest rates declined to the 3% to 4% range from 2001 to 2004, premiums increased. The correlation coefficient, a statistical measure of how strongly two variables are related to each other 17, is -56% for the period 1976 to 1985, -33% for the period 1986 to 1995, and -54% for the period 1996 to 2005. Note, however, that there are many periods where the relationship is not inversely proportional, including relatively long periods of time such as 1988 to 1994, which has a correlation coefficient of 62%. As such, the relationship of interest rates and premiums appears to be subject to a degree of volatility.

¹⁷ A correlation coefficient of 1.0 indicates a perfectly positive relationship; a correlation coefficient of -1.0 indicates a perfectly inverse relationship.

The historical correlation between interest rates and Pennsylvania rate changes ¹⁸ is illustrated in the following graph, which compares base rate changes filed by PMSLIC and MedPro in Pennsylvania to changes in the 5-year Federal Reserve rate. This historical information, albeit limited, also exhibits an inverse relationship between basis point and rate changes, with correlation coefficients averaging -37%. Note that the graph below also presents changes in interest rates on an inverse scale.



As part of our review of historical information, we solicited feedback from four large health systems affiliated with members of the Commission and its Advisory Committee in the form of a questionnaire. The questionnaire requested information regarding the systems' medical malpractice insurance programs, historical rate changes, the effect of various reforms, and the impact of potential phase-out of the Fund on the institutions. We also discussed the responses with each responding health system.

¹⁸ Source: Insurance company rate filings provided by the Pennsylvania Insurance Department.

The questionnaire responses have not been cited specifically herein given the limited number

of responses. However, the information provided generally exhibits similar rate change

trends as that compiled from other available data. The responses received also generally

support the points discussed herein. Specifically, the use of alternative market mechanisms

increased in response to the hardening of the medical malpractice market, and very recent

premium rate changes have tended to be lower than in prior years.

Reasonable Scenarios for Future Premium Rate Changes

The historical data presented above provides information characteristic of various stages of

the underwriting cycle, i.e. hard and soft markets. We note the following observations

regarding the historical underwriting cycle and current market conditions:

• New entrants have entered the market, albeit largely in the form of a broader alternative

market, such as RRGs. However, PMSLIC has lifted a 3-year new business moratorium,

and began writing new business effective January 1, 2006;

• The largest two Pennsylvania medical malpractice insurers of 2005 (as measured by

direct written premium) have not filed for a rate change during 2006, and one has

recently announced that 2007 base rates will not be modified from 2005 levels;

• Federal Reserve 5-year interest rates have risen from lows approaching 2% during mid-

2003 to currently over 4%;

• The number of policies in effect at the JUA has declined by about 25% over the past two

years, and the JUA market share fell in 2005 as compared to 2004;

• Medical malpractice premium volume was relatively unchanged in 2005, both

countrywide and in Pennsylvania;

• Combined ratios, both countrywide and in Pennsylvania, in 2005 have returned to the

levels of the mid-1990s, a significant decrease from the peak combined ratios

experienced during 2001;

• Pennsylvania seems to have experienced a recent reduction in claim frequency, as

discussed in our June 2005 report Estimate of the Impact of Act 13, Pursuant to Section

745(A)(2). There is also evidence of a general countrywide trend of reduced claim

frequency; and

• Although the length of prior underwriting cycles has varied, it seems fair to assume that

the length of a typical underwriting cycle is roughly ten years. The length of the hard

market tends to be shorter than the length of the soft market.

Based on these observations and our review of historical information, the current medical

malpractice market appears to be softening. The extent of time during which rates will

decrease or remain relatively stable is very difficult, if not impossible, to estimate, since the

length of the soft market is influenced by many variables, such as interest rate changes,

market disruption, and catastrophic events, which cannot reasonably be anticipated.

Although a reasonable assumption is that rates will remain relatively stable for a period of a

few years, assuming other than a long-term trend beyond a few years seems speculative. As

such, we believe that a short period of relatively small rate increases with subsequent periods

exhibiting a long-term trend is one reasonable scenario for the Commission's review.

However, as discussed above, the projection of future rate changes is subject to a high degree

of uncertainty, and it is therefore appropriate to include scenario testing in a review of the

implications of eliminating or phasing-out the Fund. We believe that at least two additional

scenarios warrant inclusion in the Commission's review:

• A scenario that simply considers long-term trends in rate changes, characteristic of a

more sensible long-term underwriting environment where inflationary increases in

costs are recognized on a timely basis as increases in premiums. Healthcare providers

that self-insure or those that effectively retain their medical malpractice exposure

(e.g., participants / owners of RRGs), which represent a meaningful portion of the

Pennsylvania medical malpractice market, may be more likely to operate in such an

environment. Furthermore, a steady trend assumption allows the Commission to

focus on other differences in proposals, such as the timing and extent of changes in

limits of coverage.

A scenario that considers a repeating insurance cycle, with large and generally sudden

rate increases characterizing the hardening of the market. A significant portion of the

Pennsylvania medical malpractice market continues to be served by commercial

insurance, and certain forces that tend to drive insurance cycles continue to exist.

Furthermore, interest rate changes, market disruption, and catastrophic events impact

the medical malpractice market and could do so unpredictably. A cyclical

assumption allows the Commission to compare proposals under relatively stressed,

yet also reasonable, conditions.

Based on our review of countrywide written premium changes over time, industry

publications citing countrywide claims severity averaging roughly 7% to 8%, observations on

Pennsylvania claim severity included in our June 2005 report Estimate of the Impact of Act

13, Pursuant to Section 745(A)(2), and our review of historical Pennsylvania rate changes,

we believe that 7.5% per annum provides a reasonable long-term premium rate trend

assumption. We believe that 2.0% per annum provides a reasonable premium rate trend

assumption during a soft market, given the historical evidence of a small positive trend in

premium excluding periods with significant rate increases.

As such, we present the following premium rate change scenarios for the Commission's

consideration in its review of the implications of eliminating or phasing-out the Fund:

• Some Softening, Then Steady: 0% for 2006 (based on filing activity to date), 2% for

2007 and 2008, 7.5% increases assumed thereafter;

• Steady Trend: 0% for 2006 (based on filing activity to date), 7.5% increases assumed

thereafter;

• 10-Year Cycle: 0% for 2006 (based on filing activity to date), 2% for 2007 through

2011, 10% for 2012, 25% for 2013 and 2014, and 10% for 2015. The cycle then

repeats.

These scenarios, and additional scenarios requested by the Commission, are included as

appropriate within Appendix C.

Rate Trends by Specialty and Geography

The Commission's interest in reviewing historical medical malpractice premium rate trends

and the projection of future premium rate changes extends to individual specialties and

geographies. Our review of the aggregate rate changes, discussed above, considers aggregate

information for multiple insurers and the industry as a whole, which we believe is of

sufficient volume to allow reasonable observations to be made. In order to look at trends for

specific specialties and territories, the data must be analyzed at a finer level of detail.

Specialty Rate Trends

In the case of physician specialties, of which there are hundreds, the volume of data for a

particular specialty may be small, reducing the statistical reliability of any observations.

While it may be possible to make observations about past trends for certain specialties based

on MLM data or other industry sources, we do not believe it is possible to predict reasonably

the future movement of rates for any particular specialty.

However, future rate increases will have impacts that vary by specialty. Any plan to

implement the Commission's recommendations should consider the potential variation by

specialty as deemed appropriate.

Geographical Rate Trends

In addition to future aggregate premium rate trends and rate trends by physician specialty, the

Commission's interest extends to premium rate trends in Philadelphia County and other

jurisdictions.

Information from the Administrative Office of Pennsylvania Courts (AOPC) through 2005

indicates that the average number of cases filed has decreased roughly 35% statewide over

the past few years. In Philadelphia County, the decrease in the number of cases filed was

over 50%; the remainder of Pennsylvania experienced a decrease in cases filed of roughly

23%. The number of cases filed in 2004 and 2005 continues at much lower levels than in

prior years, providing early indications of a long-term reduction in claim frequency. This

observation may be due to a number of recent Pennsylvania reforms (discussed below) and is

generally consistent with a decrease in claim frequency currently being observed throughout

the medical malpractice industry.

Historically, the percentage of total verdicts found in favor of the plaintiff in Philadelphia County was greater than in the remainder of the state, creating an apparent incentive for claims to be filed in Philadelphia County. In the past few years,

Venue Reform: Section 3 of Act 127 of 2002 specified that a medical professional liability action may be brought against a health care provider for a medical professional liability claim only in the county in which the cause of action arose.

Pennsylvania has passed and implemented venue reform measures aimed at requiring medical malpractice lawsuits to be filed in the county where the cause of action arose. Many claims were shifted to other jurisdictions as part of the implementation of venue reform.

Certificate of Merit: Pennsylvania Supreme Court Rule of Civil Procedure 1042.3 states that a certificate of merit be filed within 60 days of filing a complaint, certifying that a written statement of merit has been supplied by an appropriate professional, that expert testimony is unnecessary for prosecution of the claim or that the claim is based solely on allegations that other licensed professionals for whom the defendant is responsible deviated from an acceptable professional standard.

Pennsylvania has also recently passed and implemented certificate of merit rules requiring a plaintiff to obtain a written statement by an appropriate licensed professional certifying that a reasonable probability exists that the care provided fell

outside acceptable standards and was a cause in bringing about harm to the plaintiff.

Act 13 also included other measures aimed at reducing the cost of medical malpractice, including, but not necessarily limited to, the Patient Safety initiatives (Chapter 3 of Act 13) and Remittitur (Section 515 of Act 13).

These reforms may ultimately reduce primary premium and assessments levied by the Fund by, for example, reducing costs if cases are brought to resolution in their county of occurrence with lower indemnity or defense expense than would have been the case otherwise, eliminating the cost of non-meritorious claims that may not be filed at all in a

post-reform environment, or simply reducing the incidence of medical malpractice.

Although it does appear that recent reforms have had a significant initial impact on the

number of cases filed and also on the number of claims reported to the Fund, the extent to

which this reduction in the number of claims will result in a reduction in total cost is difficult

to reliably estimate for several reasons:

• The reduced number of cases may be a reduction in less meritorious cases, in which case

a reduction in the number of cases may not lead to a commensurate decrease in costs.

• Certain counties or areas may have a tendency for higher awards or settlements because

those areas see the most complicated medical cases. To some degree, a higher average

award or settlement may be indicative of a higher degree of alleged damage associated

with more complicated medical cases. The movement of cases out of Philadelphia and

into surrounding counties may simply increase the average award in the surrounding

counties.

As claims have moved to other counties, the process of disposing of those claims may

have slowed. Fund payments for 2005 and 2006 are roughly 30% lower than projected

payments based on historical payment patterns. If this is partially due to a temporary

slow-down in payments resulting from recent reforms, any resulting savings may be

offset, at least partially, by the inflationary impact of delaying the resolution of these

claims.

Nonetheless, we believe the data compiled by the AOPC, recent Fund reported claims and

payment activity, and recent commercial rate filing activity provide favorable indications for

medical malpractice costs in Pennsylvania. However, the degree to which costs will be

impacted is subject to significant variability, particularly by geography. Since proposals that might be considered by the Commission could be impacted meaningfully by primary

premium trends and Fund loss experience, which may exhibit an even greater degree of

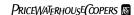
variability by geography, the Commission will need to consider various reasonable scenarios

accordingly.

Data Sources

The information from which we based the observations cited in this report includes:

- Recent medical malpractice rate filings provided by the Pennsylvania Insurance
 Department (the Department);
- Information received in response to a questionnaire sent to four large health systems affiliated with members of the Commission and its Advisory Committee;
- Studies of cases filed by county and jury awards by county issued by the AOPC on March 18, 2004 and April 7, 2005;
- Information contained in PwC's estimate of the Fund's unfunded liability¹⁹;
- Information included in statutory filings of traditional insurers, risk retention groups, and excess and surplus lines insurers as collected by Highline data;
- Information contained in industry publications ²⁰; and
- Additional information provided by, and discussions with, the Department and the Fund.



¹⁹ Notably, our unfunded liability report dated June 16, 2006. 20 See the Citations section.

Citations

During the course of this project, we reviewed numerous articles and publications related to the medical malpractice insurance industry both within and outside of Pennsylvania. We have included a list of the relevant articles and publications in this section. Although these sources may not be specifically cited herein, the information included therein monetheless contributed to or enhanced our knowledge.

- A.M. Best Aggregates & Averages, 2005 P/C Edition. Reprinted by permission.
- A.M. Best Aggregates & Averages, 2004 P/C Edition. Reprinted by permission.
- A.M. Best Aggregates & Averages, 2003 P/C Edition. Reprinted by permission.
- A.M. Best special data compilation for Americans for Insurance Reform. Reprinted by permission A.M. Best Company.
- Administrative Office of Pennsylvania Courts. Study of cases filed by county and jury awards by county. March 8, 2004 and April 7, 2005.
- Aon Risk Consultants Actuarial & Analytics Practice. *Hospital Professional Liability and Physician Liability 2005 Benchmark Analysis* for the American Society for Healthcare Risk Management of the American Hospital Association. October 17, 2005.
- Baker, Tom. *Medical Malpractice and the Insurance Underwriting Cycle*. University of Connecticut School of Law, 2005.
- Bovbjerg, Randall R. and Anna Bartow. *Understanding Pennsylvania's Medical Malpractice Crisis*. Project on Medical Liability in Pennsylvania. 2003.
- Conning Research & Consulting, Inc. *Conning's Industry Insight... Medical Malpractice Insurance*. 2006 Midyear Update. Issue #12.
- Conning Research & Consulting, Inc. *Property Casualty Insurance Forecast & Analysis By Line of Insurance 2nd Quarter 2006.*
- Danzon, Patricia M, Andrew J. Epstein and Scott Johnson. The Wharton School; University of Pennsylvania. The "Crisis" in Medical Malpractice Insurance. December 2003.

- Doroshow, Joanne and J. Robert Hunter. *Insurance "Crisis" Officially Over Medical Malpractice Rates have been Stable for a Year*. Americans for Insurance Reform. February 27, 2006.
- Fitzpatrick, Sean M. Fear is the Key: A Behavioral Guide to Underwriting Cycles. Connecticut Insurance Law Journal, Vol. 10, No. 2, pp. 255-275, 2004.
- Hartwig, Robert P. *Trends in Medical Malpractice Insurance: Behind the Chaos.* Insurance Information Institute. April 25, 2003.
- Hartwig, Robert P. and Wilkinson, Claire. *Medical Malpractice Insurance*. Insurance Information Institute. June 2003.
- Hofflander, Alfred E., Nye, Blaine F. and Nettesheim, Jane D. *Report on the Medical Malpractice Insurance Delivery System in Pennsylvania*. November 2001.
- Fan, Jieqiu. U.S. Medical Malpractice Enjoys Profitability, But Tort Reform Still Uncertain And Volatility Anticipated. Standard & Poor's. May 15, 2006.
- Hunter, J. Robert. American Enterprise Institute Medical Malpractice Report Based on Fundamental Misunderstanding of Insurance Markets. Americans for Insurance Reform. April 28, 2006.
- Medical Liability Monitor, Annual Rate Surveys, October 1994 through October 2005.
- Rubin, Harvey W. Dictionary of Insurance Terms (4th Edition), Hauppauge, NY: Barron's Educational Series, Inc., 2000. Used with permission.
- Thorpe, Kenneth E. *The Medical Malpractice 'Crisis': Recent Trends And The Impact Of State Tort Reforms.* Health Affairs. January 21, 2004.
- United States General Accounting Office. *Medical Malpractice Insurance: Multiple Factors Have Contributed to Increased Premium Rates.* June 2003.
- Website: American Medical Association: Medical Liability. http://www.ama-assn.org/ama/pub/category/7861.html
- Website: The Federal Reserve Board Statistics: Releases and Historical Data. http://www.federalreserve.gov/releases/h15/data/Business_day/H15_TCMNOM_Y5.txt
- Website: Property/Casualty Insurance Cycle. http://www.iii.org/media/facts/statsbyissue/pcinscycle/

Page 42

APPENDIX C - WORK TASK 3

Develop annual estimates through 2010, as well as long-term trends, by specialty and geographic area, of the costs to providers of phasing out the Mcare Fund.

INTRODUCTION

Background

In order to better understand the financial implications of potential recommendations concerning the continuation of the Fund abatement, the elimination or phase-out of the Fund, and other provisions for providing adequate medical professional liability insurance, the Commission requested that PwC build an Mcare Phase-Out Model (the model) that could be used to illustrate the financial impact of numerous variables, including but not limited to:

- Amount and timing of changes to primary policy limits;
- Percentage of health care providers subject to abatement and the associated percentage of abatement by year;
- Amount and timing of external funding (e.g., Cigarette Tax Revenue) available by year;
- Percentage amount of expected annual primary premium trend by year;
- Amount of strengthening / weakening in the primary premium (in addition to underlying premium trend) by year; and
- The Fund annual claims payout and remaining unfunded liability, for the possibility that actual results differ from expected.

The model illustrates the impact on costs under various assumptions, including projections of healthcare providers' out-of-pocket costs, expected contribution of state funds, remaining unfunded liability, potentially uninsured claims (for those scenarios that reduce the mandatory limits of insurance), and shortages and surpluses (to highlight potential borrowing needs).

The model is based on a fundamental market equilibrium; namely, that the funds required by

the Pennsylvania medical malpractice system ("Required Funds") will equal the funds

available to the system ("Available Funds"). Borrowing is employed to maintain a target

surplus of Available Funds. Any funds available in excess of the target surplus are used to

retire existing borrowing or saved to offset future shortages.

Many of the model variables discussed above (changes in limits, amount of abatement, etc.)

are not expected to impact the total economic cost²¹ of medical malpractice, all else equal.

Rather, these variables potentially impact the allocation of medical malpractice costs among

health care providers, state funding, and costs insured by the Fund. Although it is possible

that changes in these variables, if implemented, could produce unanticipated changes in

behavior that impact economic costs, the model assumes that scenarios with similar

underlying assumptions have similar economic cost.

Risk and Uncertainty

The projection of future costs is subject to a high degree of uncertainty, since many of the

variables which will affect future costs have not yet occurred. When considering the

elimination or phase-out of the Fund and the resulting anticipated cost impact on health care

providers, the Fund, and sources of external funding, note that actual results will deviate,

perhaps significantly, from the assumptions and resulting scenarios presented herein. It

should be noted that the uncertainty surrounding the projection of future cost and the timing

of future cash flows increases significantly with the projection horizon.

²¹ Economic cost as used herein indicates consideration of the time value of money. Discounting employed for purposes of computing economic cost has been done so at a rate of 4%, as requested by the Commission.

As discussed in Work Task 2, we do not believe it is possible to predict reasonably the future movement of rates for any particular specialty or geography. As such, the modeling presented herein is at an aggregate level using available statewide information. However, proposals that might be considered by the Commission could have impacts that vary meaningfully by specialty or geography. The Commission will need to keep the possibility of such variation in mind as proposals are considered. Any plan to implement the Commission's recommendations should allow for sufficient flexibility to reassess and appropriately respond to specialty and geographical impacts as deemed appropriate.

This section provides a brief synopsis of the key observations of Work Task 3. A detailed

explanation of the work performed is given in the *Analysis* section.

Mcare Phase-Out Model

During the course of our work, over 150 model scenarios were presented to the Commission.

PwC presented and provided detailed discussion of these model results at several meetings of

the Commission, with particular focus on:

• Changing primary policy limits, including the resulting anticipated increases in the

primary policy premium and the limited reduction such changes have on the Fund's

assessments in the short-term;

• Differing assumptions regarding the continuation of the abatement program;

• Variation in the assumed trends in primary premium and the pricing environment as the

Fund's layer of coverage is phased-out;

• The expected distribution of the economic cost of various proposals, including costs

borne by health care providers, state funds, and changes in the unfunded liability; and

• Premium stabilization, and the apparent financial feasibility (or lack thereof) of

attempting to mitigate health care providers' aggregate out-of-pocket cost increases.

Through the detailed discussion surrounding model results, the Commission was able to

understand the variables, and interaction of variables, that impact thousands of potential

scenarios that could be created by modifying assumptions of the model.

Summary of Final Model Results

The Commission's report includes a number of recommendations, including but not limited

to: continuing the Mcare abatement program, eventually phasing out the Fund's coverage

(with no change in providers' mandatory malpractice insurance coverage requirements),

supporting the Fund's remaining liability once coverage has been phased-out, and mitigating

year-over-year increases in health care provider aggregate out-of-pocket costs through the

use of a premium stabilization fund (PSF).

The Commission proposes that the sources and levels of public funds already committed to

medical malpractice relief and health care provider retention (i.e., Cigarette Tax and Auto

CAT Fund surcharge) be used for the purposes stated in its recommendations, to achieve a

target of no more than 10% annual aggregate increases for mandatory coverage on a year-

over-year basis.

Note that, for a particular set of assumptions, the Cigarette Tax contribution to HCPRA, Auto

CAT Fund contribution to Mcare, and interest earned on surplus funds may be sufficient to

also allow for some form of premium stabilization and retirement of any necessary

borrowing by the Commission's target timeline of 2025. Under certain assumptions,

however, the results do not appear to be financially feasible; outstanding borrowing exists as

of 2025 even if there has been no premium stabilization.

At the request of the Commission, we have produced scenarios under a number of

assumptions that vary the amount and timing of changes to primary policy limits (with

corresponding reductions in the Mcare coverage layer), reflect actual Fund results that differ

from PwC's estimates (by a certain percentage ranging from -30% to +10%), and vary the assumed future rate environment. The scenarios also attempt to mitigate year-over-year increases in aggregate out-of-pocket costs through 2025 (to a "premium stabilization percentage") using the public funds already committed to medical malpractice relief and health care provider retention.

The table below summarizes the resulting indicated premium stabilization percentages that appeared financially feasible under the given assumptions. Note that the results are summarized across six different assumptions regarding the amount and timing of changes in primary policy limits, with the minimum and maximum premium stabilization percentages separately shown.

Minimum and Maximum PSF Percentages Assuming Various Primary Limits Change Scenarios											
Rate Environment: Some Softening, Then Steady											
Mcare Assumptions (% of PwC Projections)											
	70% 80% 90% 100% 110%										
PSF Assumptions	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	
PSF NOT at least Assessment	8.0%	8.0%	8.4%	8.4%	8.8%	8.9%	9.2%	9.4%	9.7%	10.1%	
PSF at least 56% of Assessment	8.0%	8.9%	8.4%	9.4%	8.9%	10.1%	9.5%	11.0%	10.3%	12.4%	
PSF at least 56% / 100% at Phase-Out	8.0%	8.9%	8.4%	9.6%	9.0%	11.3%	10.1%	20.7%	13.0%	NF*	
		Rate Er	ıvironmen	t: Steady '	Trend						
	Mcare Assumptions (% of PwC Projections)										
	70	%	80	%	90)%	10	0%	110%		
PSF Assumptions	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	
PSF NOT at least Assessment	8.5%	8.5%	8.9%	9.0%	9.4%	9.6%	9.9%	10.2%	10.4%	11.0%	
PSF at least 56% of Assessment	8.5%	8.9%	8.9%	9.4%	9.5%	10.1%	10.1%	11.0%	10.9%	12.4%	
PSF at least 56% / 100% at Phase-Out	8.5%	8.9%	9.0%	9.6%	9.8%	11.3%	10.8%	20.7%	13.7%	NF*	
		Rate En	vironment	: 10-Year	Cycle						
			M	care Assu	mptions (9	% of PwC	Projection	s)			
	70	9%	80%		90%		100%		110%		
PSF Assumptions	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	
PSF NOT at least Assessment	9.6%	10.9%	10.3%	11.2%	10.9%	11.4%	11.1%	11.9%	11.6%	12.7%	
PSF at least 56% of Assessment	13.5%	16.7%	14.5%	18.0%	15.4%	19.2%	16.2%	20.2%	17.0%	21.6%	
PSF at least 56% / 100% at Phase-Out	16.8%	18.1%	18.2%	19.6%	19.6%	21.8%	21.4%	24.9%	24.1%	NF*	
	Rate Env	ironment:	2% for 20	007, Long	-Term Th	ereafter					
			M	care Assu	mptions (9	% of PwC	Projection	s)			
	70	1%	80	%	90)%	100%		11	0%	
PSF Assumptions	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	
PSF NOT at least Assessment	8.5%	8.5%	8.9%	9.0%	9.4%	9.6%	9.9%	10.2%	10.4%	11.0%	
PSF at least 56% of Assessment	8.5%	8.9%	8.9%	9.4%	9.5%	10.1%	10.1%	11.0%	10.9%	12.4%	
PSF at least 56% / 100% at Phase-Out	8.5%	8.9%	9.0%	9.6%	9.8%	11.3%	10.8%	20.7%	13.7%	NF*	

NF* indicates that the scenario does not appear to be financially feasible under certain conditions.

For example, assuming future rates grow at a steady trend, Fund experience emerges at 100%

of the levels projected in PwC's most recent unfunded liability report, no lower-bound

constraints are placed on the amount of premium stabilization, and accuracy of all other

model assumptions, it appears that premium stabilization of 9.9% can be achieved. In this

particular case, the underlying assumption regarding changes in primary policy limits is

annual increases of \$50,000 beginning in 2008. Premium stabilization of 8.5% appears

feasible if Fund experience emerges at 70% of PwC's projections, but stabilization of not less

than 10.4% would be feasible if Fund experience emerges at 110% of PwC's projections.

The above table summarizes the results of 360 iterations of the model. A more detailed

summary of the results is included in the attached Appendix C - Work Task 3 - Final Model

Results and details of each iteration are provided in the attached Addendum: Work Task 3 -

Final Model Results.

Final Model Results - Observations

We offer several observations regarding the final model results:

• Generally, a stabilization approach that effectively requires contributions of state funds

(e.g., to support a continued abatement program) toward the end of the projection horizon

allows for less premium stabilization during the times when primary premiums are

increasing as a result of increasing primary limits of coverage.

Smaller increases in primary policy limits produces less year-over-year upward pressure

on total out-of-pocket costs, requiring less premium stabilization to simply offset the

increases due to limits changes. However, smaller increases in primary policy limits also

implies a delayed phase-out of the Fund, which therefore requires higher premium

stabilization if a stabilization fund is used, for example, to support a continued abatement

program.

• Although all assumptions affect the model results, the degree to which actual Fund

coverage layer costs differ from PwC's projections has a significant impact on the extent

to which it appears premium stabilization is financially feasible, if at all.

• Greater volatility in the underlying primary premium trend results in premium

stabilization being financially feasible only at percentages that are generally higher than

those assuming a more stable premium trend environment.

The table above highlights the degree of uncertainty that exists regarding financial feasibility

- stabilization at percentages at or below 10% appears financially feasible under certain

assumptions. However, higher stabilization percentages are indicated under other

assumptions and, in some scenarios, stabilization does not appear financially feasible.

Assumptions regarding future premium rate trends, the degree to which actual Fund results

will differ from projected, and the myriad of other assumptions employed by the model

cannot be known in advance. Since the actual result of any number of assumptions or

combination of assumptions could result in a plan that is not financially feasible, feasibility

will need to be continually assessed.

In addition, if implemented, a premium stabilization fund would likely require significant

implementation effort and ongoing administration, the costs of which are not recognized in

the model. Furthermore, the presence of a premium stabilization fund could create a number

of economic incentives that will need to be carefully assessed and managed as part of

implementation. These considerations are outside the scope of the modeling currently

performed, but could impact the costs and resulting feasibility of stabilization.

Given the degree of uncertainty that exists, the Commission prudently notes that the

"recommendations are meaningful only as part of an overall approach", which will ultimately

depend on the actual results that emerge. Any plan to implement the Commission's

recommendations should allow for sufficient flexibility to reassess and appropriately respond

to conditions impacting the financial feasibility of the recommendations.

As discussed in the *Background* section, the model can be used to illustrate the financial

impact of numerous variables. During the course of our work, over 150 model scenarios

were presented. The results were discussed in detail with the Commission. By

understanding the factors that drive model results, the Commission was able to understand

the variables, and interaction of variables, that impact thousands of potential scenarios.

Principal Model Variables

Primary Policy Limits Profile

Primary policy limits profile refers to the amount and timing of changes to the primary policy

limits. The Commission requested and reviewed a number of primary policy limits profiles

during the course of its work, including:

• "Status Quo" - primary limits remain at \$500,000 indefinitely;

• "Act 13" - primary limits increase to \$750,000 in 2008 and to \$1 million in 2011;

• "Delayed Act 13" - primary limits increase to \$750,000 in 2010 and to \$1 million in

2013;

• "Annual \$50,000 Increases" - primary limits increase annually in ten \$50,000 increments,

with the first increase occurring in 2008;

• "Annual \$100,000 Increases" - primary limits increase annually in five \$100,000

increments, with the first increase occurring in 2008;

• "Simon Proposal" - primary limits increase to \$600,000 in 2009, to \$750,000 in 2011,

and to \$1,000,000 in 2013;

• "Paris Proposal" - mandatory total policy limits decrease to \$500,000 in 2007 and remain

at this level thereafter;

• "HAP 1-Step" - primary limits increase to \$1 million in 2009; and

• "HAP 3-Step" - primary limits increase to \$600,000 in 2008, to \$800,000 in 2010, and to

\$1 million in 2012.

Legislative Environment

The legislative environment includes abatement assumptions such as the percentage of

healthcare providers subject to abatement and the associated percentage of abatement by

year. The Commission requested and reviewed a number of variations during the course of

its work, including:

• "As Approved" - no abatement past 2006;

"Continuing Abatement" - abatements continue indefinitely as approved for 2005; and

• Various assumptions dovetailing with the primary policy limits profile, such as increasing

the abatement to 100% (i.e., no further Fund assessments) after primary policy limits

have been increased to \$1 million.

Rate Environment

The model's primary premium is comprised of the annual underlying (\$500,000 limits)

primary premium (trended forward from a projected 2006 market primary premium),

increases to the underlying primary premium resulting from increases in primary policy

limits, and changes in the amount of relative strengthening / weakening in the resulting total

primary premium (the "relative market strength").

Note that the relative market strength cannot be known with certainty. However, we believe

that similar scenarios should have similar economic cost. As such, we generally set the

market strength for each year at a level that, when combined with the annual underlying

primary premium trend, resulted in the desired change in the annual primary premium

contemplated in the respective scenario, and produced similar economic costs and resulted in

similar long-term underlying primary premiums across similar scenarios.

As discussed in *Appendix B - Work Task 2*, we believe the following premium rate change

assumptions provide a reasonable basis for the Commission's consideration in its review of

the implications of eliminating or phasing-out the Fund:

• Some Softening, Then Steady: 0% for 2006 (based on filing activity to date), 2% for

2007 and 2008, 7.5% increases assumed thereafter;

• Steady Trend: 0% for 2006 (based on filing activity to date), 7.5% increases assumed

thereafter;

• 10-Year Cycle: 0% for 2006 (based on filing activity to date), 2% for 2007 through

2011, 10% for 2012, 25% for 2013 and 2014, and 10% for 2015. The cycle then

repeats.

Note that the trends cited above are applied in the model to the estimated current underlying

primary premium at \$500,000 limits. When combined with projections of the premium

necessary to insure the Fund layer losses based on the projections and assumptions of the

unfunded liability projections, the total premium trend is roughly 8.0%. This is also a

reasonable long-term assumption based on historical data as detailed in Appendix B - Work

Task 2.

These assumptions are not meant to encompass the range of all possible outcomes. When

considering the elimination or phase-out of the Fund and the resulting anticipated impact on

health care providers, the Fund, and sources of external funding, the Commission should

recognize that actual results will deviate, perhaps significantly, from the assumptions

discussed above.

In order to better understand the implications of the premium trend on model results, the

Commission requested an additional rate environment assumption:

• "2% for 2007, Long-Term Thereafter" - 0% for 2006 (based on filing activity to date),

2% for 2007, and 7.5% increases assumed thereafter.

Assumptions Regarding Fund Projections

As discussed in Appendix A - Work Task 1 and in the unfunded liability report, the Fund's

unfunded liability estimates that serve as the basis for several inputs of Work Task 3 are

subject to significant variability.

The model can include an aggregate adjustment for the possibility that actual Fund results

differ from PwC's estimates. This adjustment impacts the Fund's unfunded liability, Fund

calendar year claims payments, primary premium increases due to limits changes, changes to

claims-made tail liability due to limits changes, and potentially uninsured calendar year

claims payments and liability (for scenarios assuming a reduction in the total mandatory

limits of insurance of \$1 million). The Commission requested and reviewed model results

assuming actual Fund results emerge at 70%, 80%, 90%, 100%, and 110% of PwC's

projections.

Note that, in order to better align the model's projected annual Fund claims expenditures with

recent experience, projected 2006 claim payments have been adjusted to \$210 million. We

have also assumed that the reduced level of payments observed in 2005 and 2006 will

continue into 2007, and have capped the model's projected 2007 payments at \$270 million,

which is roughly the average of the Fund's 2006 payments of \$210 million and our

unadjusted projection of the 2007 payments of \$317 million.

Premium Stabilization Fund

The model allows the use of a Premium Stabilization Fund (PSF) to help offset the annual

change in total health care providers' out-of-pocket costs. A number of PSF approaches were

requested and reviewed by the Commission, including a five-year declining PSF applicable

to non-institutional exposures and a PSF that capped aggregate out-of-pocket increases. The

PSF may be applied on an incremental basis (mitigating the year-over-year increases in

aggregate out-of-pocket costs) or on a cumulative basis (limiting the cumulative year-over-

year increases to a compounded annual average). The PSF may also be determined such that

all amounts borrowed are expected to be repaid over a specified time horizon, while also

mitigating out-of-pocket increases.

If implemented, a PSF would likely require significant implementation effort and ongoing

administration, the costs of which are not recognized in the model. Furthermore, the decision

to implement a PSF on an incremental or cumulative basis will have significant impacts on

costs, with incremental premium stabilization tending to require higher external support (e.g.,

higher contributions from the Health Care Provider Retention Account ("HCPRA") or

borrowing) than premium stabilization applied on a cumulative basis.

The PSF's included in the model results are amounts that satisfy the constraints requested by

the Commission on an aggregate basis. Applying a PSF approach on a less-than-aggregate

level (e.g., on individual provider basis) will tend to require higher external support than

premium stabilization applied on an aggregate level, perhaps significantly so.

Note that impact of a PSF on individual health care providers, especially when coupled with

changes in primary premiums, Fund assessments, and abatements, could vary significantly

from provider to provider. This would need to be considered in the implementation of a PSF.

Other Model Variables

The model includes the capability to vary a number of other assumptions. These variables

were discussed with the Commission, and the Commission decided that the final model

results should utilize the following assumptions:

• 2006 JUA-based Prevailing Primary Premium: \$980 million;

• Relative rate level of the JUA to the voluntary market in 2006: 110%;

• 2006 Fund assessment: \$284.2 million (29% of \$980 million);

• 2005 ending Fund surplus: \$59.3 million;

• Amount of Fund overhead relative to annual claim payments: 6%;

• Target Buffer assumed for Fund assessment: 10% (based on current legislation);

• Cigarette Tax contribution to HCPRA (est. \$180 million for 2007, -2% per annum

thereafter), Auto CAT Fund contribution to the Fund (est. \$42 million per annum)

through 2013 (based on current legislation);

• Premium tax collected on primary premium resulting from an increase to primary

policy limits that is then deposited in the HCPRA: 0%;

• Target surplus: minimum desired amount of year-ending total surplus funds (HCPRA

balance plus Fund surplus) - 20% of discounted unfunded liability;

• Interest rate earned on surplus funds: 4%; and

• Rate used to discount costs to present value: 4%.

Sample Model Calculation

The following section describes the model using the sample calculation attached as *Appendix*

C - Work Task 3 - Sample Model Calculation. The sample assumes the following principal

model variables:

• Primary Policy Limits Profile: "Act 13" - primary limits increase to \$750,000 in 2008 and

to \$1 million in 2011;

• Legislative Environment: abatements continue under their current form through

12/31/2007. Beginning in 2008, the abatement program ceases;

• Rate Environment: "Some Softening, then Steady" - 0% for 2006, 2% for 2007 and 2008,

7.5% increases thereafter;

• Assumptions Regarding Fund Projections: 100% - the Fund's calendar year claims

payments, primary premium increases due to limits changes, and changes to claims-made

tail liability due to limits changes are consistent with the methodology and assumptions

employed by PwC to project the Fund's unfunded liability, and

Premium Stabilization Fund - applied incrementally (year-over-year) beginning in 2008,

the annual amount of premium stabilization is not less than 56% of the Fund assessment

(similar to the current abatement), and the stabilization percentage is determined such

that all amounts borrowed are expected to be epaid by 2025 while minimizing the

corresponding surplus.

Commission on the Mcare Fund

Appendix C - Work Task 3

Page 59

Generally, the flow of the calculations is back-to-front. Our discussion below proceeds

accordingly.

Scenario Input (Exhibit 7)

This exhibit presents several inputs to the model that are based on the assumptions

underlying the projection of the Fund's unfunded liability²². These include: projected Fund

calendar year claims payments, the year ending unfunded liability over time, adjustments to

claims-made tail liabilities due to limits changes (computed as the difference between the

costs of claims on an accident year basis and the cost of claims on a policy year basis), and

the potentially uninsured calendar year claims payments and liability (for models assuming a

reduction in the total mandatory limits of insurance of \$1 million).

The model adjusts each of these inputs for the possibility that actual Fund results differ from

PwC's estimates. Projected Fund claims payments, changes to claims-made tail liability due

to limits changes, and "Uninsured" calendar year claims payments and liability are further

adjusted to include overhead costs. The 6% selected load is based on historical experience,

assuming roughly \$18 million in operating expenses and \$300 million in annual claim

payments.

As discussed in Appendix A - Work Task I, the projected ultimate losses, calendar year

claims payments, and resulting unfunded liability estimates are subject to variability arising

from the fact that all factors affecting the ultimate liability have not taken place and cannot

be evaluated with certainty. Additional uncertainty may exist due to imperfections in the

²² Adjustments have been made to the unfunded liability projection for purposes of providing inputs to the Mcare Phase-Out Model, such as an adjustment to assume all underlying policies are issued effective on

January 1.

modeling approach. For example, no provision is included in the model results to reflect the

potential for claims-made policies to increase in 2010 in response to the termination of Fund

coverage for Section 715 claims beginning January 1, 2006. We discussed this, and

numerous other risks, with the Commission. The Commission understands that the

projections are subject to uncertainty from many sources.

Adjusted Primary Premium (Exhibit 6)

The model adjusts the 2006 market primary premium of \$890.9 million (based on the

assumed 2006 JUA-based Prevailing Primary Premium of \$980 million and the assumed

2006 relative rate level of the JUA to the medical malpractice market of 110%) to reflect

changes in primary policy limits as well as the annual primary premium trend. The 2006

market primary premium is trended annually at the selected annual underlying primary

premium trend. The resulting "primary premium base" assumes that primary policy limits

remain at \$500,000, and must therefore be adjusted to reflect increases in the primary

premium resulting from changes to the primary policy limits. Finally, the model adjusts the

total primary premium for changes in the amount of relative strengthening / weakening in the

primary premium (the market strength). The resulting adjusted primary premium by year

reflects each scenario's primary policy limits profile, rate environment, and market strength.

HCPRA (Exhibit 5)

The Health Care Provider Retention Account (HCPRA) is funded annually with cigarette tax

revenue (estimated \$180 million for 2007, -2% per annum thereafter, assumed to continue

indefinitely), amounts borrowed, premium tax collected on primary premium resulting from

an increase to primary policy limits that is then deposited in the HCPRA, and interest earned

on surplus HCPRA funds and borrowed funds.

HCPRA funds are assumed available to support shortfalls of available funds relative to

required funds. HCPRA and borrowed funds not needed as of a given year-end will remain

in the HCPRA and earn interest.

Borrowing (Exhibit 4)

Borrowing is employed as necessary to maintain a target total surplus (HCPRA balance plus

any remaining Fund surplus). Namely, if the total surplus is less than the target surplus,

additional funds are borrowed. If the total surplus exceeds the target surplus in any given

year, the excess amount is used to repay previous borrowing or is saved to offset potential

future shortfalls. We have assumed that at least the target surplus is maintained beginning at

year-ending 2006. Note that we have not considered constraints that may be applied to

amounts borrowed, such as coverage requirements that might be needed to secure a particular

amount of borrowing.

Required Funds (Exhibit 3)

Required funds include premiums required by the primary market to provide primary

coverage, Fund claim payments and overhead expenses, and interest of 5.25% on funds

borrowed. Note that transaction costs of borrowing, if any, are not reflected in the model

Available Funds (Exhibit 2)

Available Funds include healthcare providers' out-of-pocket costs, state funds, and prior

year-ending Fund surplus and the associated interest earned.

Healthcare providers' out-of-pocket costs include premiums for primary coverage plus Fund

assessments net of abatement less any offsets provided by the premium stabilization fund.

Primary premiums reflect the scenario's primary policy limits profile and rate environment.

Annual Fund assessment includes the prior year's claims payments and overhead, a provision

for the expected annual interest payment on cumulative amounts borrowed, and the target

buffer of 10% (based on current legislation). The amount of abatement varies by the

legislative environment assumed. The PSF in this example was determined as the annual

percentage that limited the year-over-year increase in aggregate out-of-pocket costs while

allowing for repayment of amounts borrowed by 2025.

Available state funds include the Auto CAT Fund contribution and HCPRA funds, which can

be used to fund shortages to maintain the fundamental market equilibrium between available

and required funds.

Summary (Exhibit 1)

The summary presents the principal outputs of the model, in particular:

Aggregate annual health care provider out-of-pocket costs and year-over-year increases;

• Contribution of state funds;

• Balances remaining, if any, in the Fund and the HCPRA;

Borrowing details that show years that are expected to require borrowing and years where

borrowing can be repaid; and

• The year-ending discounted unfunded liability.

Exhibit 1 presents the results by year through 2025 on a nominal basis and also provides a

present value summary.

Final Model Results

The attached Appendix C - Work Task 3 - Final Model Results includes a summary of the

results for 360 iterations of the model. A supporting exhibit for each iteration is included

under separate cover as an addendum to this report, Addendum: Appendix C - Work Task 3 -

Final Model Results.

Exhibit 1 includes results assuming a "Some Softening, then Steady" rate environment.

Exhibit 2 shows model output assuming a "Steady Trend" rate environment. Exhibit 3

includes results assuming a "10-Year Cycle" rate environment. Exhibit 4 shows model output

assuming a "2% for 2007, Long-Term Thereafter" rate environment.

Each exhibit also shows results assuming the following principal model variables:

• Primary Policy Limits Profile: "Act 13", "Delayed Act 13", "Annual \$50,000 Increases",

"Annual \$100,000 Increases", "HAP 1-Step", and "HAP 3-Step";

• Legislative Environment: assumes the current abatement program through 12/31/2007;

Assumptions Regarding Fund Projections: model results are shown assuming actual Fund

results emerge at 70%, 80%, 90%, 100%, and 110% of PwC's projections;

• Premium Stabilization Fund: stabilization is assumed to apply incrementally (year-over-

year) beginning in 2008, and the stabilization percentage is determined such that all

amounts borrowed are expected to be repaid by 2025 while minimizing the corresponding

surplus. Three types of year-over-year aggregate premium stabilization have been

modeled:

o The annual amount of premium stabilization is not subjected to any additional

constraints;

o The annual amount of premium stabilization is not less than 56% of the Fund

assessment (similar to the current abatement); and

o The annual amount of premium stabilization is not less than 56% of the Fund

assessment (similar to the current abatement) while the Fund is still providing

coverage, and is not less than the Fund assessment if the Fund is in runoff.

Each exhibit also includes a summary of the PSF percentages that satisfy the desired

constraints. In some cases, premium stabilization did not appear financially feasible, which

is indicated as a stabilization percentage of "NF*". Summaries of the present value output

through 2025 are also included for each of the five "Assumptions Regarding Fund

Projections ".

Other Model Results

The attached Appendix C - Work Task 3 - Other Model Results includes a summary of the

results for other iterations of the model, which might serve as a useful basis of comparison to

the Final Model Results discussed above. Summary Exhibit 1 through 5 summarize the

results assuming actual Fund results differ from PwC's estimates by 10% increments ranging

from -30% to +10%, respectively.

A supporting exhibit for each model iteration is included under separate cover as an

addendum to this report, Addendum: Appendix C - Work Task 3 - Other Model Results.

Exhibit 1 includes results assuming a "Some Softening, then Steady" rate environment.

Exhibit 2 shows model output assuming a "Steady Trend" rate environment. Exhibit 3

includes results assuming a "10-Year Cycle" rate environment. Exhibit 4 shows model output assuming a "2% for 2007, Long-Term Thereafter" rate environment.

Each exhibit also shows results assuming the following principal model variables:

- Primary Policy Limits Profile: "Act 13" and "Status Quo";
- Legislative Environment: assumes the current abatement program through 12/31/2007;
- Assumptions Regarding Fund Projections: model results are shown assuming actual Fund results emerge at 70%, 80%, 90%, 100%, and 110% of PwC's projections;
- Premium Stabilization Fund: none assumed.



Appendix C - Work Task 3

EXHIBITS APPENDIX C - WORK TASK 3 SAMPLE MODEL CALCULATION

(22)

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

Key Assumptions:							
MCARE Phaseout Assumptions:	Act 13 - 100%						
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face						
Interest Rate Earned on Mcare Surplus:	4.00%						
Rate Environment Assumptions:	Some Softening, Then Steady						
Premium Stabilization:	Max O-of-P, 9.6%						
MCARE Overhead as % of Annual Claim Payments:	6.0%						
Target Buffer for MCARE Assessment:	10.0%						
Discount Rate for Present Value Calculations:	4.0%						
Legislative Scenario:	Abatement through 12/31/2007						
Target Surplus (% of Year-End Mcare Unfunded Liability):	20.0%						
Assumption re: Mcare Projections:	100%						

Present Value Summary Through 2025										
Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Uninsured CY Claims	Adjusted Discounted Uninsured Liability		
32,537	2,507	59	(1,940)	581	-	-	-	-		
	Total Ec	onomic Cost:	33,745	20	25 Ending Surp	olus / (Deficit)	12			

				(1)+(2)+(3)				(5)+(6)+(7)				(10)+(11)		(8)+(12)+(13)	(14)-(4)			(16)+(17)				
		Require	d Funds						Availab	le Funds						Remaini	ing Funds		Borre	owing Details (e	x Int)	
				_		Heal	th Care Provide	ers		1	PA State Suppor	t	1	_		_		_		_		_
Year	Primary Premium	MCARE Claims and Oper Exp	Interest on Borrowed	Total Resources Required	Premium Paid by HCPs	MCARE Assessment net of Abatement	Premium Stabilization Fund	Total Charged to HCPs	% Change in Total Charged to HCPs	Auto CAT Fund	HCPRA Funds (Cig Tax)	Total State Support	Interest on Meare Surplus	Total Resources Available	MCARE Incremental Annual Surp/(Def)	MCARE Cumulative Surplus / (Deficit)	Balance of HCPRA	Cumulative Total Surplus / (Deficit)	MCARE Loan Proceeds	MCARE Loan Repayment (principal)	Principal Outstanding	MCARE Unfunded Liability
2005															59	59		59	_	_	_	1,856
2006	990	223	-	1,212	990	125	-	1,114		42		42	2	1,159	(54)	6	220		164	_	164	1,951
2007	1,009	286	9	1,304	1,009	112	-	1,121	0.6%	42	135	177	0	1,298	(6)	(0)	280	280	_	49	116	1,978
2008	1,220	336	6	1,562	1,220	321	(313)	1,228	9.6%	42	291	333	-	1,562	- '	(0)	181	181	79		195	1,880
2009	1,315	348	10	1,672	1,315	381	(349)	1,346	9.6%	42	284	326	-	1,672	-	(0)	85	85	68	-	263	1,740
2010	1,417	363	14	1,794	1,417	398	(339)	1,476	9.6%	42	268	310	-	1,786	(8)	(8)	-	(8)	57	-	320	1,557
2011	1,721	360	17	2,099	1,721	418	(523)	1,617	9.6%	42	178	220	-	1,838	(261)	(269)	-	(269)	206	-	525	1,280
2012	1,859	328	28	2,216	1,859	427	(514)	1,772	9.6%	42	173	215	-	1,987	(228)	(498)	-	(498)	177	-	702	1,021
2013	2,009	285	37	2,330	2,009	402	(468)	1,942	9.6%	42	168	210	-	2,152	(179)	(676)	-	(676)	133	-	835	793
2014	2,170	233	44	2,447	2,170	362	(403)	2,129	9.6%	-	163	163	-	2,291	(156)	(832)	-	(832)	118	-	953	605
2015	2,344	180	50	2,574	2,344	311	(323)	2,333	9.6%	-	158	158	-	2,491	(83)	(915)	-	(915)	54	-	1,007	459
2016	2,532	132	53	2,717	2,532	256	(232)	2,557	9.6%	-	154	154	-	2,710	(7)	(921)	-	(921)	-	15	992	354
2017	2,736	97	52	2,885	2,736	202	(136)	2,802	9.6%	-	150	150	-	2,952	66	(855)	-	(855)	-	82	910	276
2018	2,956	73	48	3,076	2,956	160	(90)	3,026	8.0%	-	146	146	-	3,172	96	(759)	-	(759)	-	107	803	218
2019	3,193	55	42	3,291	3,193	126	(71)	3,249	7.4%	-	143	143	-	3,392	101	(658)	-	(658)	-	110	693	175
2020	3,450	41	36	3,528	3,450	101	(57)	3,494	7.6%	-	140	140	-	3,634	106	(552)	-	(552)	-	113	580	143
2021	3,728	33	30	3,791	3,728	79	(44)	3,763	7.7%	-	137	137	-	3,899	108	(443)	-	(443)	-	113	467	118
2022	4,028	27	25	4,079	4,028	63	(35)	4,055	7.8%	-	134	134	-	4,189	110	(333)	-	(333)	-	114	353	97
2023	4,352	21	19	4,392	4,352	50	(28)	4,374	7.9%	-	131	131	-	4,505	113	(220)	-	(220)	-	116	236	81
2024	4,703	17	12	4,732	4,703	37	(21)	4,719	7.9%	-	128	128	-	4,847	115	(105)	-	(105)	-	118	119	68
2025	5,081	2.452	6	5,102	5,081	26	(14)	5,093	7.9%		114	2 522	<u> </u>	5,207	105	(0)	12	12	1.055	119	0	58
	52,813	3,453	537	56,803	52,813	4,355	(3,959)	53,209		336	3,196	3,532	3	56,743	-				1,056	1,056		

Notes

- (1) Required Funds, Column (1)
- (2) Required Funds, Column (2)
- (3) Required Funds, Column (3)
- (5) Available Funds, Column (1)
- (6) Available Funds, Column (2) + Available Funds, Column (4)
- (7) Available Funds, Column (5)
- (9) Column (8) / Prior Year Column (8) 1
- (10) Available Funds, Column (7)
- (11) Available Funds, Column (8)(13) Available Funds, Column (9)
- (16) Cumulative Column (15)
- (17) HCPRA, Column (8)
- (19) Borrowing, Column (5)
- (20) Borrowing, Column (6)
- (21) Cumulative Column (19) Cumulative Column (20)
- (22) Scenario Input, Column (3)

Premium stabilization assumptions: incremental stabilization beginning in 2008, stabilization amount at least equal to the 56% of Mcare assessment.

Key Assum	ptions
MCARE Phaseout Assumptions:	Act 13 - 100%
Target Buffer for MCARE Assessment:	10.0%
Interest Rate Earned on Mcare Surplus:	4.0%
Interest Rate Paid on Debt:	5.25%
Assumption re: Mcare Projections:	100.0%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
			-1 x (2) x (3)		(1)+(2)+(4)+(5)				(6)+(7)+(8)+(9)		

			Health Care Pro	vider Funding		State	Funds	Interest on	Total Available	Incremental	Cumulative	
Year	Primary Premiums	Mcare Assessment	Abatement Percentage	Abatement	Premium Stabilization	Total HCP Funds	Auto Surcharges	HCPRA Funds	Mcare Surplus	Funds	Mcare Surp/(Short)	Mcare Surp/(Short)
2005											59	59
2006	990	284	56.1%	(160)	-	1,114	42	-	2	1,159	(54)	6
2007	1,009	254	56.1%	(143)	-	1,121	42	135	0	1,298	(6)	-
2008	1,220	321	0.0%	-	(313)	1,228	42	291	-	1,562	-	-
2009	1,315	381	0.0%	-	(349)	1,346	42	284	-	1,672	-	-
2010	1,417	398	0.0%	-	(339)	1,476	42	268	-	1,786	(8)	(8)
2011	1,721	418	0.0%	-	(523)	1,617	42	178	-	1,838	(261)	(269)
2012	1,859	427	0.0%	-	(514)	1,772	42	173	-	1,987	(228)	(498)
2013	2,009	402	0.0%	-	(468)	1,942	42	168	-	2,152	(179)	(676)
2014	2,170	362	0.0%	-	(403)	2,129	-	163	-	2,291	(156)	(832)
2015	2,344	311	0.0%	-	(323)	2,333	-	158	-	2,491	(83)	(915)
2016	2,532	256	0.0%	=	(232)	2,557	-	154	-	2,710	(7)	(921)
2017	2,736	202	0.0%	-	(136)	2,802	-	150	-	2,952	66	(855)
2018	2,956	160	0.0%	-	(90)	3,026	-	146	-	3,172	96	(759)
2019	3,193	126	0.0%	=	(71)	3,249	-	143	-	3,392	101	(658)
2020	3,450	101	0.0%	-	(57)	3,494	-	140	-	3,634	106	(552)
2021	3,728	79	0.0%	-	(44)	3,763	-	137	-	3,899	108	(443)
2022	4,028	63	0.0%	=	(35)	4,055	-	134	-	4,189	110	(333)
2023	4,352	50	0.0%	-	(28)	4,374	-	131	-	4,505	113	(220)
2024	4,703	37	0.0%	-	(21)	4,719	-	128	-	4,847	115	(105)
2025	5,081	26	0.0%	-	(14)	5,093	-	114	-	5,207	105	-
Total	52,813	4,658		(302)	(3,959)	53,209	336	3,196	3	56,743	-	-

Notes

- (1) Adjusted Primary Premium, Column (6)
- (2) [Required Funds, Column (2), Prior Year + Borrowing, Prior Year Column (7) x Interest Rate Paid on Debt (5.25%)] x [1+Target Buffer (10.0%)]
- (3) Average abatement based on modeled assumptions and current distribution.
- (5) Amount needed to limit Column (6) / Prior Year Column (6) 1 to 9.6%
- (7) Amount borrowed from the HCPRA to fund annual shortages.
- (8) Max[Min[HCPRA, Column (6); Required Funds, Column (4) Column (6) Column (7) Column (9) Prior Year Column (12)],0]
- (9) Prior Year Column (12) x interest rate earned on Mcare surplus (4.0%)
- (11) Column (10) Required Funds, Column (4)
- (12) Cumulative Column (11)

Appendix C - Work Task 3 Sample Model Calculation Exhibit 3 - Required Funds

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

Key Assumptions								
MCARE Phaseout Assumptions:	Act 13 - 100%							
Int. on Debt:	5.25%							
Assumption re: Mcare Projections:	100.0%							

(1) (2) (3) (4) (1)+(2)+(3)

Year	Primary Premiums	Mcare Claim Payments & Overhead	Interest on Borrowed	Total Required Funds
2006	990	223	-	1,212
2007	1,009	286	9	1,304
2008	1,220	336	6	1,562
2009	1,315	348	10	1,672
2010	1,417	363	14	1,794
2011	1,721	360	17	2,099
2012	1,859	328	28	2,216
2013	2,009	285	37	2,330
2014	2,170	233	44	2,447
2015	2,344	180	50	2,574
2016	2,532	132	53	2,717
2017	2,736	97	52	2,885
2018	2,956	73	48	3,076
2019	3,193	55	42	3,291
2020	3,450	41	36	3,528
2021	3,728	33	30	3,791
2022	4,028	27	25	4,079
2023	4,352	21	19	4,392
2024	4,703	17	12	4,732
2025	5,081	14	6	5,102
Total	52,813	3,453	537	56,803

Notes

- (1) Adjusted Primary Premium, Column (6)
- (2) Scenario Input, Column (2)
- (3) Borrowing, Prior Year Column (7) x Assumed Interest Rate of 5.25%

Key Assumptions					
MCARE Phaseout Assumptions:	Act 13 - 100%				
Target Surplus (% of Year-End Mcare Unfunded Liability):	20.0%				
Assumption re: Mcare Projections:	100.0%				

(1) (2) (3) (4) (5) (6) (7) (1) + (2)

Year	Cumulative Mcare Surp/(Short)	HCPRA Balance	Total Surplus	Target Surplus	Loan Proceeds	Loan Repayment (Principal)	Principal Outstanding
2005	59						-
2006	6	220	226	390	164	-	164
2007	-	280	280	396	-	49	116
2008	-	181	181	376	79	-	195
2009	-	85	85	348	68	-	263
2010	(8)	-	(8)	311	57	-	320
2011	(269)	-	(269)	256	206	-	525
2012	(498)	-	(498)	204	177	-	702
2013	(676)	-	(676)	159	133	-	835
2014	(832)	-	(832)	121	118	-	953
2015	(915)	-	(915)	92	54	-	1,007
2016	(921)	-	(921)	71	-	15	992
2017	(855)	-	(855)	55	-	82	910
2018	(759)	-	(759)	44	-	107	803
2019	(658)	-	(658)	35	-	110	693
2020	(552)	-	(552)	29	-	113	580
2021	(443)	-	(443)	24	-	113	467
2022	(333)	-	(333)	19	-	114	353
2023	(220)	-	(220)	16	-	116	236
2024	(105)	-	(105)	14	-	118	119
2025	-	12	12	12	-	119	0
Total					1,056	1,056	

Notes

- (1) Available Funds, Column (12)
- (2) HCPRA, Column (8)
- (4) Scenario Input, Column (3) * Target Surplus
- (5) If Col (4)>[Col (3)+Col (7), Prior Year] and Col (7), Prior Year>0, then Col (4)-Col (3)-Col (7), Prior Year
- (6) If Col (7), Prior Yr>0 and [Col (3) + Col (7), Prior Yr]>Col (4), then Min[Col (7), Prior Yr; Col (3) + Col (7), Prior Yr Col (4)]
- (7) Cumulative Column (5) Cumulative Column (6)

Key Assumptions				
MCARE Phaseout Assumptions:	Act 13 - 100%			
Interest Rate Earned on Mcare Surplus:	4.0%			
Assumption re: Mcare Projections:	100.0%			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		$(1) \times (2)$					(6)-(7)

Year	Prem Tax on Additional Due to Limits Chgs	Mkt. Strength/ Underwriting Cycle Adjustment	Adjusted Prem Tax Due to Limits Chgs	Cigarette Tax	Int Earned on HCRPA and Borrowed	Available HCPRA Balance	HCPRA Funds Needed	Remaining HCPRA Surplus
2006	-	1.11	-	220	-	220	-	220
2007	-	1.05	-	180	15	415	135	280
2008	-	1.00	-	176	16	472	291	181
2009	-	1.00	-	173	15	369	284	85
2010	-	1.00	-	169	14	268	268	-
2011	-	1.00	-	166	12	178	178	-
2012	-	1.00	-	163	10	173	173	-
2013	-	1.00	-	159	8	168	168	-
2014	-	1.00	-	156	6	163	163	-
2015	-	1.00	-	153	5	158	158	-
2016	-	1.00	-	150	4	154	154	-
2017	-	1.00	-	147	3	150	150	-
2018	-	1.00	-	144	2	146	146	-
2019	-	1.00	-	141	2	143	143	-
2020	-	1.00	-	138	1	140	140	-
2021	-	1.00	-	136	1	137	137	-
2022	-	1.00	-	133	1	134	134	-
2023	-	1.00	-	130	1	131	131	-
2024	-	1.00	-	128	1	128	128	-
2025	-	1.00	-	125	1	126	114	12
Total	-		-	3,089	118	126	3,196	12

Notes

⁽⁵⁾ Borrowing, Prior Year: [Column (7) + Column (2) + (Column (1) if < 0)] x [1+ interest earned (4.0%)]

⁽⁶⁾ Columns (3), (4), (5) and Prior Column (8)

⁽⁷⁾ Available Funds, Column (8)

Appendix C - Work Task 3 Sample Model Calculation Exhibit 6 - Adjusted Primary Premium

Key Assumptions					
MCARE Phaseout Assumptions:	Act 13 - 100%				
MCARE Overhead as % of Annual Claim Payments:	6.0%				
Assumption re: Mcare Projections:	100.0%				

(1)	(2)	(3)	(4)	(5)	(6)
			(2) + (3)		$(4) \times (5)$

Year	Annual Premium Trend	Primary Premium Base	Additional Due to Limits Chgs (incl O/H)	Total Primary Premium	Mkt. Strength/ Underwriting Cycle Adjustment	Total Adjusted Primary Premium
2006	2007			891	1.11	990
2007	7.50/	891 958	-			
	7.5%		-	958	1.05	1,009
2008	7.5%	1,030	190	1,220	1.00	1,220
2009	7.5%	1,107	208	1,315	1.00	1,315
2010	7.5%	1,190	227	1,417	1.00	1,417
2011	7.5%	1,279	442	1,721	1.00	1,721
2012	7.5%	1,375	485	1,859	1.00	1,859
2013	7.5%	1,478	531	2,009	1.00	2,009
2014	7.5%	1,589	581	2,170	1.00	2,170
2015	7.5%	1,708	636	2,344	1.00	2,344
2016	7.5%	1,836	696	2,532	1.00	2,532
2017	7.5%	1,974	762	2,736	1.00	2,736
2018	7.5%	2,122	834	2,956	1.00	2,956
2019	7.5%	2,281	912	3,193	1.00	3,193
2020	7.5%	2,452	998	3,450	1.00	3,450
2021	7.5%	2,636	1,092	3,728	1.00	3,728
2022	7.5%	2,834	1,194	4,028	1.00	4,028
2023	7.5%	3,046	1,306	4,352	1.00	4,352
2024	7.5%	3,275	1,428	4,703	1.00	4,703
2025	7.5%	3,520	1,561	5,081	1.00	5,081
Total		38,581	14,082	52,662		52,813

Notes

⁽²⁾ Prior Column (2) x Column (1).

⁽³⁾ Estimated change in primary premium arising from changes in primary limits, using assumptions consistent with those used to estimate the unfunded liability as of 12/31/2005, assuming 100% adjustment to Mcare layer experience, and 6.0% overhead. Other amounts are based on the particular assumptions of the respective scenario.

Key Assumptions					
MCARE Phaseout Assumptions:	Act 13 - 100%				
MCARE Overhead as % of Annual Claim Payments:	6.0%				
Assumption re: Mcare Projections:	100.0%				

(1) (2) (3) (4) (5) (6) (1) x (1.06)

Year	Adjusted Projected Mcare Claim Payments	Projected Mcare Claim Payments & Overhead	Adjusted Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Adjusted Uninsured CY Claims	Adjusted Discounted Uninsured Liability
2005			1,856	7		-
2006	210	223	1,951	48	-	-
2007	270	286	1,978	88	-	-
2008	317	336	1,880	13	-	-
2009	328	348	1,740	57	-	-
2010	343	363	1,557	97	-	-
2011	340	360	1,280	18	-	-
2012	310	328	1,021	20	-	-
2013	269	285	793	22	-	-
2014	220	233	605	24	-	-
2015	170	180	459	26	-	-
2016	124	132	354	29	-	-
2017	92	97	276	31	-	-
2018	69	73	218	34	-	-
2019	52	55	175	37	-	-
2020	39	41	143	41	-	-
2021	31	33	118	44	-	-
2022	25	27	97	48	-	-
2023	20	21	81	53	-	-
2024	16	17	68	58	-	-
2025	13	14	58	63	-	-
Total	3,257	3,453	58	852	-	-

Notes

- (1) Estimated calendar year payments with 100% adjustment to Mcare layer experience.
- (3) Estimated ending unfunded liability discounted (4%/year) with 100% adjustment to Mcare layer experience.
- (4) Estimated difference attributable to coverage year vs. accident year for primary premium with 100% adjustment.

Amounts above are calculated using assumptions consistent with those used to estimate the 12/31/2005 unfunded liability.

Other amounts are based on the particular assumptions of the respective scenario.

EXHIBITS APPENDIX C - WORK TASK 3 FINAL MODEL RESULTS

Common Key Assumptions						
Rate Environment Assumptions:	Some Softening, Then Steady					
Interest Rate Paid on Debt:	5.25%, Coupon=Yield, Proceeds=Face					
Interest Rate Earned on Surplus:	4.00%					
Target Surplus:	20.0% of Unfunded Liability					
MCARE Overhead as % of Annual Claim Payments:	6.0%					
Target Buffer for MCARE Assessment:	10.0%					
Discount Rate for Present Value Calculations:	4.0%					

Minimum PSF Percentage Achieving Desired Constraints								
PSF Applied I	ncrementally, PSF NOT	Γ at least Assess	ment					
		Mcare Assum	ptions (% of Pwo	C Projections)				
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%			
Act 13, Abatement through 12/31/2007	8.0%	8.4%	8.8%	9.4%	10.1%			
Delayed Act 13, Abatement through 12/31/2007	8.0%	8.4%	8.8%	9.3%	9.9%			
\$50K Increases, Abatement through 12/31/2007	8.0%	8.4%	8.8%	9.2%	9.7%			
\$100K Increases, Abatement through 12/31/2007	8.0%	8.4%	8.8%	9.4%	10.0%			
HAP 1-Step, Abatement through 12/31/2007	8.0%	8.4%	8.9%	9.4%	10.1%			
HAP 3-Step, Abatement through 12/31/2007	8.0%	8.4%	8.8%	9.4%	10.0%			
PSF Applied Incrementally, PSF at least 56% of Assessment								
		Mcare Assum	ptions (% of Pwo	C Projections)				
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%			
Act 13, Abatement through 12/31/2007	8.0%	8.4%	8.9%	9.6%	10.5%			
Delayed Act 13, Abatement through 12/31/2007	8.9%	9.4%	10.1%	11.0%	12.0%			
\$50K Increases, Abatement through 12/31/2007	8.3%	8.6%	8.9%	9.5%	10.3%			
\$100K Increases, Abatement through 12/31/2007	8.1%	8.4%	8.9%	9.6%	10.4%			
HAP 1-Step, Abatement through 12/31/2007	8.6%	9.1%	9.8%	10.9%	12.4%			
HAP 3-Step, Abatement through 12/31/2007	8.2%	8.4%	8.9%	9.5%	10.3%			
PSF Applied Incrementally, PSI	F at least 56% of Assess	ment/100% wh	en \$1M prima	ry limits				
		Mcare Assum	ptions (% of Pwo	C Projections)				
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%			
Act 13, Abatement through 12/31/2007	8.0%	8.4%	9.0%	10.2%	14.0%			
Delayed Act 13, Abatement through 12/31/2007	8.9%	9.6%	11.3%	20.7%	NF*			
\$50K Increases, Abatement through 12/31/2007	8.3%	8.6%	9.1%	10.1%	13.4%			
\$100K Increases, Abatement through 12/31/2007	8.1%	8.4%	9.0%	10.2%	13.0%			
HAP 1-Step, Abatement through 12/31/2007	8.6%	9.1%	10.2%	13.8%	NF*			
HAP 3-Step, Abatement through 12/31/2007	8.2%	8.4%	9.0%	10.1%	19.6%			

 NF^* indicates that the scenario does not appear to be financially feasible under certain conditions.

	Common Key Assumptions	
Rate Environment Assumptions:	Some Softening, Then Steady	
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face	
Interest Rate Earned on Surplus:	4.00%	
Target Surplus (% of Year-End Mcare Unfunded Liability):	20.00%	
MCARE Overhead as % of Annual Claim Payments:	6.0%	
Target Buffer for MCARE Assessment:	10.0%	
Discount Rate for Present Value Calculations:	4.0%	
Assumption re: Mcare Projections:	70%	

Present Value Summery Through 2025 Total State Charge in HCPs Total State Charge in HCPs Total State Support Total State S		PSF Applied Incrementally a	t 70% PwC	Mcare Pro	jections, PS	F NOT at lea	st Assessme	ent						
Page				Present Value	e Summary T	hrough 2025							Nomina	l Values
12 Delayed Act 13, Abatement through 12/31/2007, 8.0% PSF 29,195 2,443 59 (1,378) 412 5 (5) - 30,731 11 17 SSOK Increases, Abatement through 12/31/2007, 8.0% PSF 29,185 2,441 59 (1,365) 410 3 (4) - 30,730 16 29 5100K Increases, Abatement through 12/31/2007, 8.0% PSF 29,200 2,444 59 (1,382) 409 2 (2) - 30,730 8 27 HAP 1-Step, Abatement through 12/31/2007, 8.0% PSF 29,200 2,444 59 (1,386) 410 3 (3) - 30,730 7 28 HAP 3-Step, Abatement through 12/31/2007, 8.0% PSF 29,198 2,444 59 (1,381) 410 3 (3) - 30,730 9 29 HAP 3-Step, Abatement through 12/31/2007, 8.0% PSF 29,198 2,444 59 (1,381) 410 3 (3) - 30,730 9 20 Percentage of Total Economic Cost Act 13, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 196 0% 0% 0% 0% 0% 100% 500 H	Page	Phase-out Assumptions, Legislative Scenario	Charged to		Surplus /	Discounted Unfunded	Change in Tail Due to	PV Unfunded Liab (vs Act	Beg PV Tail Liab (vs Act	Potential Uninsured	Potn'l Uninsured	Economic Economic	Ending Surplus /	2025 MCARE Unfunded Liability
17 SSOK Increases, Abatement through 12/31/2007, 8.0% PSF 29,185 2,441 59 (1,365) 410 3 (4) 30,730 16 22 SI00K Increases, Abatement through 12/31/2007, 8.0% PSF 29,200 2,444 59 (1,382) 409 2 (2) 30,730 8 17 14 P1-Step, Abatement through 12/31/2007, 8.0% PSF 29,202 2,445 59 (1,386) 410 3 (3) 30,730 77 18 14 P3-Step, Abatement through 12/31/2007, 8.0% PSF 29,198 2,444 59 (1,381) 410 3 (3) 30,730 77 18 14 P3-Step, Abatement through 12/31/2007, 8.0% PSF 29,198 2,444 59 (1,381) 410 3 (3) 30,730 79 18 14 P3-Step, Abatement through 12/31/2007, 8.0% PSF 29,198 2,444 59 (1,381) 410 3 (3) 30,730 79 18 14 P3-Step, Abatement through 12/31/2007, 8.0% PSF 29,5% 8% 0% -4% 1% 0% 0% 0% 0% 0% 100% 100% 100% 100%	7	Act 13, Abatement through 12/31/2007, 8.0% PSF	29,201	2,444	59	(1,381)	407	-	-	-	-	30,730	8	39
22 \$100K Increases, Abatement through 12/31/2007, 8.0% PSF	12	Delayed Act 13, Abatement through 12/31/2007, 8.0% PSF	29,195	2,443	59	(1,378)	412	5	(5)	-	-	30,731	11	54
27 HAP 1-Step, Abatement through 12/31/2007, 8.0% PSF 29,202 2,445 59 (1,386) 410 3 (3) 30,730 73 28 HAP 3-Step, Abatement through 12/31/2007, 8.0% PSF 29,198 2,444 59 (1,381) 410 3 (3) 30,730 9	17	\$50K Increases, Abatement through 12/31/2007, 8.0% PSF	29,185	2,441	59	(1,365)	410	3	(4)	-	-	30,730	16	79
32 HAP 3-Step, Abatement through 12/31/2007, 8.0% PSF 29,198 2,444 59 (1,381) 410 3 (3) 30,730 9	22	\$100K Increases, Abatement through 12/31/2007, 8.0% PSF	29,200	2,444	59	(1,382)	409	2	(2)	-	-	30,730	8	41
Percentage of Total Economic Cost	27	HAP 1-Step, Abatement through 12/31/2007, 8.0% PSF	29,202	2,445	59	(1,386)	410	3	(3)	-	-	30,730	7	35
Act 13, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 0% 100% Delayed Act 13, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 0% 100% \$50K Increases, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 0% 100%	32	HAP 3-Step, Abatement through 12/31/2007, 8.0% PSF	29,198	2,444	59	(1,381)	410	3	(3)	-	-	30,730	9	44
Delayed Act 13, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 0% 100% \$50K Increases, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 100%				Percentage	of Total Ecor	omic Cost							•	
\$50K Increases, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 0% 0% 100%		Act 13, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
		Delayed Act 13, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
\$100K Increases, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 0% 0% 100%		\$50K Increases, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
		\$100K Increases, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -5% 1% 0% 0% 0% 0% 100%		HAP 1-Step, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/2007, 8.0% PSF 95% 8% 0% -4% 1% 0% 0% 0% 0% 00 100%		HAP 3-Step, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at	70% PwC 1	Mcare Proje	ctions, PSF	at least 56%	of Assessm	nent				İ		
	Tot repeate community in		Present Value									Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability			Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
37	Act 13, Abatement through 12/31/2007, 8.0% PSF	29,201	2,444	59	(1,381)	407	-	-	-	-	30,730	8	39
42	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	29,223	2,457	59	(1,378)	412	5	(5)	-	-	30,773	11	54
47	\$50k Increases, Abatement through 12/31/2007, 8.3% PSF	29,187	2,445	59	(1,365)	410	3	(4)	-	-	30,737	16	79
52	\$100k Increases, Abatement through 12/31/2007, 8.1% PSF	29,200	2,444	59	(1,382)	409	2	(2)	-	-	30,730	8	41
57	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	29,240	2,462	59	(1,386)	410	3	(3)	-	-	30,786	7	35
62	HAP 3-Step, Abatement through 12/31/2007, 8.2% PSF	29,201	2,448	59	(1,381)	410	3	(3)	-	-	30,737	9	44
			Percentage	of Total Econ	omic Cost								
	Act 13, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 8.3% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 8.1% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.2% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 70% PwC Mcar	e Projection	ns, PSF at le	ast 56% of .	Assessment/1	00% when	\$1M primary	limits]		
			Nomina	l Values									
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Potential	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
67	Act 13, Abatement through 12/31/2007, 8.0% PSF	29,201	2,444	59	(1,381)	407	-	-	-	-	30,730	8	39
72	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	29,221	2,457	59	(1,378)	412	5	(5)	-	-	30,771	11	54
77	\$50k Increases, Abatement through 12/31/2007, 8.3% PSF	29,187	2,445	59	(1,365)	410	3	(4)	-	-	30,737	16	79
82	\$100k Increases, Abatement through 12/31/2007, 8.1% PSF	29,200	2,444	59	(1,382)	409	2	(2)	-	-	30,730	8	41
87	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	29,239	2,462	59	(1,386)	410	3	(3)	-	-	30,785	7	35
92	HAP 3-Step, Abatement through 12/31/2007, 8.2% PSF	29,201	2,448	59	(1,381)	410	3	(3)	-	-	30,737	9	44
			Percentage	of Total Econ	omic Cost								-
	Act 13, Abatement through 12/31/2007, 8.0% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 8.3% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 8.1% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.2% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 1 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 MCARE Unfunded Liability

Ending Surplus / (Deficit)

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

	Common Key Assumptions
Rate Environment Assumptions:	Some Softening, Then Steady
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face
Interest Rate Earned on Surplus:	4.00%
Target Surplus:	20.0% of Unfunded Liability
MCARE Overhead as % of Annual Claim Payments:	6.0%
Target Buffer for MCARE Assessment:	10.0%
Discount Rate for Present Value Calculations:	4.0%
Assumption re: Mcare Projections:	80%

	PSF Applied Incrementally at 80% PwC Mcare Projections, PSF NOT at least Assessment												
			Present Value	e Summary T	hrough 2025								
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Economic Cost		
8	Act 13, Abatement through 12/31/2007, 8.4% PSF	30,319	2,464	59	(1,570)	465	-	-	-	-	31,737		
13	Delayed Act 13, Abatement through 12/31/2007, 8.4% PSF	30,299	2,456	59	(1,567)	470	5	(5)	-	-	31,717		
18	\$50K Increases, Abatement through 12/31/2007, 8.4% PSF	30,279	2,450	59	(1,552)	469	4	(4)	-		31,705		
23	\$100K Increases, Abatement through 12/31/2007, 8.4% PSF	30,314	2,462	59	(1,571)	468	3	(3)	-	-	31,732		
28	HAP 1-Step, Abatement through 12/31/2007, 8.4% PSF	30,326	2,468	59	(1,576)	469	3	(4)	-	-	31,746		
33	HAP 3-Step, Abatement through 12/31/2007, 8.4% PSF	30,310	2,459	59	(1,570)	468	3	(3)	-	-	31,726		
			Percentage	of Total Econ	nomic Cost								
	Act 13, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$50K Increases, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$100K Increases, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

PSF Applied Cumulative	ly at 80% PwC	Mcare Proj	ections, PSF	at least 56%	of Assessn	nent						
		Present Valu	e Summary T	hrough 2025							Nomina	d Values
Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCAR Unfunde Liabilit
Act 13, Abatement through 12/31/2007, 8.4% PSF	30,319	2,464	59	(1,570)	465	-	-	-	-	31,737	9	4
Delayed Act 13, Abatement through 12/31/2007, 9.4% PSF	30,326	2,469	59	(1,567)	470	5	(5)	-	-	31,758	13	
\$50k Increases, Abatement through 12/31/2007, 8.6% PSF	30,286	2,455	59	(1,552)	469	4	(4)	-	-	31,717	18	
\$100k Increases, Abatement through 12/31/2007, 8.4% PSF	30,314	2,462	59	(1,571)	468	3	(3)	-	-	31,732	10	
HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	30,354	2,475	59	(1,576)	469	3	(4)	-	-	31,780	8	
HAP 3-Step, Abatement through 12/31/2007, 8.4% PSF	30,313	2,460	59	(1,570)	468	3	(3)	-	-	31,730	10	
		Percentage	of Total Eco	nomic Cost								
Act 13, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 9.4% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 80% PwC Mcai	re Projectio	ns. PSF at le	ast 56% of	Assessment/1	00% when	\$1M primary	limits						
	Present Value Summary Through 2025													
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability	
68	Act 13, Abatement through 12/31/2007, 8.4% PSF	30,319	2,464	59	(1,570)	465	-	-	-	-	31,737	9	45	
73	Delayed Act 13, Abatement through 12/31/2007, 9.6% PSF	30,318	2,468	59	(1,567)	470	5	(5)	-	-	31,748	13	63	
78	\$50k Increases, Abatement through 12/31/2007, 8.6% PSF	30,285	2,455	59	(1,552)	469	4	(4)	-	-	31,715	18	90	
83	\$100k Increases, Abatement through 12/31/2007, 8.4% PSF	30,314	2,462	59	(1,571)	468	3	(3)	-	-	31,732	10	48	
88	HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	30,349	2,475	59	(1,576)	469	3	(4)	-	-	31,776	8	41	
93	HAP 3-Step, Abatement through 12/31/2007, 8.4% PSF	30,312	2,460	59	(1,570)	468	3	(3)	-	-	31,730	10	51	
			Percentage	of Total Ecor	nomic Cost									
	Act 13, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%			
	Delayed Act 13, Abatement through 12/31/2007, 9.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%			
	\$50k Increases, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%			
	\$100k Increases, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%			
	HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%			
	HAP 3-Step, Abatement through 12/31/2007, 8.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%			

Note
Page numbers noted above are for the corresponding page in Exhibit 1 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 Ending Surplus / (Deficit)

10 14 21

11

2025 MCARE Unfunded Liability

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

	Common Key Assumptions
Rate Environment Assumptions:	Some Softening, Then Steady
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face
Interest Rate Earned on Surplus:	4.00%
Target Surplus:	20.0% of Unfunded Liability
MCARE Overhead as % of Annual Claim Payments:	6.0%
Target Buffer for MCARE Assessment:	10.0%
Discount Rate for Present Value Calculations:	4.0%
Assumption re: Mcare Projections:	90%

	PSF Applied Incrementally	at 90% Pw(Mcare Pro	jections, PS	F NOT at lea	st Assessm	ent				
			Present Value	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
9	Act 13, Abatement through 12/31/2007, 8.8% PSF	31,442	2,489	59	(1,757)	523	-	-	-	-	32,756
14	Delayed Act 13, Abatement through 12/31/2007, 8.8% PSF	31,410	2,471	59	(1,753)	529	6	(6)	-	-	32,716
19	\$50K Increases, Abatement through 12/31/2007, 8.8% PSF	31,385	2,470	59	(1,737)	528	4	(4)	-	-	32,705
24	\$100K Increases, Abatement through 12/31/2007, 8.8% PSF	31,434	2,482	59	(1,758)	526	3	(3)	-	-	32,744
29	HAP 1-Step, Abatement through 12/31/2007, 8.9% PSF	31,449	2,483	59	(1,763)	527	4	(4)	-	-	32,755
34	HAP 3-Step, Abatement through 12/31/2007, 8.8% PSF	31,427	2,479	59	(1,757)	527	3	(3)	-	-	32,735
			Percentage	of Total Econ	nomic Cost						
	Act 13, Abatement through 12/31/2007, 8.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 8.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$50K Increases, Abatement through 12/31/2007, 8.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 8.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 8.9% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAP 3-Step, Abatement through 12/31/2007, 8.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%

	PSF Applied Cumulatively at	90% PwC	Mcare Proje	ections, PSF	at least 56%	of Assessn	ient						
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
39	Act 13, Abatement through 12/31/2007, 8.9% PSF	31,438	2,489	59	(1,757)	523	-	-	-	-	32,752	10	51
44	Delayed Act 13, Abatement through 12/31/2007, 10.1% PSF	31,425	2,491	59	(1,753)	529	6	(6)	-	-	32,751	14	71
49	\$50k Increases, Abatement through 12/31/2007, 8.9% PSF	31,384	2,475	59	(1,737)	528	4	(4)	-	-	32,709	21	103
54	\$100k Increases, Abatement through 12/31/2007, 8.9% PSF	31,430	2,482	59	(1,758)	526	3	(3)	-	-	32,739	11	55
59	HAP 1-Step, Abatement through 12/31/2007, 9.8% PSF	31,458	2,487	59	(1,763)	527	4	(4)	-	-	32,768	9	46
64	HAP 3-Step, Abatement through 12/31/2007, 8.9% PSF	31,423	2,479	59	(1,757)	527	3	(3)	-	-	32,731	12	58
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007, 8.9% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 10.1% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 8.9% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 8.9% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 9.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.9% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 90% PwC Mcar	re Projectio	ns, PSF at le	ast 56% of	Assessment/1	100% when	\$1M primary	limits					
			Present Value	e Summary T	hrough 2025							Nomina	d Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
69	Act 13, Abatement through 12/31/2007, 9.0% PSF	31,432	2,488	59	(1,757)	523	-	-	-	-	32,745	10	51
74	Delayed Act 13, Abatement through 12/31/2007, 11.3% PSF	31,406	2,486	59	(1,753)	529	6	(6)	-	-	32,728	14	71
79	\$50k Increases, Abatement through 12/31/2007, 9.1% PSF	31,374	2,469	59	(1,737)	528	4	(4)	-	-	32,694	21	103
84	\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	31,423	2,481	59	(1,758)	526	3	(3)	-	-	32,732	11	55
89	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	31,446	2,486	59	(1,763)	527	4	(4)	-	-	32,755	9	46
94	HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	31,416	2,478	59	(1,757)	527	3	(3)	-		32,724	12	58
			Percentage	of Total Ecor	omic Cost								
	Act 13, Abatement through 12/31/2007, 9.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 11.3% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 9.1% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 1 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 MCARE Unfunded Liability

58 80 115

Ending Surplus / (Deficit)

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

	Common Key Assumptions	
Rate Environment Assumptions:	Some Softening, Then Steady	
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face	
Interest Rate Earned on Surplus:	4.00%	
Target Surplus:	20.0% of Unfunded Liability	
MCARE Overhead as % of Annual Claim Payments:	6.0%	
Target Buffer for MCARE Assessment:	10.0%	
Discount Rate for Present Value Calculations:	4.0%	
Assumption re: Mcare Projections:	100%	

	PSF Applied Incrementally at 100% PwC Mcare Projections, PSF NOT at least Assessment													
			Present Value	e Summary T	hrough 2025									
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost			
10	Act 13, Abatement through 12/31/2007, 9.4% PSF	32,549	2,507	59	(1,940)	581	-	-	-	-	33,757			
15	Delayed Act 13, Abatement through 12/31/2007, 9.3% PSF	32,512	2,493	59	(1,935)	588	7	(7)	-	-	33,717			
20	\$50K Increases, Abatement through 12/31/2007, 9.2% PSF	32,491	2,509	59	(1,917)	586	5	(5)	-		33,729			
25	\$100K Increases, Abatement through 12/31/2007, 9.4% PSF	32,540	2,503	59	(1,941)	585	3	(3)	-	-	33,746			
30	HAP 1-Step, Abatement through 12/31/2007, 9.4% PSF	32,554	2,495	59	(1,946)	586	4	(4)	-	-	33,748			
35	HAP 3-Step, Abatement through 12/31/2007, 9.4% PSF	32,533	2,503	59	(1,939)	585	4	(4)	-	-	33,741			
			Percentage	of Total Ecor	nomic Cost									
	Act 13, Abatement through 12/31/2007, 9.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	Delayed Act 13, Abatement through 12/31/2007, 9.3% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$50K Increases, Abatement through 12/31/2007, 9.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$100K Increases, Abatement through 12/31/2007, 9.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 1-Step, Abatement through 12/31/2007, 9.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 3-Step, Abatement through 12/31/2007, 9.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			

	PSF Applied Cumulatively at	100% PwC	Mcare Proj	ections, PS	F at least 56%	of Assessr	nent						
			Present Valu	e Summary T	hrough 2025							Nomina	al Values
age	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
40	Act 13, Abatement through 12/31/2007, 9.6% PSF	32,537	2,507	59	(1,940)	581	-	-	-	-	33,745	12	58
45	Delayed Act 13, Abatement through 12/31/2007, 11.0% PSF	32,518	2,515	59	(1,935)	588	7	(7)	-	-	33,744	16	80
50	\$50k Increases, Abatement through 12/31/2007, 9.5% PSF	32,483	2,513	59	(1,917)	586	5	(5)	-	-	33,725	23	115
55	\$100k Increases, Abatement through 12/31/2007, 9.6% PSF	32,529	2,502	59	(1,941)	585	3	(3)	-	-	33,734	12	62
60	HAP 1-Step, Abatement through 12/31/2007, 10.9% PSF	32,553	2,501	59	(1,946)	586	4	(4)	-	-	33,752	10	52
65	HAP 3-Step, Abatement through 12/31/2007, 9.5% PSF	32,522	2,501	59	(1,939)	585	4	(4)	-	-	33,728	13	66
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007, 9.6% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 11.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 9.5% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 9.6% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 10.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
		0.60/	70/	00/	C0/	20/	00/	00/	00/	00/	1000/		

	PSF Applied Cumulatively at 100% PwC Mca	re Projectio	ns. PSF at le	east 56% of	Assessment/	100% wher	\$1M primar	v limits			1		
	- <u>**</u>		Nomina	l Values									
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
70	Act 13, Abatement through 12/31/2007, 10.2% PSF	32,519	2,505	59	(1,940)	581	-	-	-	-	33,725	12	58
75	Delayed Act 13, Abatement through 12/31/2007, 20.7% PSF	32,484	2,490	59	(1,935)	588	7	(7)	-	-	33,686	16	80
80	\$50k Increases, Abatement through 12/31/2007, 10.1% PSF	32,460	2,497	59	(1,917)	586	5	(5)	-	-	33,686	23	115
85	\$100k Increases, Abatement through 12/31/2007, 10.2% PSF	32,511	2,500	59	(1,941)	585	3	(3)	-	-	33,713	12	62
90	HAP 1-Step, Abatement through 12/31/2007, 13.8% PSF	32,529	2,499	59	(1,946)	586	4	(4)	-	-	33,727	10	52
95	HAP 3-Step, Abatement through 12/31/2007, 10.1% PSF	32,503	2,496	59	(1,939)	585	4	(4)	-	-	33,704	13	66
			Percentage	of Total Ecor	omic Cost								
	Act 13, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 20.7% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 10.1% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 13.8% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 10.1% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 1 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 MCARE Unfunded Liability

Ending Surplus / (Deficit)

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

	Common Key Assumptions	
Rate Environment Assumptions:	Some Softening, Then Steady	
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face	
Interest Rate Earned on Surplus:	4.00%	
Target Surplus:	20.0% of Unfunded Liability	
MCARE Overhead as % of Annual Claim Payments:	6.0%	
Target Buffer for MCARE Assessment:	10.0%	
Discount Rate for Present Value Calculations:	4.0%	
Assumption re: Mcare Projections:	110%	

	PSF Applied Incrementally at 110% PwC Mcare Projections, PSF NOT at least Assessment													
			Present Value	e Summary T	hrough 2025									
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost			
11	Act 13, Abatement through 12/31/2007, 10.1% PSF	33,649	2,522	59	(2,122)	639	-	-	-	-	34,748			
16	Delayed Act 13, Abatement through 12/31/2007, 9.9% PSF	33,613	2,519	59	(2,117)	647	7	(7)	-	-	34,720			
21	\$50K Increases, Abatement through 12/31/2007, 9.7% PSF	33,594	2,540	59	(2,097)	645	5	(5)	-	-	34,741			
26	\$100K Increases, Abatement through 12/31/2007, 10.0% PSF	33,641	2,520	59	(2,123)	643	4	(4)	-	-	34,739			
31	HAP 1-Step, Abatement through 12/31/2007, 10.1% PSF	33,655	2,509	59	(2,129)	644	5	(5)	-	-	34,738			
36	HAP 3-Step, Abatement through 12/31/2007, 10.0% PSF	33,634	2,522	59	(2,122)	644	4	(4)	-	-	34,736			
			Percentage	of Total Econ	nomic Cost									
	Act 13, Abatement through 12/31/2007, 10.1% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	Delayed Act 13, Abatement through 12/31/2007, 9.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$50K Increases, Abatement through 12/31/2007, 9.7% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$100K Increases, Abatement through 12/31/2007, 10.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 1-Step, Abatement through 12/31/2007, 10.1% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 3-Step, Abatement through 12/31/2007, 10.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			

PSF Applied Cumulative	ely at 110% PwC	Mcare Proj	ections, PS	F at least 56%	6 of Assessi	nent						
**		Present Valu	e Summary T	Through 2025							Nomina	d Values
e Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability		Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARI Unfunde Liabilit
1 Act 13, Abatement through 12/31/2007, 10.5% PSF	33,630	2,522	59	(2,122)	639	-	-	-	-	34,728	13	6
6 Delayed Act 13, Abatement through 12/31/2007, 12.0% PSF	33,608	2,534	59	(2,117)	647	7	(7)	-	-	34,730	18	8
1 \$50k Increases, Abatement through 12/31/2007, 10.3% PSF	33,577	2,543	59	(2,097)	645	5	(5)	-	-	34,727	25	12
6 \$100k Increases, Abatement through 12/31/2007, 10.4% PSF	33,622	2,519	59	(2,123)	643	4	(4)	-	-	34,720	14	6
HAP 1-Step, Abatement through 12/31/2007, 12.4% PSF	33,644	2,512	59	(2,129)	644	5	(5)	-	-	34,730	12	5
HAP 3-Step, Abatement through 12/31/2007, 10.3% PSF	33,615	2,520	59	(2,122)	644	4	(4)	-	-	34,716	15	7.
Percentage of Total Economic Cost												
Act 13, Abatement through 12/31/2007, 10.5% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 12.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 10.3% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 10.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
TAR 1 C. AL	070/	70/	00/	601	20/	00/	0.01	00/	00/	1000/		

2% 2% 2%

0% 0%

0%

0%

0%

0% 0%

0%

0%

0% 0%

0%

0%

0%

0% 0%

100% 100%

100% 100% 100%

100%

0%

0%

0%

											-		
	PSF Applied Cumulatively at 110% PwC Mca	are Projecti	ons, PSF at l	east 56% of	Assessment/	100% wher	\$1M primar	y limits					
				Nomina	l Values								
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability		Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
71	Act 13, Abatement through 12/31/2007, 14.0% PSF	33,598	2,512	59	(2,122)	639	-	-	-	-	34,686	13	64
76	Delayed Act 13, Abatement through 12/31/2007, NF* PSF	33,360	2,522	290	(2,117)	647	7	(7)	-	-	34,701	(505)	89
81	\$50k Increases, Abatement through 12/31/2007, 13.4% PSF	33,539	2,504	59	(2,097)	645	5	(5)	-	-	34,650	25	127
86	\$100k Increases, Abatement through 12/31/2007, 13.0% PSF	33,589	2,507	59	(2,123)	643	4	(4)	-	-	34,675	14	69
91	HAP 1-Step, Abatement through 12/31/2007, NF* PSF	33,551	2,514	121	(2,129)	644	5	(5)	-	-	34,700	(134)	59
96	HAP 3-Step, Abatement through 12/31/2007, 19.6% PSF	33,581	2,501	59	(2,122)	644	4	(4)	-	-	34,664	15	73
	Percentage of Total Economic Cost											,	
	Act 13, Abatement through 12/31/2007, 14.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13. Abatement through 12/31/2007, NF* PSF	96%	7%	1%	-6%	2%	0%	0%	0%	0%	100%		

-6%

0% 0% 0%

0%

0%

97% 97%

97%

97%

HAP 1-Step, Abatement through 12/31/2007, 12.4% PSF HAP 3-Step, Abatement through 12/31/2007, 10.3% PSF

\$50k Increases, Abatement through 12/31/2007, 13.4% PSF

\$100k Increases, Abatement through 12/31/2007, 13.0% PSF HAP 1-Step, Abatement through 12/31/2007, NF* PSF

HAP 3-Step, Abatement through 12/31/2007, 19.6% PSF

Note
Page numbers noted above are for the corresponding page in Exhibit 1 of Appendix C - Work Task 3 - Final Model Results - Addendum.

Common Key Assumptions										
Rate Environment Assumptions:	Steady Trend									
Interest Rate Paid on Debt:	5.25%, Coupon=Yield, Proceeds=Face									
Interest Rate Earned on Surplus:	4.00%									
Target Surplus:	20.0% of Unfunded Liability									
MCARE Overhead as % of Annual Claim Payments:	6.0%									
Target Buffer for MCARE Assessment:	10.0%									
Discount Rate for Present Value Calculations:	4.0%									

Minimum PSF	Percentage Achieving	Desired Consti	raints										
PSF Applied In	ncrementally, PSF NO	T at least Assess	sment										
		Mcare Assum	ptions (% of Pwo	C Projections)									
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%								
Act 13, Abatement through 12/31/2007	8.5%	9.0%	9.5%	10.2%	10.9%								
Delayed Act 13, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.0%	10.7%								
\$50K Increases, Abatement through 12/31/2007	8.5%	8.9%	9.4%	9.9%	10.4%								
\$100K Increases, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.2%	10.9%								
HAP 1-Step, Abatement through 12/31/2007	8.5%	9.0%	9.6%	10.2%	11.0%								
HAP 3-Step, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.1%	10.8%								
PSF Applied Incrementally, PSF at least 56% of Assessment													
Mcare Assumptions (% of PwC Projections)													
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%								
Act 13, Abatement through 12/31/2007	8.5%	9.0%	9.7%	10.6%	11.6%								
Delayed Act 13, Abatement through 12/31/2007	8.9%	9.4%	10.1%	11.0%	12.0%								
\$50K Increases, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.1%	10.9%								
\$100K Increases, Abatement through 12/31/2007	8.5%	9.0%	9.7%	10.5%	11.5%								
HAP 1-Step, Abatement through 12/31/2007	8.6%	9.1%	9.8%	10.9%	12.4%								
HAP 3-Step, Abatement through 12/31/2007	8.5%	9.0%	9.6%	10.5%	11.4%								
PSF Applied Incrementally, PSF	at least 56% of Asses	sment/100% wh	<mark>en \$1M prima</mark>	ry limits									
		Mcare Assum	ptions (% of Pwo	C Projections)									
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%								
Act 13, Abatement through 12/31/2007	8.5%	9.0%	10.0%	12.0%	17.6%								
Delayed Act 13, Abatement through 12/31/2007	8.9%	9.6%	11.3%	20.7%	NF*								
\$50K Increases, Abatement through 12/31/2007	8.5%	9.0%	9.8%	10.8%	13.7%								
\$100K Increases, Abatement through 12/31/2007	8.5%	9.0%	10.0%	11.9%	14.9%								
HAP 1-Step, Abatement through 12/31/2007	8.6%	9.1%	10.2%	13.8%	NF*								
HAP 3-Step, Abatement through 12/31/2007	8.5%	9.0%	10.0%	11.9%	19.6%								

 NF^* indicates that the scenario does not appear to be financially feasible under certain conditions.

	Common Key Assumptions	
Rate Environment Assumptions:	Steady Trend	
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face	
Interest Rate Earned on Surplus:	4.00%	
Target Surplus (% of Year-End Mcare Unfunded Liability):	20.00%	
MCARE Overhead as % of Annual Claim Payments:	6.0%	
Target Buffer for MCARE Assessment:	10.0%	
Discount Rate for Present Value Calculations:	4.0%	
Assumption re: Mcare Projections:	70%	

	PSF Applied Incrementally a	t 70% PwC	Mcare Pro	jections, PS	F NOT at lea	st Assessme	ent						
			Present Value	e Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
7	Act 13, Abatement through 12/31/2007, 8.5% PSF	29,082	2,457	59	(1,381)	407	-	-	-	-	30,625	8	39
12	Delayed Act 13, Abatement through 12/31/2007, 8.5% PSF	29,066	2,452	59	(1,378)	412	5	(5)	-	-	30,611	11	54
17	\$50K Increases, Abatement through 12/31/2007, 8.5% PSF	29,049	2,448	59	(1,365)	410	3	(4)	-	-	30,602	16	79
22	\$100K Increases, Abatement through 12/31/2007, 8.5% PSF	29,078	2,455	59	(1,382)	409	2	(2)	-	-	30,620	8	4
27	HAP 1-Step, Abatement through 12/31/2007, 8.5% PSF	29,088	2,460	59	(1,386)	410	3	(3)	-	-	30,631	7	35
32	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	29,075	2,454	59	(1,381)	410	3	(3)	-	-	30,617	9	44
			Percentage	of Total Ecor	omic Cost								
	Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$50K Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100K Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at	70% PwC	Mcare Proje	ctions, PSF	at least 56%	of Assessm	ent				1		
			Present Value	Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Potential	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
37	Act 13, Abatement through 12/31/2007, 8.5% PSF	29,082	2,457	59	(1,381)	407	-	-	-	-	30,625	8	39
42	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	29,080	2,457	59	(1,378)	412	5	(5)	-	-	30,630	11	54
47	\$50k Increases, Abatement through 12/31/2007, 8.5% PSF	29,049	2,448	59	(1,365)	410	3	(4)	-	-	30,602	16	79
52	\$100k Increases, Abatement through 12/31/2007, 8.5% PSF	29,078	2,455	59	(1,382)	409	2	(2)	-	-	30,620	8	41
57	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	29,097	2,462	59	(1,386)	410	3	(3)	-	-	30,643	7	35
62	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	29,075	2,454	59	(1,381)	410	3	(3)	-	-	30,617	9	44
			Percentage	of Total Econ	omic Cost								
	Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 70% PwC Mcar	e Projection	ns, PSF at le	ast 56% of A	Assessment/1	00% when	\$1M primary	limits]		
	Present Value Summary Through 2025												l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
67	Act 13, Abatement through 12/31/2007, 8.5% PSF	29,082	2,457	59	(1,381)	407	-	-	-	-	30,625	8	39
72	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	29,078	2,457	59	(1,378)	412	5	(5)	-	-	30,628	11	54
77	\$50k Increases, Abatement through 12/31/2007, 8.5% PSF	29,049	2,448	59	(1,365)	410	3	(4)	-	-	30,602	16	79
82	\$100k Increases, Abatement through 12/31/2007, 8.5% PSF	29,078	2,455	59	(1,382)	409	2	(2)	-	-	30,620	8	41
87	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	29,097	2,462	59	(1,386)	410	3	(3)	-	-	30,643	7	35
92	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	29,075	2,454	59	(1,381)	410	3	(3)	-	-	30,617	9	44
			Percentage	of Total Econ	omic Cost								
	Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 2 of Appendix C - Work Task 3 - Final Model Results - Addendum.

	Common Key Assumptions											
Rate Environment Assumptions:	Steady Trend											
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face											
Interest Rate Earned on Surplus:	4.00%											
Target Surplus:	20.0% of Unfunded Liability											
MCARE Overhead as % of Annual Claim Payments:	6.0%											
Target Buffer for MCARE Assessment:	10.0%											
Discount Rate for Present Value Calculations:	4.0%											
Assumption re: Mcare Projections:	80%											

	PSF Applied Incrementally	at 80% Pw0	Mcare Pro	jections, PS	F NOT at lea	st Assessm	ent						
	Present Value Summary Through 2025												
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost		
8	Act 13, Abatement through 12/31/2007, 9.0% PSF	30,206	2,477	59	(1,570)	465	-	-	-	-	31,637		
13	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	30,179	2,465	59	(1,567)	470	5	(5)	-	-	31,607		
18	\$50K Increases, Abatement through 12/31/2007, 8.9% PSF	30,157	2,464	59	(1,552)	469	4	(4)	-	-	31,597		
23	\$100K Increases, Abatement through 12/31/2007, 8.9% PSF	30,200	2,471	59	(1,571)	468	3	(3)	-	-	31,626		
28	HAP 1-Step, Abatement through 12/31/2007, 9.0% PSF	30,213	2,474	59	(1,576)	469	3	(4)	-	-	31,639		
33	HAP 3-Step, Abatement through 12/31/2007, 8.9% PSF	30,194	2,469	59	(1,570)	468	3	(3)	-	-	31,620		
			Percentage	of Total Econ	nomic Cost								
	Act 13, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$50K Increases, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$100K Increases, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	Nomina	l Values
0	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
7	9	45
7	13	63
7	18	90
6	10	48
9	8	41
0	10	51

2025 MCARE Unfunded Liability

2025 Ending Surplus / (Deficit)

18 10

	PSF Applied Cumulatively a	t 80% PwC	Mcare Proje	ections, PSF	at least 56%	of Assessn	ient				i		
	Present Value Summary Through 2025												
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost		
38	Act 13, Abatement through 12/31/2007, 9.0% PSF	30,203	2,476	59	(1,570)	465	-	-	-	-	31,633		
43	Delayed Act 13, Abatement through 12/31/2007, 9.4% PSF	30,183	2,469	59	(1,567)	470	5	(5)	-	-	31,615		
48	\$50k Increases, Abatement through 12/31/2007, 8.9% PSF	30,153	2,464	59	(1,552)	469	4	(4)	-	-	31,593		
53	\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	30,196	2,471	59	(1,571)	468	3	(3)	-	-	31,623		
58	HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	30,211	2,475	59	(1,576)	469	3	(4)	-	-	31,638		
63	HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	30,190	2,469	59	(1,570)	468	3	(3)	-	-	31,616		
			Percentage	of Total Ecor	nomic Cost								
	Act 13, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 9.4% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAD 2 Com. Abore and describe 12/21/2007 (0.00) DCE	0.50/	On/	Ω0/	50/	10/	00/	00/	00/	Ω0/	1000/		

HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	95%	8%	U%	-3%	1%	0%	0%	0%	U%	100%		
HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
										i		
PSF Applied Cumulatively at 80% PwC Mc	are Projectio				100% when	\$1M primary	limits					
		Present Valu	e Summary T	hrough 2025							Nomina	d Values
age Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
68 Act 13, Abatement through 12/31/2007, 9.0% PSF	30,198	2,476	59	(1,570)	465	-	-	-	-	31,629	9	45
73 Delayed Act 13, Abatement through 12/31/2007, 9.6% PSF	30,175	2,468	59	(1,567)	470	5	(5)	-	-	31,606	13	63
78 \$50k Increases, Abatement through 12/31/2007, 9.0% PSF	30,148	2,462	59	(1,552)	469	4	(4)	-	-	31,585	18	90
83 \$100k Increases, Abatement through 12/31/2007, 9.0% PSF	30,192	2,471	59	(1,571)	468	3	(3)	-	-	31,618	10	48
88 HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	30,207	2,475	59	(1,576)	469	3	(4)	-	-	31,633	8	41
93 HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	30,186	2,469	59	(1,570)	468	3	(3)	-	-	31,611	10	51
		Percentage	of Total Ecor	nomic Cost								
Act 13, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 9.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	Nomina	l Values
	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
1	9	45
1	13 18	63 90
ł	10	48 41
1	10	51

HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF

Note
Page numbers noted above are for the corresponding page in Exhibit 2 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 MCARE Unfunded Liability

Ending Surplus / (Deficit)

10 14 21

11

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

	Common Key Assumptions											
Rate Environment Assumptions:	Steady Trend											
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face											
Interest Rate Earned on Surplus:	4.00%											
Target Surplus:	20.0% of Unfunded Liability											
MCARE Overhead as % of Annual Claim Payments:	6.0%											
Target Buffer for MCARE Assessment:	10.0%											
Discount Rate for Present Value Calculations:	4.0%											
Assumption re: Mcare Projections:	90%											

	PSF Applied Incrementally	at 90% Pw(Mcare Pro	jections, PS	F NOT at lea	st Assessme	ent							
	Present Value Summary Through 2025													
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost			
9	Act 13, Abatement through 12/31/2007, 9.5% PSF	31,319	2,497	59	(1,757)	523	-	-	-	-	32,642			
14	Delayed Act 13, Abatement through 12/31/2007, 9.5% PSF	31,286	2,486	59	(1,753)	529	6	(6)	-	-	32,607			
19	\$50K Increases, Abatement through 12/31/2007, 9.4% PSF	31,267	2,501	59	(1,737)	528	4	(4)	-	-	32,618			
24	\$100K Increases, Abatement through 12/31/2007, 9.5% PSF	31,311	2,493	59	(1,758)	526	3	(3)	-	-	32,632			
29	HAP 1-Step, Abatement through 12/31/2007, 9.6% PSF	31,324	2,487	59	(1,763)	527	4	(4)	-	-	32,634			
34	HAP 3-Step, Abatement through 12/31/2007, 9.5% PSF	31,305	2,494	59	(1,757)	527	3	(3)	-	-	32,628			
			Percentage	of Total Ecor	nomic Cost									
	Act 13, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%			
	Delayed Act 13, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%			
	\$50K Increases, Abatement through 12/31/2007, 9.4% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%			
	\$100K Increases, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%			
	HAP 1-Step, Abatement through 12/31/2007, 9.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%			
	HAP 3-Step, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%			

	PSF Applied Cumulatively at	90% PwC	Mcare Proje	ections, PSF	at least 56%	of Assessn	nent						
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
39	Act 13, Abatement through 12/31/2007, 9.7% PSF	31,309	2,497	59	(1,757)	523	-	-	-	-	32,632	10	51
44	Delayed Act 13, Abatement through 12/31/2007, 10.1% PSF	31,283	2,491	59	(1,753)	529	6	(6)	-	-	32,609	14	71
49	\$50k Increases, Abatement through 12/31/2007, 9.5% PSF	31,256	2,498	59	(1,737)	528	4	(4)	-	-	32,605	21	103
54	\$100k Increases, Abatement through 12/31/2007, 9.7% PSF	31,302	2,493	59	(1,758)	526	3	(3)	-	-	32,622	11	55
59	HAP 1-Step, Abatement through 12/31/2007, 9.8% PSF	31,315	2,487	59	(1,763)	527	4	(4)	-	-	32,625	9	46
64	HAP 3-Step, Abatement through 12/31/2007, 9.6% PSF	31,295	2,492	59	(1,757)	527	3	(3)	-	-	32,616	12	58
			Percentage	of Total Ecor	omic Cost								-
	Act 13, Abatement through 12/31/2007, 9.7% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 10.1% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 9.7% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 9.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 9.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 90% PwC Mcar	re Projectio	ns, PSF at le	ast 56% of	Assessment/	00% when	\$1M primary	limits]		
	Present Value Summary Through 2025												l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg		Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
69	Act 13, Abatement through 12/31/2007, 10.0% PSF	31,296	2,496	59	(1,757)	523	-	-	-	-	32,618	10	51
74	Delayed Act 13, Abatement through 12/31/2007, 11.3% PSF	31,264	2,486	59	(1,753)	529	6	(6)	-	-	32,585	14	71
79	\$50k Increases, Abatement through 12/31/2007, 9.8% PSF	31,237	2,487	59	(1,737)	528	4	(4)	-	-	32,575	21	103
84	\$100k Increases, Abatement through 12/31/2007, 10.0% PSF	31,288	2,491	59	(1,758)	526	3	(3)	-	-	32,607	11	55
89	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	31,303	2,486	59	(1,763)	527	4	(4)	-	-	32,613	9	46
94	HAP 3-Step, Abatement through 12/31/2007, 10.0% PSF	31,281	2,490	59	(1,757)	527	3	(3)	-	-	32,600	12	58
			Percentage	of Total Ecor	omic Cost								
	Act 13, Abatement through 12/31/2007, 10.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 11.3% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 9.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 10.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 10.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 2 of Appendix C - Work Task 3 - Final Model Results - Addendum.

	Common Key Assumptions									
Rate Environment Assumptions:	Steady Trend									
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face									
Interest Rate Earned on Surplus:	4.00%									
Target Surplus:	20.0% of Unfunded Liability									
MCARE Overhead as % of Annual Claim Payments:	6.0%									
Target Buffer for MCARE Assessment:	10.0%									
Discount Rate for Present Value Calculations:	4.0%									
Assumption re: Mcare Projections:	100%									

	PSF Applied Incrementally a	t 100% Pw	C Mcare Pro	jections, P	SF NOT at le	ast Assessn	ent				
			Present Valu	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
10	Act 13, Abatement through 12/31/2007, 10.2% PSF	32,420	2,512	59	(1,940)	581	-	-	-	-	33,633
15	Delayed Act 13, Abatement through 12/31/2007, 10.0% PSF	32,387	2,511	59	(1,935)	588	7	(7)	-	-	33,609
20	\$50K Increases, Abatement through 12/31/2007, 9.9% PSF	32,370	2,530	59	(1,917)	586	5	(5)	-	-	33,629
25	\$100K Increases, Abatement through 12/31/2007, 10.2% PSF	32,413	2,510	59	(1,941)	585	3	(3)	-	-	33,625
30	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	32,425	2,500	59	(1,946)	586	4	(4)	-	-	33,624
35	HAP 3-Step, Abatement through 12/31/2007, 10.1% PSF	32,406	2,512	59	(1,939)	585	4	(4)	-	-	33,623
			Percentage	of Total Eco	nomic Cost						
	Act 13, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 10.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$50K Increases, Abatement through 12/31/2007, 9.9% PSF	96%	8%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAP 3-Step, Abatement through 12/31/2007, 10.1% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%

	ı	Nomina	l Values
		2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
3		12	58
9		16	80
9		23	115
5		12	62
4		10	52
3		13	66

2025 MCARE Unfunded Liability

2025 Ending Surplus / (Deficit)

	PSF Applied Cumulatively at	100% PwC	Mcare Proj	ections, PS	F at least 56%	6 of Assessi	nent				İ
			Present Valu	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
40	Act 13, Abatement through 12/31/2007, 10.6% PSF	32,404	2,511	59	(1,940)	581	-	-	-	-	33,616
45	Delayed Act 13, Abatement through 12/31/2007, 11.0% PSF	32,375	2,515	59	(1,935)	588	7	(7)	-	-	33,601
50	\$50k Increases, Abatement through 12/31/2007, 10.1% PSF	32,351	2,528	59	(1,917)	586	5	(5)	-	-	33,608
55	\$100k Increases, Abatement through 12/31/2007, 10.5% PSF	32,396	2,509	59	(1,941)	585	3	(3)	-	-	33,608
60	HAP 1-Step, Abatement through 12/31/2007, 10.9% PSF	32,410	2,501	59	(1,946)	586	4	(4)	-	-	33,610
65	HAP 3-Step, Abatement through 12/31/2007, 10.5% PSF	32,389	2,511	59	(1,939)	585	4	(4)	-	-	33,605
			Percentage	of Total Eco	nomic Cost						
	Act 13, Abatement through 12/31/2007, 10.6% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 11.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$50k Increases, Abatement through 12/31/2007, 10.1% PSF	96%	8%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$100k Increases, Abatement through 12/31/2007, 10.5% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 10.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAD 2 Com About the state of 12/21/2007 10 50/ DCE	0.60/	70/	Ω0/	4 0/	20/	00/	00/	00/	Ω0/	1000/

	PSF Applied Cumulatively at 100% PwC Mca	re Projectio	ns, PSF at le	east 56% of	Assessment/	100% wher	\$1M primar	y limits					
			Present Value	e Summary T	hrough 2025							Nomina	d Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail Liab (vs Act		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
70	Act 13, Abatement through 12/31/2007, 12.0% PSF	32,379	2,509	59	(1,940)	581	-	-	-	-	33,589	12	58
75	Delayed Act 13, Abatement through 12/31/2007, 20.7% PSF	32,342	2,490	59	(1,935)	588	7	(7)	-	-	33,544	16	80
80	\$50k Increases, Abatement through 12/31/2007, 10.8% PSF	32,321	2,511	59	(1,917)	586	5	(5)	-	-	33,561	23	115
85	\$100k Increases, Abatement through 12/31/2007, 11.9% PSF	32,370	2,505	59	(1,941)	585	3	(3)	-	-	33,578	12	62
90	HAP 1-Step, Abatement through 12/31/2007, 13.8% PSF	32,387	2,499	59	(1,946)	586	4	(4)	-	-	33,585	10	52
95	HAP 3-Step, Abatement through 12/31/2007, 11.9% PSF	32,363	2,503	59	(1,939)	585	4	(4)	-	-	33,571	13	66
			Percentage	of Total Ecor	nomic Cost								
	Act 13, Abatement through 12/31/2007, 12.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 20.7% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 10.8% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 11.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 13.8% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 11.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 2 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 Ending Surplus / (Deficit)

2025 MCARE Unfunded Liability

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

	Common Key Assumptions								
Rate Environment Assumptions:	Steady Trend								
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face								
Interest Rate Earned on Surplus:	4.00%								
Target Surplus:	20.0% of Unfunded Liability								
MCARE Overhead as % of Annual Claim Payments:	6.0%								
Target Buffer for MCARE Assessment:	10.0%								
Discount Rate for Present Value Calculations:	4.0%								
Assumption re: Mcare Projections:	110%								

	PSF Applied Incrementally a	t 110% Pw	C Mcare Pro	jections, P	SF NOT at le	ast Assessm	ent				
			Present Value	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
11	Act 13, Abatement through 12/31/2007, 10.9% PSF	33,518	2,523	59	(2,122)	639	-	-	-	-	34,618
16	Delayed Act 13, Abatement through 12/31/2007, 10.7% PSF	33,485	2,531	59	(2,117)	647	7	(7)	-	-	34,605
21	\$50K Increases, Abatement through 12/31/2007, 10.4% PSF	33,471	2,552	59	(2,097)	645	5	(5)	-	-	34,630
26	\$100K Increases, Abatement through 12/31/2007, 10.9% PSF	33,510	2,525	59	(2,123)	643	4	(4)	-	-	34,614
31	HAP 1-Step, Abatement through 12/31/2007, 11.0% PSF	33,523	2,511	59	(2,129)	644	5	(5)	-	-	34,608
36	HAP 3-Step, Abatement through 12/31/2007, 10.8% PSF	33,504	2,528	59	(2,122)	644	4	(4)	-	-	34,613
			Percentage	of Total Econ	nomic Cost						
	Act 13, Abatement through 12/31/2007, 10.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 10.7% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$50K Increases, Abatement through 12/31/2007, 10.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 10.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 11.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAP 3-Step, Abatement through 12/31/2007, 10.8% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%

HAP 1-Step, Abatement through 12/31/	2007, 11.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/	2007, 10.8% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	PSF Applied Cumulatively at	110% PwC				of Assessi	ment						
			Present Valu	e Summary T	hrough 2025							Nomina	al Values
age Phase-out Assumptions, Legislative S	cenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg		Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
41 Act 13, Abatement through 12/31/2007,	11.6% PSF	33,494	2,523	59	(2,122)	639	-	-	-	-	34,594	13	64
46 Delayed Act 13, Abatement through 12	31/2007, 12.0% PSF	33,465	2,534	59	(2,117)	647	7	(7)	-	-	34,588	18	89
51 \$50k Increases, Abatement through 12/2	31/2007, 10.9% PSF	33,442	2,550	59	(2,097)	645	5	(5)	-	-	34,600	25	127
56 \$100k Increases, Abatement through 12	/31/2007, 11.5% PSF	33,486	2,524	59	(2,123)	643	4	(4)	-	-	34,588	14	69
61 HAP 1-Step, Abatement through 12/31/	2007, 12.4% PSF	33,501	2,512	59	(2,129)	644	5	(5)	-	-	34,587	12	59
66 HAP 3-Step, Abatement through 12/31/	2007, 11.4% PSF	33,479	2,527	59	(2,122)	644	4	(4)	-	-	34,587	15	73
			Percentage	of Total Eco	nomic Cost								

66 HAP 3-Step, Abatement through 12/31/2007, 11.4% PSF	33,479	2,527	59	(2,122)	644	4	(4)	-	-	34,587
	Percentage of Total Economic Cost									
Act 13, Abatement through 12/31/2007, 11.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
Delayed Act 13, Abatement through 12/31/2007, 12.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
\$50k Increases, Abatement through 12/31/2007, 10.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
\$100k Increases, Abatement through 12/31/2007, 11.5% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
HAP 1-Step, Abatement through 12/31/2007, 12.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
HAP 3-Step, Abatement through 12/31/2007, 11.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%

	PSF Applied Cumulatively at 110% PwC Mca	re Projectio	ons, PSF at l	east 56% of	Assessment/	100% when	ı \$1M primar	y limits					
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
71	Act 13, Abatement through 12/31/2007, 17.6% PSF	33,455	2,512	59	(2,122)	639	-	-	-	-	34,544	13	64
76	Delayed Act 13, Abatement through 12/31/2007, NF* PSF	33,217	2,522	290	(2,117)	647	7	(7)	-	-	34,559	(505)	89
81	\$50k Increases, Abatement through 12/31/2007, 13.7% PSF	33,396	2,504	59	(2,097)	645	5	(5)	-	-	34,507	25	127
86	\$100k Increases, Abatement through 12/31/2007, 14.9% PSF	33,448	2,511	59	(2,123)	643	4	(4)	-	-	34,538	14	69
91	HAP 1-Step, Abatement through 12/31/2007, NF* PSF	33,408	2,514	121	(2,129)	644	5	(5)	-	-	34,557	(134)	59
96	HAP 3-Step, Abatement through 12/31/2007, 19.6% PSF	33,439	2,501	59	(2,122)	644	4	(4)	-	-	34,521	15	73
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007, 17.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, NF* PSF	96%	7%	1%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 13.7% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 14.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, NF* PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 19.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 2 of Appendix C - Work Task 3 - Final Model Results - Addendum.

Commo	on Key Assumptions
Rate Environment Assumptions:	10-Year Cycle
Interest Rate Paid on Debt:	5.25%, Coupon=Yield, Proceeds=Face
Interest Rate Earned on Surplus:	4.00%
Target Surplus:	20.0% of Unfunded Liability
MCARE Overhead as % of Annual Claim Payments:	6.0%
Target Buffer for MCARE Assessment:	10.0%
Discount Rate for Present Value Calculations:	4.0%

Minimum PSF Per	rcentage Achieving	Desired Constr	aints								
PSF Applied Incre	ementally, PSF NO	Γ at least Assess	ment								
		Mcare Assum	ptions (% of Pwo	C Projections)							
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%						
Act 13, Abatement through 12/31/2007	9.6%	10.3%	11.1%	11.8%	12.6%						
Delayed Act 13, Abatement through 12/31/2007	10.9%	11.2%	11.4%	11.8%	12.3%						
\$50K Increases, Abatement through 12/31/2007	10.4%	10.6%	10.9%	11.1%	11.6%						
\$100K Increases, Abatement through 12/31/2007	9.8%	10.3%	11.0%	11.8%	12.5%						
HAP 1-Step, Abatement through 12/31/2007	9.6%	10.4%	11.1%	11.9%	12.7%						
HAP 3-Step, Abatement through 12/31/2007	10.3%	10.7%	11.1%	11.7%	12.4%						
PSF Applied Incrementally, PSF at least 56% of Assessment											
Mcare Assumptions (% of PwC Projections)											
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%						
Act 13, Abatement through 12/31/2007	13.5%	14.5%	15.4%	16.2%	17.0%						
Delayed Act 13, Abatement through 12/31/2007	16.7%	18.0%	19.2%	20.2%	21.6%						
\$50K Increases, Abatement through 12/31/2007	16.1%	17.3%	18.4%	19.4%	20.5%						
\$100K Increases, Abatement through 12/31/2007	13.7%	14.7%	15.6%	16.4%	17.1%						
HAP 1-Step, Abatement through 12/31/2007	13.6%	14.5%	15.4%	16.4%	17.3%						
HAP 3-Step, Abatement through 12/31/2007	14.6%	15.5%	16.4%	17.2%	17.9%						
PSF Applied Incrementally, PSF at	least 56% of Assess	sment/100% wh	en \$1M prima	ry limits							
		Mcare Assum	ptions (% of Pwo	C Projections)							
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%						
Act 13, Abatement through 12/31/2007	16.8%	18.2%	19.6%	21.4%	24.1%						
Delayed Act 13, Abatement through 12/31/2007	18.1%	19.6%	21.8%	24.9%	NF*						
\$50K Increases, Abatement through 12/31/2007	17.8%	19.2%	20.6%	23.0%	25.6%						
\$100K Increases, Abatement through 12/31/2007	16.9%	18.3%	19.6%	21.5%	24.1%						
HAP 1-Step, Abatement through 12/31/2007	17.4%	18.9%	20.4%	23.4%	NF*						
HAP 3-Step, Abatement through 12/31/2007	17.4%	18.8%	20.2%	22.9%	25.6%						

 NF^* indicates that the scenario does not appear to be financially feasible under certain conditions.

Common Key Assumptions									
Rate Environment Assumptions:	10-Year Cycle								
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face								
Interest Rate Earned on Surplus:	4.00%								
Target Surplus (% of Year-End Mcare Unfunded Liability):	20.00%								
MCARE Overhead as % of Annual Claim Payments:	6.0%								
Target Buffer for MCARE Assessment:	10.0%								
Discount Rate for Present Value Calculations:	4.0%								
Assumption re: Mcare Projections:	70%								

	PSF Applied Incrementally a	at 70% PwC	Mcare Proj	ections, PS	F NOT at lea	st Assessme	ent						
			Present Value	Summary T	rough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Potential	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
7	Act 13, Abatement through 12/31/2007, 9.6% PSF	28,797	2,444	59	(1,381)	407	-	-	-	-	30,327	8	39
12	Delayed Act 13, Abatement through 12/31/2007, 10.9% PSF	28,847	2,443	59	(1,378)	412	5	(5)	-	-	30,383	11	54
17	\$50K Increases, Abatement through 12/31/2007, 10.4% PSF	28,826	2,441	59	(1,365)	410	3	(4)	-	-	30,371	16	79
22	\$100K Increases, Abatement through 12/31/2007, 9.8% PSF	28,806	2,444	59	(1,382)	409	2	(2)	-	-	30,336	8	41
27	HAP 1-Step, Abatement through 12/31/2007, 9.6% PSF	28,781	2,445	59	(1,386)	410	3	(3)	-	-	30,309	7	35
32	HAP 3-Step, Abatement through 12/31/2007, 10.3% PSF	28,817	2,444	59	(1,381)	410	3	(3)	-	-	30,349	9	44
				of Total Econ								-	-
	Act 13, Abatement through 12/31/2007, 9.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 10.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$50K Increases, Abatement through 12/31/2007, 10.4% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100K Increases, Abatement through 12/31/2007, 9.8% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 9.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 10.3% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at	70% PwC 1	Mcare Proje	ctions, PSF	at least 56%	of Assessm	nent				1		
	Tot repeate community in		Present Value									Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability			Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
37	Act 13, Abatement through 12/31/2007, 13.5% PSF	28,797	2,444	59	(1,381)	407	-	-	-	-	30,327	8	39
42	Delayed Act 13, Abatement through 12/31/2007, 16.7% PSF	28,847	2,444	59	(1,378)	412	5	(5)	-	-	30,385	11	54
47	\$50k Increases, Abatement through 12/31/2007, 16.1% PSF	28,826	2,441	59	(1,365)	410	3	(4)	-	-	30,371	16	79
52	\$100k Increases, Abatement through 12/31/2007, 13.7% PSF	28,806	2,444	59	(1,382)	409	2	(2)	-	-	30,336	8	41
57	HAP 1-Step, Abatement through 12/31/2007, 13.6% PSF	28,781	2,445	59	(1,386)	410	3	(3)	-	-	30,309	7	35
62	HAP 3-Step, Abatement through 12/31/2007, 14.6% PSF	28,817	2,444	59	(1,381)	410	3	(3)	-	-	30,349	9	44
			Percentage	of Total Econ	omic Cost								
	Act 13, Abatement through 12/31/2007, 13.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 16.7% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 16.1% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 13.7% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 13.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 14.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

PSF Applied Cumulatively at 70% PwC M	Icare Projectio	ns, PSF at le	ast 56% of .	Assessment/1	00% when	\$1M primary	limits					
	HCPs Support Operation HCPs Support Operation Operat											
use Phase-out Assumptions, Legislative Scenario	Charged to		Surplus /	Discounted Unfunded	Change in Tail Due to	PV Unfunded Liab (vs Act	Beg PV Tail Liab (vs Act	Potential Uninsured	Potn'l Uninsured	Total Economic	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
67 Act 13, Abatement through 12/31/2007, 16.8% PSF	28,797	2,444	59	(1,381)	407	-	-	-	-	30,327	8	39
72 Delayed Act 13, Abatement through 12/31/2007, 18.1% PSF	28,847	2,443	59	(1,378)	412	5	(5)	-	-	30,383	11	54
77 \$50k Increases, Abatement through 12/31/2007, 17.8% PSF	28,826	2,441	59	(1,365)	410	3	(4)	-	-	30,371	16	79
82 \$100k Increases, Abatement through 12/31/2007, 16.9% PSF	28,806	2,444	59	(1,382)	409	2	(2)	-	-	30,336	8	41
87 HAP 1-Step, Abatement through 12/31/2007, 17.4% PSF	28,781	2,446	59	(1,386)	410	3	(3)	-	-	30,311	7	35
92 HAP 3-Step, Abatement through 12/31/2007, 17.4% PSF	28,817	2,444	59	(1,381)	410	3	(3)	-	-	30,349	9	44
		Percentage	of Total Econ	omic Cost								
Act 13, Abatement through 12/31/2007, 16.8% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 18.1% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 17.8% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 16.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 17.4% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/2007, 17.4% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 3 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 Ending Surplus / (Deficit)

2025 MCARE Unfunded Liability

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

	Common Key Assumptions									
Rate Environment Assumptions:	10-Year Cycle									
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face									
Interest Rate Earned on Surplus:	4.00%									
Target Surplus:	20.0% of Unfunded Liability									
MCARE Overhead as % of Annual Claim Payments:	6.0%									
Target Buffer for MCARE Assessment:	10.0%									
Discount Rate for Present Value Calculations:	4.0%									
Assumption re: Mcare Projections:	80%									

	PSF Applied Incrementally	at 80% Pw0	Mcare Pro	jections, PS	F NOT at lea	st Assessm	ent				
			Present Value	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
8	Act 13, Abatement through 12/31/2007, 10.3% PSF	29,882	2,445	59	(1,570)	465	-	-	-	-	31,281
13	Delayed Act 13, Abatement through 12/31/2007, 11.2% PSF	29,939	2,445	59	(1,567)	470	5	(5)	-	-	31,346
18	\$50K Increases, Abatement through 12/31/2007, 10.6% PSF	29,915	2,442	59	(1,552)	469	4	(4)	-	-	31,333
23	\$100K Increases, Abatement through 12/31/2007, 10.3% PSF	29,892	2,446	59	(1,571)	468	3	(3)	-	-	31,293
28	HAP 1-Step, Abatement through 12/31/2007, 10.4% PSF	29,863	2,446	59	(1,576)	469	3	(4)	-	-	31,261
33	HAP 3-Step, Abatement through 12/31/2007, 10.7% PSF	29,905	2,445	59	(1,570)	468	3	(3)	-	-	31,307
			Percentage	of Total Eco	nomic Cost						
	Act 13, Abatement through 12/31/2007, 10.3% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 11.2% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$50K Increases, Abatement through 12/31/2007, 10.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 10.3% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 10.4% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	HAP 3-Step, Abatement through 12/31/2007, 10.7% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%

PSF Applied Cumulativ	ely at 80% PwC	Mcare Proje	ections, PSF	at least 56%	of Assessn	nent						
		Present Valu	e Summary T	hrough 2025							Nomina	l Values
ge Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability		Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
38 Act 13, Abatement through 12/31/2007, 14.5% PSF	29,882	2,445	59	(1,570)	465	-	-	-	-	31,281	9	45
3 Delayed Act 13, Abatement through 12/31/2007, 18.0% PSF	29,942	2,452	59	(1,567)	470	5	(5)	-	-	31,357	13	63
8 \$50k Increases, Abatement through 12/31/2007, 17.3% PSF	29,915	2,442	59	(1,552)	469	4	(4)	-	-	31,333	18	90
3 \$100k Increases, Abatement through 12/31/2007, 14.7% PSF	29,892	2,446	59	(1,571)	468	3	(3)	-	-	31,293	10	48
8 HAP 1-Step, Abatement through 12/31/2007, 14.5% PSF	29,863	2,446	59	(1,576)	469	3	(4)	-	-	31,261	8	41
3 HAP 3-Step, Abatement through 12/31/2007, 15.5% PSF	29,905	2,445	59	(1,570)	468	3	(3)	-	-	31,307	10	51
		Percentage	of Total Eco	nomic Cost								
Act 13, Abatement through 12/31/2007, 14.5% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 18.0% PSF	95%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 17.3% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 14.7% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 14.5% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/2007, 15.5% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 80% PwC Mcar	re Projectio	ns. PSF at le	ast 56% of	Assessment/1	00% when	\$1M primary	limits					
	The representation of the second seco		Present Valu				+ F,					Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
68	Act 13, Abatement through 12/31/2007, 18.2% PSF	29,883	2,447	59	(1,570)	465	-	-	-	-	31,283	9	45
73	Delayed Act 13, Abatement through 12/31/2007, 19.6% PSF	29,940	2,448	59	(1,567)	470	5	(5)	-	-	31,351	13	63
78	\$50k Increases, Abatement through 12/31/2007, 19.2% PSF	29,915	2,442	59	(1,552)	469	4	(4)	-	-	31,333	18	90
83	\$100k Increases, Abatement through 12/31/2007, 18.3% PSF	29,892	2,446	59	(1,571)	468	3	(3)	-	-	31,294	10	48
88	HAP 1-Step, Abatement through 12/31/2007, 18.9% PSF	29,868	2,452	59	(1,576)	469	3	(4)	-	-	31,272	8	41
93	HAP 3-Step, Abatement through 12/31/2007, 18.8% PSF	29,906	2,448	59	(1,570)	468	3	(3)	-		31,311	10	51
			Percentage	of Total Ecor	omic Cost								
	Act 13, Abatement through 12/31/2007, 18.2% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 19.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 19.2% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 18.3% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 18.9% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 18.8% PSF	96%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 3 of Appendix C - Work Task 3 - Final Model Results - Addendum.

	Common Key Assumptions									
Rate Environment Assumptions:	10-Year Cycle									
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face									
Interest Rate Earned on Surplus:	4.00%									
Target Surplus:	20.0% of Unfunded Liability									
MCARE Overhead as % of Annual Claim Payments:	6.0%									
Target Buffer for MCARE Assessment:	10.0%									
Discount Rate for Present Value Calculations:	4.0%									
Assumption re: Mcare Projections:	90%									

	PSF Applied Incrementally	at 90% Pw(Mcare Pro	jections, PS	F NOT at lea	st Assessm	ent				
			Present Value	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
9	Act 13, Abatement through 12/31/2007, 11.1% PSF	30,966	2,451	59	(1,757)	523	-	-	-	-	32,242
14	Delayed Act 13, Abatement through 12/31/2007, 11.4% PSF	31,029	2,448	59	(1,753)	529	6	(6)	-	-	32,312
19	\$50K Increases, Abatement through 12/31/2007, 10.9% PSF	31,001	2,445	59	(1,737)	528	4	(4)	-	-	32,296
24	\$100K Increases, Abatement through 12/31/2007, 11.0% PSF	30,976	2,449	59	(1,758)	526	3	(3)	-	-	32,252
29	HAP 1-Step, Abatement through 12/31/2007, 11.1% PSF	30,943	2,449	59	(1,763)	527	4	(4)	-	-	32,216
34	HAP 3-Step, Abatement through 12/31/2007, 11.1% PSF	30,990	2,449	59	(1,757)	527	3	(3)	-	-	32,268
			Percentage	of Total Eco	nomic Cost						
	Act 13, Abatement through 12/31/2007, 11.1% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 11.4% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$50K Increases, Abatement through 12/31/2007, 10.9% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 11.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 11.1% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAP 3-Step, Abatement through 12/31/2007, 11.1% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%

	Nomina	l Values
	Монни	1 values
	2025	2025
c	Ending	MCARE
С	Surplus /	Unfunded
	(Deficit)	Liability
_		
2	10	51
2	14	71
16	21	103
2	11	55
6	9	46
8	12	58

PSF Applied Cumulatively	at 90% PwC	Mcare Proj	ections, PSI	at least 56%	of Assessn	ient				İ
		Present Valu	e Summary T	hrough 2025						
Page Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
39 Act 13, Abatement through 12/31/2007, 15.4% PSF	30,965	2,450	59	(1,757)	523	-	-	-	-	32,240
44 Delayed Act 13, Abatement through 12/31/2007, 19.2% PSF	31,039	2,464	59	(1,753)	529	6	(6)	-	-	32,339
49 \$50k Increases, Abatement through 12/31/2007, 18.4% PSF	31,004	2,453	59	(1,737)	528	4	(4)	-	-	32,307
54 \$100k Increases, Abatement through 12/31/2007, 15.6% PSF	30,976	2,449	59	(1,758)	526	3	(3)	-	-	32,252
59 HAP 1-Step, Abatement through 12/31/2007, 15.4% PSF	30,944	2,451	59	(1,763)		4	(4)	-	-	32,218
64 HAP 3-Step, Abatement through 12/31/2007, 16.4% PSF	30,990	2,449	59	(1,757)	527	3	(3)	-	-	32,268
		Percentage	of Total Eco	nomic Cost						
Act 13, Abatement through 12/31/2007, 15.4% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
Delayed Act 13, Abatement through 12/31/2007, 19.2% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
\$50k Increases, Abatement through 12/31/2007, 18.4% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
\$100k Increases, Abatement through 12/31/2007, 15.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
HAP 1-Step, Abatement through 12/31/2007, 15.4% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
HAD 2 Com. Abstract through 12/21/2007, 17 40/ DCE	0.60/	On/	Ω0/	50/	20/	00/	00/	00/	Ω0/	1000/

	ı	Nomina	l Values
ic		2025 Ending	2025 MCARE
		Surplus / (Deficit)	Unfunded Liability
40		10	51
39		14	71
07		21	103
52		11	55
18		9	46
58		12	58

	PSF Applied Cumulatively at 90% PwC Mca	re Projectio	ns, PSF at le	ast 56% of	Assessment/	100% when	\$1M primary	limits					
			Present Valu	e Summary T	hrough 2025							Nomina	al Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	MCAI Unfund Liabil
69	Act 13, Abatement through 12/31/2007, 19.6% PSF	30,970	2,457	59	(1,757)	523	-	-	-	-	32,253	10	
74	Delayed Act 13, Abatement through 12/31/2007, 21.8% PSF	31,039	2,465	59	(1,753)	529	6	(6)	-	-	32,339	14	
79	\$50k Increases, Abatement through 12/31/2007, 20.6% PSF	31,002	2,446	59	(1,737)	528	4	(4)	-	-	32,298	21	1
84	\$100k Increases, Abatement through 12/31/2007, 19.6% PSF	30,980	2,458	59	(1,758)	526	3	(3)	-	-	32,265	11	
89	HAP 1-Step, Abatement through 12/31/2007, 20.4% PSF	30,965	2,474	59	(1,763)	527	4	(4)	-	-	32,262	9	
94	HAP 3-Step, Abatement through 12/31/2007, 20.2% PSF	30,999	2,461	59	(1,757)	527	3	(3)	-	-	32,288	12	
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007, 19.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 21.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 20.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 19.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 20.4% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 20.2% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 3 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 MCARE Unfunded Liability

2025 Ending Surplus / (Deficit)

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

Common Key Assumptions									
Rate Environment Assumptions:	10-Year Cycle								
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face								
Interest Rate Earned on Surplus:	4.00%								
Target Surplus:	20.0% of Unfunded Liability								
MCARE Overhead as % of Annual Claim Payments:	6.0%								
Target Buffer for MCARE Assessment:	10.0%								
Discount Rate for Present Value Calculations:	4.0%								
Assumption re: Mcare Projections:	100%								

	PSF Applied Incrementally at 100% PwC Mcare Projections, PSF NOT at least Assessment													
			Present Value	e Summary T	hrough 2025									
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost			
10	Act 13, Abatement through 12/31/2007, 11.8% PSF	32,046	2,460	59	(1,940)	581	-	-	-	-	33,207			
15	Delayed Act 13, Abatement through 12/31/2007, 11.8% PSF	32,115	2,452	59	(1,935)	588	7	(7)	-	-	33,278			
20	\$50K Increases, Abatement through 12/31/2007, 11.1% PSF	32,084	2,449	59	(1,917)	586	5	(5)	-	-	33,263			
25	\$100K Increases, Abatement through 12/31/2007, 11.8% PSF	32,056	2,454	59	(1,941)	585	3	(3)	-	-	33,213			
30	HAP 1-Step, Abatement through 12/31/2007, 11.9% PSF	32,020	2,455	59	(1,946)	586	4	(4)	-	-	33,173			
35	HAP 3-Step, Abatement through 12/31/2007, 11.7% PSF	32,072	2,454	59	(1,939)	585	4	(4)	-	-	33,232			
			Percentage	of Total Ecor	nomic Cost									
	Act 13, Abatement through 12/31/2007, 11.8% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	Delayed Act 13, Abatement through 12/31/2007, 11.8% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$50K Increases, Abatement through 12/31/2007, 11.1% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$100K Increases, Abatement through 12/31/2007, 11.8% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 1-Step, Abatement through 12/31/2007, 11.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 3-Step, Abatement through 12/31/2007, 11.7% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			

	PSF Applied Cumulatively at	100% PwC	Mcare Proj	ections, PSI	F at least 56%	6 of Assessr	nent						
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg		Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
40	Act 13, Abatement through 12/31/2007, 16.2% PSF	32,045	2,457	59	(1,940)	581	-	-	-	-	33,202	12	58
45	Delayed Act 13, Abatement through 12/31/2007, 20.2% PSF	32,137	2,483	59	(1,935)	588	7	(7)	-	-	33,332	16	80
50	\$50k Increases, Abatement through 12/31/2007, 19.4% PSF	32,094	2,480	59	(1,917)	586	5	(5)	-	-	33,303	23	115
55	\$100k Increases, Abatement through 12/31/2007, 16.4% PSF	32,056	2,455	59	(1,941)	585	3	(3)	-	-	33,214	12	62
60	HAP 1-Step, Abatement through 12/31/2007, 16.4% PSF	32,024	2,466	59	(1,946)	586	4	(4)	-	-	33,188	10	52
65	HAP 3-Step, Abatement through 12/31/2007, 17.2% PSF	32,073	2,457	59	(1,939)	585	4	(4)	-	-	33,236	13	66
			Percentage	of Total Econ	nomic Cost								
	Act 13, Abatement through 12/31/2007, 16.2% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 20.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 19.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 16.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 16.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 17.2% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 100% PwC Mca	re Projectio	ns, PSF at l	east 56% of	Assessment/	100% when	ı \$1M primar	y limits					
			Present Valu	e Summary T	hrough 2025							Nomina	
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
70	Act 13, Abatement through 12/31/2007, 21.4% PSF	32,061	2,471	59	(1,940)	581	-	-	-	-	33,233	12	58
75	Delayed Act 13, Abatement through 12/31/2007, 24.9% PSF	32,143	2,484	59	(1,935)	588	7	(7)	-	-	33,339	16	80
80	\$50k Increases, Abatement through 12/31/2007, 23.0% PSF	32,088	2,460	59	(1,917)	586	5	(5)	-	-	33,277	23	115
85	\$100k Increases, Abatement through 12/31/2007, 21.5% PSF	32,070	2,470	59	(1,941)	585	3	(3)	-	-	33,244	12	62
90	HAP 1-Step, Abatement through 12/31/2007, 23.4% PSF	32,064	2,494	59	(1,946)	586	4	(4)	-	-	33,256	10	52
95	HAP 3-Step, Abatement through 12/31/2007, 22.9% PSF	32,093	2,475	59	(1,939)	585	4	(4)	-	-	33,273	13	66
			Percentage	of Total Econ	nomic Cost								
	Act 13, Abatement through 12/31/2007, 21.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 24.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 23.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 21.5% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 23.4% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 22.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 3 of Appendix C - Work Task 3 - Final Model Results - Addendum.

Common Key Assumptions									
Rate Environment Assumptions:	10-Year Cycle								
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face								
Interest Rate Earned on Surplus:	4.00%								
Target Surplus:	20.0% of Unfunded Liability								
MCARE Overhead as % of Annual Claim Payments:	6.0%								
Target Buffer for MCARE Assessment:	10.0%								
Discount Rate for Present Value Calculations:	4.0%								
Assumption re: Mcare Projections:	110%								

Ī	PSF Applied Incrementally a	t 110% Pw	C Mcare Pro	jections, P	SF NOT at le	ast Assessm	ent				
			Present Valu	e Summary T	hrough 2025						
Page F	hase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
11 A	ct 13, Abatement through 12/31/2007, 12.6% PSF	33,127	2,473	59	(2,122)	639	-	-	-	-	34,177
16 E	elayed Act 13, Abatement through 12/31/2007, 12.3% PSF	33,201	2,457	59	(2,117)	647	7	(7)	-	-	34,246
21 \$	50K Increases, Abatement through 12/31/2007, 11.6% PSF	33,168	2,457	59	(2,097)	645	5	(5)	-	-	34,232
26 \$	100K Increases, Abatement through 12/31/2007, 12.5% PSF	33,137	2,464	59	(2,123)	643	4	(4)	-	-	34,180
31 F	AP 1-Step, Abatement through 12/31/2007, 12.7% PSF	33,099	2,469	59	(2,129)	644	5	(5)	-	-	34,143
36 F	AP 3-Step, Abatement through 12/31/2007, 12.4% PSF	33,155	2,462	59	(2,122)	644	4	(4)	-	-	34,198
			Percentage	of Total Ecor	nomic Cost						
Α	ct 13, Abatement through 12/31/2007, 12.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
Γ	elayed Act 13, Abatement through 12/31/2007, 12.3% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
\$	50K Increases, Abatement through 12/31/2007, 11.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
\$	100K Increases, Abatement through 12/31/2007, 12.5% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
ŀ	AP 1-Step, Abatement through 12/31/2007, 12.7% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
I	AP 3-Step, Abatement through 12/31/2007, 12.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%

	Nomina	l Values
С	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
7	13	64
6	18	89
0	25	127
	14	69
8	12	59
8	15	73

	PSF Applied Cumulatively at 110% PwC Mcare Projections, PSF at least 56% of Assessment											
			Present Value	Summary T	hrough 2025							
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	
41	Act 13, Abatement through 12/31/2007, 17.0% PSF	33,126	2,471	59	(2,122)	639	-	-	-	-	34,174	
46	Delayed Act 13, Abatement through 12/31/2007, 21.6% PSF	33,237	2,513	59	(2,117)	647	7	(7)	-	-	34,338	
51	\$50k Increases, Abatement through 12/31/2007, 20.5% PSF	33,191	2,516	59	(2,097)	645	5	(5)	-	-	34,314	
56	\$100k Increases, Abatement through 12/31/2007, 17.1% PSF	33,139	2,469	59	(2,123)	643	4	(4)	-	-	34,186	
61	HAP 1-Step, Abatement through 12/31/2007, 17.3% PSF	33,109	2,499	59	(2,129)	644	5	(5)	-	-	34,182	
66	HAP 3-Step, Abatement through 12/31/2007, 17.9% PSF	33,160	2,479	59	(2,122)	644	4	(4)	-	-	34,221	
			Percentage	of Total Ecor	nomic Cost							
	Act 13, Abatement through 12/31/2007, 17.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%	
	Delayed Act 13, Abatement through 12/31/2007, 21.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%	
	\$50k Increases, Abatement through 12/31/2007, 20.5% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%	
	\$100k Increases, Abatement through 12/31/2007, 17.1% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%	
	HAP 1-Step, Abatement through 12/31/2007, 17.3% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%	
	HAP 3-Step, Abatement through 12/31/2007, 17.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%	

	Nomina	Nominal Values											
ıl mic t	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability											
174	13	64											
338	18	89											
314	25	127											
186	14	69											
182	12	59											
221	15	73											

	PSF Applied Cumulatively at 110% PwC Mca	re Projectio	ons, PSF at l	east 56% of	Assessment	100% when	n \$1M primar	y limits					
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability			Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
71	Act 13, Abatement through 12/31/2007, 24.1% PSF	33,159	2,494	59	(2,122)	639	-	-	-	-	34,229	13	64
76	Delayed Act 13, Abatement through 12/31/2007, NF* PSF	33,029	2,522	290	(2,117)	647	7	(7)	-	-	34,370	(505)	89
81	\$50k Increases, Abatement through 12/31/2007, 25.6% PSF	33,188	2,501	59	(2,097)	645	5	(5)	-	-	34,297	25	127
86	\$100k Increases, Abatement through 12/31/2007, 24.1% PSF	33,168	2,493	59	(2,123)	643	4	(4)	-	-	34,240	14	69
91	HAP 1-Step, Abatement through 12/31/2007, NF* PSF	33,104	2,514	121	(2,129)	644	5	(5)	-	-	34,253	(134)	59
96	HAP 3-Step, Abatement through 12/31/2007, 25.6% PSF	33,196	2,500	59	(2,122)	644	4	(4)	-	-	34,277	15	73
			Percentage	of Total Ecor	nomic Cost								
	Act 13, Abatement through 12/31/2007, 24.1% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, NF* PSF	96%	7%	1%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 25.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 24.1% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, NF* PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 25.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 3 of Appendix C - Work Task 3 - Final Model Results - Addendum.

Comm	on Key Assumptions
Rate Environment Assumptions:	2% for 2007, Long-Term Thereafter
Interest Rate Paid on Debt:	5.25%, Coupon=Yield, Proceeds=Face
Interest Rate Earned on Surplus:	4.00%
Target Surplus:	20.0% of Unfunded Liability
MCARE Overhead as % of Annual Claim Payments:	6.0%
Target Buffer for MCARE Assessment:	10.0%
Discount Rate for Present Value Calculations:	4.0%

Minimum PSF	Percentage Achieving	Desired Constr	aints										
PSF Applied Inc	crementally, PSF NOT	Γ at least Assess	ment										
		Mcare Assum	ptions (% of PwC	C Projections)									
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%								
Act 13, Abatement through 12/31/2007	8.5%	9.0%	9.5%	10.2%	10.9%								
Delayed Act 13, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.0%	10.7%								
\$50K Increases, Abatement through 12/31/2007	8.5%	8.9%	9.4%	9.9%	10.4%								
\$100K Increases, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.2%	10.9%								
HAP 1-Step, Abatement through 12/31/2007	8.5%	9.0%	9.6%	10.2%	11.0%								
HAP 3-Step, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.1%	10.8%								
PSF Applied Inci	rementally, PSF at lea	st 56% of Asses	sment										
Mcare Assumptions (% of PwC Projections)													
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%								
Act 13, Abatement through 12/31/2007	8.5%	9.0%	9.7%	10.6%	11.6%								
Delayed Act 13, Abatement through 12/31/2007	8.9%	9.4%	10.1%	11.0%	12.0%								
\$50K Increases, Abatement through 12/31/2007	8.5%	8.9%	9.5%	10.1%	10.9%								
\$100K Increases, Abatement through 12/31/2007	8.5%	9.0%	9.7%	10.5%	11.5%								
HAP 1-Step, Abatement through 12/31/2007	8.6%	9.1%	9.8%	10.9%	12.4%								
HAP 3-Step, Abatement through 12/31/2007	8.5%	9.0%	9.6%	10.5%	11.4%								
PSF Applied Incrementally, PSF	at least 56% of Assess	ment/100% wh	<mark>en \$1M prim</mark> ai	ry limits									
		Mcare Assum	ptions (% of PwC	C Projections)									
Phase-out Assumptions, Legislative Scenario	70%	80%	90%	100%	110%								
Act 13, Abatement through 12/31/2007	8.5%	9.0%	10.0%	12.0%	17.6%								
Delayed Act 13, Abatement through 12/31/2007	8.9%	9.6%	11.3%	20.7%	NF*								
\$50K Increases, Abatement through 12/31/2007	8.5%	9.0%	9.8%	10.8%	13.7%								
\$100K Increases, Abatement through 12/31/2007	8.5%	9.0%	10.0%	11.9%	14.9%								
HAP 1-Step, Abatement through 12/31/2007	8.6%	9.1%	10.2%	13.8%	NF*								
HAP 3-Step, Abatement through 12/31/2007	8.5%	9.0%	10.0%	11.9%	19.6%								

 NF^* indicates that the scenario does not appear to be financially feasible under certain conditions.

	Common Key Assumptions	
Rate Environment Assumptions:	2% for 2007, Long-Term Thereafter	
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face	
Interest Rate Earned on Surplus:	4.00%	
Target Surplus (% of Year-End Mcare Unfunded Liability):	20.00%	
MCARE Overhead as % of Annual Claim Payments:	6.0%	
Target Buffer for MCARE Assessment:	10.0%	
Discount Rate for Present Value Calculations:	4.0%	
Assumption re: Mcare Projections:	70%	

	PSF Applied Incrementally a	t 70% PwC	Mcare Pro	jections, PS	F NOT at lea	st Assessme	ent						
			Present Value	Summary T	hrough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
7	Act 13, Abatement through 12/31/2007, 8.5% PSF	29,128	2,457	59	(1,381)	407	-	-	-	-	30,671	8	39
12	Delayed Act 13, Abatement through 12/31/2007, 8.5% PSF	29,112	2,452	59	(1,378)	412	5	(5)	-	-	30,657	11	54
17	\$50K Increases, Abatement through 12/31/2007, 8.5% PSF	29,095	2,448	59	(1,365)	410	3	(4)	-	-	30,648	16	79
22	\$100K Increases, Abatement through 12/31/2007, 8.5% PSF	29,124	2,455	59	(1,382)	409	2	(2)	-	-	30,667	8	41
27	HAP 1-Step, Abatement through 12/31/2007, 8.5% PSF	29,134	2,460	59	(1,386)	410	3	(3)	-	-	30,677	7	35
32	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	29,121	2,454	59	(1,381)	410	3	(3)	-	-	30,664	9	44
			Percentage	of Total Econ	omic Cost								
	Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$50K Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100K Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

PSF Applied Cumulatively at	70% PwC	Mcare Proje	ctions, PSF	at least 56%	of Assessm	ent						
		Present Value	Summary T	hrough 2025							Nomina	ıl Values
phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability			Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
37 Act 13, Abatement through 12/31/2007, 8.5% PSF	29,128	2,457	59	(1,381)	407	-	-	-	-	30,671	8	39
42 Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	29,126	2,457	59	(1,378)	412	5	(5)	-	-	30,676	11	54
47 \$50k Increases, Abatement through 12/31/2007, 8.5% PSF	29,095	2,448	59	(1,365)	410	3	(4)	-	-	30,648	16	79
52 \$100k Increases, Abatement through 12/31/2007, 8.5% PSF	29,124	2,455	59	(1,382)	409	2	(2)	-	-	30,667	8	41
57 HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	29,143	2,462	59	(1,386)	410	3	(3)	-	-	30,690	7	35
62 HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	29,121	2,454	59	(1,381)	410	3	(3)	-	-	30,664	9	44
		Percentage	of Total Ecor	nomic Cost								
Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 70% PwC Mcar	e Projection	ns, PSF at le	ast 56% of a	Assessment/1	00% when	\$1M primary	limits]		
			Present Value	Summary T	rough 2025							Nomina	l Values
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
67	Act 13, Abatement through 12/31/2007, 8.5% PSF	29,128	2,457	59	(1,381)	407	-	-	-	-	30,671	8	39
72	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	29,124	2,457	59	(1,378)	412	5	(5)	-	-	30,674	11	54
77	\$50k Increases, Abatement through 12/31/2007, 8.5% PSF	29,095	2,448	59	(1,365)	410	3	(4)	-	-	30,648	16	79
82	\$100k Increases, Abatement through 12/31/2007, 8.5% PSF	29,124	2,455	59	(1,382)	409	2	(2)	-	-	30,667	8	41
87	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	29,143	2,462	59	(1,386)	410	3	(3)	-	-	30,689	7	35
92	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	29,121	2,454	59	(1,381)	410	3	(3)	-	-	30,664	9	44
			Percentage	of Total Econ	omic Cost								
	Act 13, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-4%	1%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 8.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 8.5% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 4 of Appendix C - Work Task 3 - Final Model Results - Addendum.

	Common Key Assumptions
Rate Environment Assumptions:	2% for 2007, Long-Term Thereafter
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face
Interest Rate Earned on Surplus:	4.00%
Target Surplus:	20.0% of Unfunded Liability
MCARE Overhead as % of Annual Claim Payments:	6.0%
Target Buffer for MCARE Assessment:	10.0%
Discount Rate for Present Value Calculations:	4.0%
Assumption re: Mcare Projections:	80%

Ī	PSF Applied Incrementally	at 80% Pw(Mcare Pro	jections, PS	F NOT at lea	ast Assessm	ent				
			Present Value	Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
8	Act 13, Abatement through 12/31/2007, 9.0% PSF	30,253	2,477	59	(1,570)	465	-	-	-	-	31,683
13	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	30,226	2,465	59	(1,567)	470	5	(5)	-	-	31,653
18	550K Increases, Abatement through 12/31/2007, 8.9% PSF	30,203	2,464	59	(1,552)	469	4	(4)	-	-	31,644
23	\$100K Increases, Abatement through 12/31/2007, 8.9% PSF	30,246	2,471	59	(1,571)	468	3	(3)	-	-	31,673
28	HAP 1-Step, Abatement through 12/31/2007, 9.0% PSF	30,259	2,474	59	(1,576)	469	3	(4)	-	-	31,685
33	HAP 3-Step, Abatement through 12/31/2007, 8.9% PSF	30,240	2,469	59	(1,570)	468	3	(3)	-	-	31,666
			Percentage	of Total Ecor	omic Cost						
Ŀ	Act 13, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
1	Delayed Act 13, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	550K Increases, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
1	HAP 1-Step, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
1	HAP 3-Step, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%

	Nomin	al Values
С	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
3	9	45
3	13	63
4	18	90
3 5	10	48
5	8	41
6	10	51

	PSF Applied Cumulatively a	t 80% PwC				of Assessm	nent				
			Present Valu	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
38	Act 13, Abatement through 12/31/2007, 9.0% PSF	30,249	2,476	59	(1,570)	465	-	-	-	-	31,679
43	Delayed Act 13, Abatement through 12/31/2007, 9.4% PSF	30,229	2,469	59	(1,567)	470	5	(5)	-	-	31,661
48	\$50k Increases, Abatement through 12/31/2007, 8.9% PSF	30,200	2,464	59	(1,552)	469	4	(4)	-	-	31,639
53	\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	30,242	2,471	59	(1,571)	468	3	(3)	-	-	31,669
58	HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	30,257	2,475	59	(1,576)	469	3	(4)	-	-	31,684
63	HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	30,236	2,469	59	(1,570)	468	3	(3)	-	-	31,663
			Percentage	of Total Eco	nomic Cost						
	Act 13, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 9.4% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	\$50k Increases, Abatement through 12/31/2007, 8.9% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%
	HAP 3-Sten, Abstement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%

	Nomina	l Values
ıl mic t	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
679	9	45
661	13	63
639	18	90
669	10	48
684	8	41
663	10	51

PSF Applied Cumulatively at 80% PwC 1	PSF Applied Cumulatively at 80% PwC Mcare Projections, PSF at least 56% of Assessment/100% when \$1M primary limits											
		Present Valu	e Summary T	hrough 2025								
hage Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost		
68 Act 13, Abatement through 12/31/2007, 9.0% PSF	30,245	2,476	59	(1,570)	465	-	-	-	-	31,675		
73 Delayed Act 13, Abatement through 12/31/2007, 9.6% PSF	30,221	2,468	59	(1,567)	470	5	(5)	-	-	31,652		
78 \$50k Increases, Abatement through 12/31/2007, 9.0% PSF	30,194	2,462	59	(1,552)	469	4	(4)	-	-	31,632		
83 \$100k Increases, Abatement through 12/31/2007, 9.0% PSF	30,238	2,471	59	(1,571)	468	3	(3)	-	-	31,664		
88 HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	30,253	2,475	59	(1,576)	469	3	(4)	-	-	31,679		
93 HAP 3-Step, Abatement through 12/31/2007, 9.0% PSF	30,232	2,469	59	(1,570)	468	3	(3)	-	-	31,658		
		Percentage	of Total Eco	nomic Cost								
Act 13, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 9.6% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 9.1% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		
HAP 3-Step. Abatement through 12/31/2007, 9.0% PSF	95%	8%	0%	-5%	1%	0%	0%	0%	0%	100%		

Nomina	l Values
2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
9	45
13	63
18	90
10	48
8	41
10	51

Note
Page numbers noted above are for the corresponding page in Exhibit 4 of Appendix C - Work Task 3 - Final Model Results - Addendum.

	Common Key Assumptions
Rate Environment Assumptions:	2% for 2007, Long-Term Thereafter
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face
Interest Rate Earned on Surplus:	4.00%
Target Surplus:	20.0% of Unfunded Liability
MCARE Overhead as % of Annual Claim Payments:	6.0%
Target Buffer for MCARE Assessment:	10.0%
Discount Rate for Present Value Calculations:	4.0%
Assumption re: Mcare Projections:	90%

	PSF Applied Incrementally	at 90% Pw(Mcare Pro	jections, PS	F NOT at lea	st Assessm	ent				
			Present Value	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
9	Act 13, Abatement through 12/31/2007, 9.5% PSF	31,365	2,497	59	(1,757)	523	-	-	-	-	32,688
14	Delayed Act 13, Abatement through 12/31/2007, 9.5% PSF	31,333	2,486	59	(1,753)	529	6	(6)	-	-	32,653
19	\$50K Increases, Abatement through 12/31/2007, 9.4% PSF	31,313	2,501	59	(1,737)	528	4	(4)	-	-	32,664
24	\$100K Increases, Abatement through 12/31/2007, 9.5% PSF	31,358	2,493	59	(1,758)	526	3	(3)	-	-	32,678
29	HAP 1-Step, Abatement through 12/31/2007, 9.6% PSF	31,371	2,487	59	(1,763)	527	4	(4)	-	-	32,680
34	HAP 3-Step, Abatement through 12/31/2007, 9.5% PSF	31,351	2,494	59	(1,757)	527	3	(3)	-	-	32,674
			Percentage	of Total Eco	nomic Cost						
	Act 13, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$50K Increases, Abatement through 12/31/2007, 9.4% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 9.6% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAP 3-Step, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%

	Nomina	Nominal Values											
nic	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability											
88	10	51											
53	14	71											
64	21	103											
78	11	55											
80	9	46											
74	12	58											

	PSF Applied Cumulatively at	90% PwC	Mcare Proje	ections, PSF	at least 56%	of Assessn	ient				ı
	Present Value Summary Through 2025										
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
39	Act 13, Abatement through 12/31/2007, 9.7% PSF	31,355	2,497	59	(1,757)	523	-	-	-	-	32,678
44	Delayed Act 13, Abatement through 12/31/2007, 10.1% PSF	31,329	2,491	59	(1,753)	529	6	(6)	-	-	32,655
49	\$50k Increases, Abatement through 12/31/2007, 9.5% PSF	31,302	2,498	59	(1,737)	528	4	(4)	-	-	32,651
54	\$100k Increases, Abatement through 12/31/2007, 9.7% PSF	31,348	2,493	59	(1,758)	526	3	(3)	-	-	32,668
59	HAP 1-Step, Abatement through 12/31/2007, 9.8% PSF	31,361	2,487	59	(1,763)	527	4	(4)	-	-	32,671
64	HAP 3-Step, Abatement through 12/31/2007, 9.6% PSF	31,341	2,492	59	(1,757)	527	3	(3)	-	-	32,663
			Percentage	of Total Econ	nomic Cost						
	Act 13, Abatement through 12/31/2007, 9.7% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 10.1% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$50k Increases, Abatement through 12/31/2007, 9.5% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	\$100k Increases, Abatement through 12/31/2007, 9.7% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 9.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%
	HAD 2 Co., Abotement thems. 12/21/2007 D.CO. DCC	0.60/	On/	Ω0/	50/	20/	00/	Ω0/	00/	Ω0/	1000/

	Nomina	Nominal Values										
ıl mic t	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability										
678	10	51										
655	14	71										
651	21	103										
866	11	55										
671	9	46										
663	12	58										

2025 MCARE Unfunded Liability

	PSF Applied Cumulatively at 90% PwC Mca	re Projectio	ns, PSF at le	ast 56% of	Assessment/1	100% when	\$1M primary	limits				
			Present Value	e Summary T	hrough 2025							Non
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus (Defici
69	Act 13, Abatement through 12/31/2007, 10.0% PSF	31,342	2,496	59	(1,757)	523	-	-	-	-	32,664	i
74	Delayed Act 13, Abatement through 12/31/2007, 11.3% PSF	31,310	2,486	59	(1,753)	529	6	(6)	-	-	32,631	
79	\$50k Increases, Abatement through 12/31/2007, 9.8% PSF	31,283	2,487	59	(1,737)	528	4	(4)	-	-	32,621	
84	\$100k Increases, Abatement through 12/31/2007, 10.0% PSF	31,334	2,491	59	(1,758)	526	3	(3)	-	-	32,653	
89	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	31,349	2,486	59	(1,763)	527	4	(4)	-	-	32,659	i i
94	HAP 3-Step, Abatement through 12/31/2007, 10.0% PSF	31,327	2,490	59	(1,757)	527	3	(3)	-	-	32,646	i
			Percentage	of Total Ecor	omic Cost							
	Act 13, Abatement through 12/31/2007, 10.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%	İ
	Delayed Act 13, Abatement through 12/31/2007, 11.3% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%	j
	\$50k Increases, Abatement through 12/31/2007, 9.8% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%	i
	\$100k Increases, Abatement through 12/31/2007, 10.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%	i
	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%	i
	HAP 3-Step, Abatement through 12/31/2007, 10.0% PSF	96%	8%	0%	-5%	2%	0%	0%	0%	0%	100%	j

Note
Page numbers noted above are for the corresponding page in Exhibit 4 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 Ending Surplus / (Deficit)

2025 MCARE Unfunded Liability

58 80 115

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

Common Key Assumptions									
Rate Environment Assumptions:	2% for 2007, Long-Term Thereafter								
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face								
Interest Rate Earned on Surplus:	4.00%								
Target Surplus:	20.0% of Unfunded Liability								
MCARE Overhead as % of Annual Claim Payments:	6.0%								
Target Buffer for MCARE Assessment:	10.0%								
Discount Rate for Present Value Calculations:	4.0%								
Assumption re: Mcare Projections:	100%								

	PSF Applied Incrementally a	t 100% Pw	C Mcare Pro	jections, Pa	SF NOT at lea	ast Assessm	ent				
			Present Value	e Summary T	hrough 2025						
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost
10	Act 13, Abatement through 12/31/2007, 10.2% PSF	32,467	2,512	59	(1,940)	581	-	-	-	-	33,679
15	Delayed Act 13, Abatement through 12/31/2007, 10.0% PSF	32,433	2,511	59	(1,935)	588	7	(7)	-	-	33,656
20	\$50K Increases, Abatement through 12/31/2007, 9.9% PSF	32,416	2,530	59	(1,917)	586	5	(5)	-	-	33,675
25	\$100K Increases, Abatement through 12/31/2007, 10.2% PSF	32,459	2,510	59	(1,941)	585	3	(3)	-	-	33,672
30	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	32,472	2,500	59	(1,946)	586	4	(4)	-	-	33,670
35	HAP 3-Step, Abatement through 12/31/2007, 10.1% PSF	32,452	2,512	59	(1,939)	585	4	(4)	-	-	33,669
			Percentage	of Total Ecor	nomic Cost						
	Act 13, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	Delayed Act 13, Abatement through 12/31/2007, 10.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$50K Increases, Abatement through 12/31/2007, 9.9% PSF	96%	8%	0%	-6%	2%	0%	0%	0%	0%	100%
	\$100K Increases, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAP 1-Step, Abatement through 12/31/2007, 10.2% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%
	HAP 3-Step, Abatement through 12/31/2007, 10.1% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%

PSF Applied Cumulatively at	100% PwC	Mcare Proj	ections, PS	F at least 56%	6 of Assessi	nent						
		Present Valu	e Summary T	hrough 2025							Nomina	l Values
uge Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
40 Act 13, Abatement through 12/31/2007, 10.6% PSF	32,450	2,511	59	(1,940)	581	-	-	-	-	33,662	12	5
45 Delayed Act 13, Abatement through 12/31/2007, 11.0% PSF	32,421	2,515	59	(1,935)	588	7	(7)	-	-	33,648	16	8
50 \$50k Increases, Abatement through 12/31/2007, 10.1% PSF	32,397	2,528	59	(1,917)	586	5	(5)	-	-	33,654	23	11:
55 \$100k Increases, Abatement through 12/31/2007, 10.5% PSF	32,442	2,509	59	(1,941)	585	3	(3)	-	-	33,654	12	6
60 HAP 1-Step, Abatement through 12/31/2007, 10.9% PSF	32,457	2,501	59	(1,946)	586	4	(4)	-	-	33,656	10	5
65 HAP 3-Step, Abatement through 12/31/2007, 10.5% PSF	32,435	2,511	59	(1,939)	585	4	(4)	-	-	33,651	13	6
		Percentage	of Total Eco	nomic Cost								
Act 13, Abatement through 12/31/2007, 10.6% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
Delayed Act 13, Abatement through 12/31/2007, 11.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
\$50k Increases, Abatement through 12/31/2007, 10.1% PSF	96%	8%	0%	-6%	2%	0%	0%	0%	0%	100%		
\$100k Increases, Abatement through 12/31/2007, 10.5% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
HAP 1-Step, Abatement through 12/31/2007, 10.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
HAP 3-Step, Abatement through 12/31/2007, 10.5% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

	PSF Applied Cumulatively at 100% PwC Mca	re Projectio	ns. PSF at le	east 56% of	Assessment/	100% wher	\$1M primar	v limits			1		
	Present Value Summary Through 2025									Nominal Value			
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
70	Act 13, Abatement through 12/31/2007, 12.0% PSF	32,425	2,509	59	(1,940)	581	-	-	-	-	33,635	12	58
75	Delayed Act 13, Abatement through 12/31/2007, 20.7% PSF	32,388	2,490	59	(1,935)	588	7	(7)	-	-	33,590	16	80
80	\$50k Increases, Abatement through 12/31/2007, 10.8% PSF	32,368	2,511	59	(1,917)	586	5	(5)	-	-	33,607	23	115
85	\$100k Increases, Abatement through 12/31/2007, 11.9% PSF	32,416	2,505	59	(1,941)	585	3	(3)	-	-	33,624	12	62
90	HAP 1-Step, Abatement through 12/31/2007, 13.8% PSF	32,433	2,499	59	(1,946)	586	4	(4)	-	-	33,631	10	52
95	HAP 3-Step, Abatement through 12/31/2007, 11.9% PSF	32,409	2,503	59	(1,939)	585	4	(4)	-	-	33,617	13	66
			Percentage	of Total Ecor	omic Cost								
	Act 13, Abatement through 12/31/2007, 12.0% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	Delayed Act 13, Abatement through 12/31/2007, 20.7% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$50k Increases, Abatement through 12/31/2007, 10.8% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	\$100k Increases, Abatement through 12/31/2007, 11.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 1-Step, Abatement through 12/31/2007, 13.8% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
	HAP 3-Step, Abatement through 12/31/2007, 11.9% PSF	96%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 4 of Appendix C - Work Task 3 - Final Model Results - Addendum.

2025 Ending Surplus / (Deficit)

2025 MCARE Unfunded Liability

Mcare Phase-Out Model Prepared for the Commission on the Mcare Fund

Common Key Assumptions									
Rate Environment Assumptions:	2% for 2007, Long-Term Thereafter								
Interest Rate Paid on Debt:	5.25%, Coupon Equals Yield, Proceeds Equal Face								
Interest Rate Earned on Surplus:	4.00%								
Target Surplus:	20.0% of Unfunded Liability								
MCARE Overhead as % of Annual Claim Payments:	6.0%								
Target Buffer for MCARE Assessment:	10.0%								
Discount Rate for Present Value Calculations:	4.0%								
Assumption re: Mcare Projections:	110%								

	PSF Applied Incrementally at 110% PwC Mcare Projections, PSF NOT at least Assessment													
			Present Value	e Summary T	hrough 2025									
Page	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost			
11	Act 13, Abatement through 12/31/2007, 10.9% PSF	33,564	2,523	59	(2,122)	639	-	-	-	-	34,665			
16	Delayed Act 13, Abatement through 12/31/2007, 10.7% PSF	33,531	2,531	59	(2,117)	647	7	(7)	-	-	34,651			
21	\$50K Increases, Abatement through 12/31/2007, 10.4% PSF	33,517	2,552	59	(2,097)	645	5	(5)	-		34,676			
26	\$100K Increases, Abatement through 12/31/2007, 10.9% PSF	33,557	2,525	59	(2,123)	643	4	(4)	-	-	34,660			
31	HAP 1-Step, Abatement through 12/31/2007, 11.0% PSF	33,569	2,511	59	(2,129)	644	5	(5)	-	-	34,654			
36	HAP 3-Step, Abatement through 12/31/2007, 10.8% PSF	33,550	2,528	59	(2,122)	644	4	(4)	-	-	34,659			
			Percentage	of Total Eco	nomic Cost									
	Act 13, Abatement through 12/31/2007, 10.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	Delayed Act 13, Abatement through 12/31/2007, 10.7% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$50K Increases, Abatement through 12/31/2007, 10.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	\$100K Increases, Abatement through 12/31/2007, 10.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 1-Step, Abatement through 12/31/2007, 11.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
	HAP 3-Step, Abatement through 12/31/2007, 10.8% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			

PSF Applied Cumulative	ely at 110% PwC	Mcare Proj	ections, PS	F at least 56%	6 of Assessi	nent							
		Present Valu	e Summary T	hrough 2025							Nomina	d Values	ĺ
ge Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability		Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail		Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability	
Act 13, Abatement through 12/31/2007, 11.6% PSF	33,540	2,523	59	(2,122)	639	-	-	-	-	34,640	13	64	ĺ
6 Delayed Act 13, Abatement through 12/31/2007, 12.0% PSF	33,511	2,534	59	(2,117)	647	7	(7)	-	-	34,634	18	89	ĺ
1 \$50k Increases, Abatement through 12/31/2007, 10.9% PSF	33,488	2,550	59	(2,097)	645	5	(5)	-	-	34,646	25	127	ĺ
6 \$100k Increases, Abatement through 12/31/2007, 11.5% PSF	33,532	2,524	59	(2,123)	643	4	(4)	-	-	34,635	14	69	ĺ
HAP 1-Step, Abatement through 12/31/2007, 12.4% PSF	33,547	2,512	59	(2,129)	644	5	(5)	-	-	34,633	12	59	ĺ
6 HAP 3-Step, Abatement through 12/31/2007, 11.4% PSF	33,526	2,527	59	(2,122)	644	4	(4)	-	-	34,633	15	73	ĺ
		Percentage	of Total Eco	nomic Cost									١
Act 13, Abatement through 12/31/2007, 11.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
Delayed Act 13, Abatement through 12/31/2007, 12.0% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
\$50k Increases, Abatement through 12/31/2007, 10.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
\$100k Increases, Abatement through 12/31/2007, 11.5% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
HAP 1-Step, Abatement through 12/31/2007, 12.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			
HAP 3-Step, Abatement through 12/31/2007, 11.4% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%			

Ī	PSF Applied Cumulatively at 110% PwC Mca	re Projectio	ns, PSF at l	east 56% of	Assessment/	100% when	ı \$1M primar	y limits					
			Present Valu	e Summary T	hrough 2025							Nomina	d Values
Page I	Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs	Total State Support	Change in Surplus / (Deficit)	Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Beg PV Tail	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARE Unfunded Liability
71	Act 13, Abatement through 12/31/2007, 17.6% PSF	33,501	2,512	59	(2,122)	639	-	-	-	-	34,590	13	64
76 I	Delayed Act 13, Abatement through 12/31/2007, NF* PSF	33,263	2,522	290	(2,117)	647	7	(7)	-	-	34,605	(505)	89
81 \$	550k Increases, Abatement through 12/31/2007, 13.7% PSF	33,443	2,504	59	(2,097)	645	5	(5)	-	-	34,554	25	127
86 \$	\$100k Increases, Abatement through 12/31/2007, 14.9% PSF	33,494	2,511	59	(2,123)	643	4	(4)	-	-	34,584	14	69
91 I	HAP 1-Step, Abatement through 12/31/2007, NF* PSF	33,454	2,514	121	(2,129)	644	5	(5)	-	-	34,603	(134)	
96 I	HAP 3-Step, Abatement through 12/31/2007, 19.6% PSF	33,485	2,501	59	(2,122)	644	4	(4)	-	-	34,567	15	73
			Percentage	of Total Eco	nomic Cost								
1	Act 13, Abatement through 12/31/2007, 17.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
I	Delayed Act 13, Abatement through 12/31/2007, NF* PSF	96%	7%	1%	-6%	2%	0%	0%	0%	0%	100%		
5	550k Increases, Abatement through 12/31/2007, 13.7% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
5	5100k Increases, Abatement through 12/31/2007, 14.9% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
I	HAP 1-Step, Abatement through 12/31/2007, NF* PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		
I	HAP 3-Step, Abatement through 12/31/2007, 19.6% PSF	97%	7%	0%	-6%	2%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding page in Exhibit 4 of Appendix C - Work Task 3 - Final Model Results - Addendum.

Appendix C - Work Task 3

EXHIBITS APPENDIX C - WORK TASK 3 OTHER MODEL RESULTS

Prepared for the Commission on the Mcare Fund

	Co	ommon Key	Assumptio	ns								
Interest Rate Paid on Debt:			5.25%, Cot	ipon Equals Y	ield, Procee	ds Equal Face	;			1		
Interest Rate Earned on Surplus:			4.00%	· •		•				1		
Target Surplus (% of Year-End Mcare Unfunded Liability):			20.00%							1		
MCARE Overhead as % of Annual Claim Payments:			6.0%							i		
Target Buffer for MCARE Assessment:			10.0%									
Discount Rate for Present Value Calculations:			4.0%									
Assumption re: Mcare Projections:			70%							ł		
Assumption re. weare i rojections.			7070							1		
Data Fe		Como Cofto	nine Then	Ctoo de						1		
Rate En	vironment:	Some Softer								Щ,	N .	1 87 1
		Present Value	e Summary 1									al Values
	Total		Change in	Change in		Change in Beg		Adjusted	Adjusted	Total	2025	2025
	Charged to	Total State	Surplus /	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Economic	Ending	MCARE
	HCPs	Support	(Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Cost	Surplus /	Unfunde
Phase-out Assumptions, Legislative Scenario	11015		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
Act 13, Abatement through 12/31/2007	31,802	355	(453)	(1,381)	407	-	-	-	-	30,730	5,707	3
Status Quo, Abatement through 12/31/2007	29,336	356	(248)	1,287	-	5	(5)	-	_	30,731	5,257	5,56
		Percentage	of Total Econ	omic Cost							-	
Act 13, Abatement through 12/31/2007	103%	1%	-1%	-4%	1%	0%	0%	0%	0%	100%		
Status Quo, Abatement through 12/31/2007	95%	1%	-1%	4%	0%	0%		0%	0%	100%		
Status Quo, Homement anough 12/31/2007	7570	1,0	1,0	170	0,0	0,0	0,0	0,0	0,0	10070		
	Doto Envine	onment: Stea	dy Trond							1		
	Kate Enviro	Present Valu		hrough 2025							Nomin	al Values
		Trescut valu	I Summary 1									1
	Total		Change in	Change in	-	Change in Beg		Adjusted	Adjusted	Total	2025	2025
	Charged to	Total State	Surplus /	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Economic	Ending	MCARI
	HCPs	Support	(Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Cost	Surplus /	Unfunde
Phase-out Assumptions, Legislative Scenario	11015		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
Act 13, Abatement through 12/31/2007	31,659	355	(453)	(1,381)	407	-	-	-	-	30,588	5,707	3
Status Quo, Abatement through 12/31/2007	29,193	356	(248)	1,287	-	5	(5)	-	-	30,588	5,257	5,56
		Percentage	of Total Eco	omic Cost								
Act 13, Abatement through 12/31/2007	104%	Percentage 1%	of Total Ecor	omic Cost -5%	1%	0%	0%	0%	0%	100%		
Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	104% 95%				1% 0%	0% 0%		0% 0%	0% 0%	100% 100%		
		1%	-1%	-5%								
Status Quo, Abatement through 12/31/2007	95%	1%	-1% -1%	-5%								
Status Quo, Abatement through 12/31/2007	95%	1% 1%	-1% -1% Year Cycle	-5% 4%							Nomin	al Values
Status Quo, Abatement through 12/31/2007	95%	1% 1% nment: 10-Y	-1% -1% Year Cycle	-5% 4% hrough 2025	0%	0%	0%	0%	0%			
Status Quo, Abatement through 12/31/2007	95%	1% 1% nment: 10-Y	-1% -1% Year Cycle	-5% 4% hrough 2025 Change in	0% Adjusted	O% Change in Beg	O% Change in	0% Adjusted	0% Adjusted		2025	2025
Status Quo, Abatement through 12/31/2007	95% Rate Enviro	1% 1% nment: 10-Y Present Value Total State	-1% -1% Year Cycle E Summary T	-5% 4% hrough 2025 Change in Discounted	O% Adjusted Change in	Change in Beg	Change in Beg PV	O% Adjusted Potential	O% Adjusted Disc Potn'l	100%	2025 Ending	2025 MCARE
Status Quo, Abatement through 12/31/2007	95% Rate Enviro	1% 1% nment: 10-Y	-1% -1% Year Cycle Summary T Change in	-5% 4% hrough 2025 Change in Discounted Unfunded	Adjusted Change in Tail Due to	O% Change in Beg PV Unfunded Liab (vs Act	Change in Beg PV Tail Liab	Adjusted Potential Uninsured	Adjusted Disc Potn'l Uninsured	100% Total	2025 Ending Surplus /	2025 MCARI Unfunde
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario	95% Rate Enviro Total Charged to HCPs	1% 1% nment: 10-3 Present Value Total State Support	-1% -1% Year Cycle Summary T Change in Surplus / (Deficit)	-5% 4% hrough 2025 Change in Discounted Unfunded Liability	Adjusted Change in Tail Due to Limits Chg	Change in Beg	Change in Beg PV	O% Adjusted Potential	O% Adjusted Disc Potn'l	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARI Unfunde Liability
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398	1% 1% 19 19 19 19 19 10 10 10 10 10 10 10 10 10 10 10 10 10	-1% -1% Year Cycle Summary T Change in Surplus / (Deficit)	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381)	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost 30,327	2025 Ending Surplus / (Deficit) 5,707	2025 MCARI Unfunde Liability
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario	95% Rate Enviro Total Charged to HCPs	1% 1% 1ment: 10-) Present Value Total State Support 355 356	-1% -1% Year Cycle Summary T Change in Surplus / (Deficit) (453) (248)	-5% 4% hrough 2025 Change ind Discounted Unfunded Liability (1,381) 1,287	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost	2025 Ending Surplus / (Deficit)	2025 MCARI Unfunde Liability
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	75% Rate Enviro Total Charged to HCPs 31,398 28,959	19% 19% Present Value Total State Support 355 356 Percentage	-1% -18 Year Cycle E Summary T Change in Surplus / (Deficit) (453) (248)	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 nomic Cost	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707	2025 MCARI Unfunde Liability
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959	1% 1% 1% 1mment: 10-1 Present Value Total State Support 355 356 Percentage 1%	-1% -1% Year Cycle e Summary T Change in Surplus / (Deficit) (453) (248) of Total Econ -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 tomic Cost -5%	Adjusted Change in Tail Due to Limits Chg 407	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability 0%	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707	2025 MCARI Unfunde Liability
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	75% Rate Enviro Total Charged to HCPs 31,398 28,959	19% 19% Present Value Total State Support 355 356 Percentage	-1% -18 Year Cycle E Summary T Change in Surplus / (Deficit) (453) (248)	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 nomic Cost	Adjusted Change in Tail Due to Limits Chg	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13) - (5)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707	2025 MCAR Unfunde Liabilit
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959	1% 1% 1% 1mment: 10-1 Present Value Total State Support 355 356 Percentage 1%	-1% -1% Year Cycle e Summary T Change in Surplus / (Deficit) (453) (248) of Total Econ -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 tomic Cost -5%	Adjusted Change in Tail Due to Limits Chg 407	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability 0%	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707	2025 MCAR Unfunde Liabilit
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959 104% 95%	1% 196 197 Present Value Total State Support 355 356 Percentage 196 196	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 somic Cost -5% 4%	Adjusted Change in Tail Due to Limits Chg 407	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability 0%	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707	2025 MCARI Unfunde Liability
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959 104% 95%	1% 196 197 Present Value Total State Support 355 356 Percentage 196 196	-1% -18 Vear Cycle Summary T Change in Surplus / (Deficit) (453) (248) of Total Ecor -1% -1% ong-Term	-5% 4% Change in Discounted Unfunded Liability (1,381) 1,287 somic Cost -5% 4%	Adjusted Change in Tail Due to Limits Chg 407	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn'l Uninsured Liability 0%	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707 5,257	2025 MCARI Unfunde Liability
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959 104% 95%	1% 1% nment: 10-) Present Value Total State Support 355 356 Percentage 1% 1%	-1% -18 Vear Cycle Summary T Change in Surplus / (Deficit) (453) (248) of Total Ecor -1% -1% ong-Term	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 homic Cost 4% Thereafter brough 2025	Adjusted Change in Tail Due to Limits Chg 407 - 1%	Change in Beg PV Unfunded Liab (vs Act 13) - 5	Change in Beg PV Tail Liab (vs Act 13) - (5) 0%	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn¹l Uninsured Liability - - - 0%	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707 5,257	2025 MCARI Unfunde Liability 3 5,56
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959 104% 95% Total	1% 1% nment: 10-Y Present Value Total State Support 355 356 Percentage 1% for 2007, L Present Value	-1% -18 Vear Cycle Summary T Change in Surplus / (Deficit) (453) (248) of Total Ecor -1% -1% ong-Term	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 comic Cost -5% 4% Change in	Adjusted Change in Tail Due to Limits Chg 407 1% O%	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn¹ Uninsured Liability 0% 0%	Total Economic Cost 30,327 30,354	2025 Ending Surplus / (Deficit) 5,707 5,257	2025 MCARI Unfunde Liability 3 5,56
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959 104% 95% nment: 2%	1% 1% 1% 1% Present Valu Total State Support 355 356 Percentage 1% for 2007, L Present Valu Total State Support	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 -5% 4% Change in Discounted	Adjusted Change in Tail Due to Limits Chg 407 - 1% Adjusted Change in	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs At 13) - (5) 0% 0%	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn¹ Uninsured Liability 0% Adjusted Disc Potn¹	Total Economic Cost 30,327 30,354 100%	2025 Ending Surplus / (Deficit) 5,707 5,257	2025 MCARI Unfunde Liability 3 5,56
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Rate Environment Status Quo, Abatement through 12/31/2007	95% Rate Enviro Total Charged to HCPs 31,398 28,959 104% 95% Total	1% 1% nment: 10-Y Present Value Total State Support 355 356 Percentage 1% for 2007, L Present Value	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 homic Cost 4% Thereafter hrough 2025 Change in Discounted Unfunded Unfunded	Adjusted Change in Tail Due to Limits Chg 407 - 1% Adjusted Change in Tail Due to Tail Change in Tail Due to	Change in Beg PV Unfunded Liab (vs Act 13) - 5 O% Change in Beg PV Unfunded Liab (vs Act	Change in Beg PV Tail Liab (vs Act 13) 0% 0% Change in Beg PV Tail Liab Tail Change in Beg PV Tail Liab	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn¹ Uninsured Liability 0% Adjusted Disc Potn¹ Uninsured	Total Economic Cost 30,327 30,354 100%	2025 Ending Surplus / (Deficit) 5,707 5,257 Nomin 2025 Ending Surplus /	2025 MCARI Unfunde Liabilit 3 5,56
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Rate Environment Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs 31,398 28,959 104% 95% Total Charged to HCPs	1% 1% 1% Present Value Total State Support 355 356 Percentage 1% 1% for 2007, L. Present Value Total State Support	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 somic Cost -5% 4% Thereafter trough 2025 Change in Discounted Liability	Adjusted Change in Tail Due to Limits Chg 407	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs At 13) - (5) 0% 0%	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn¹ Uninsured Liability 0% Adjusted Disc Potn¹	Total Economic Cost 30,327 30,354 100% Total Economic Cost	2025 Ending Surplus / (Deficit) 5,707 5,257 Nomin 2025 Ending Surplus / (Deficit)	2025 MCARI Unfunde Liability 3 5,56
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Rate Environment Status Quo, Abatement through 12/31/2007	Total Charged to HCPs Total Charged to HCPs 31,398 28,959 104% 95% Total Charged to HCPs 31,706	1% 1% 1% nment: 10-Y Present Value Total State Support 355 356 Percentage 1% for 2007, L Present Value Total State Support	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 -5% 4% Thereafter through 2025 Change in Discounted Unfunded Liability (1,381)	Adjusted Change in Tail Due to Limits Chg 407 - 1% Adjusted Change in Tail Due to Tail Change in Tail Due to	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13) O% Change in Beg PV Tail Liab (vs Act 13) Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn¹ Uninsured Liability 0% Adjusted Disc Potn¹ Uninsured	Total Economic Cost 100% 100% 100% 100% 100% 100% 100% 100	2025 Ending Surplus / (Deficit) 5,707 5,257 Nomin 2025 Ending Surplus / (Deficit) 5,707	2025 MCARI Unfunde Liability 3 5,56
Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Rate Environment Phase-out Assumptions, Legislative Scenario	Total Charged to HCPs 31,398 28,959 104% 95% Total Charged to HCPs	1% 1% 1mment: 10-1 Present Value Total State Support 355 356 Percentage 1% for 2007, L Present Value Total State Support 355 356 356	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 -5% 4% Chereafter hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287	Adjusted Change in Tail Due to Limits Chg 407	Change in Beg PV Unfunded Liab (vs Act 13) - 5 0% Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13) Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims O% Adjusted Potential Uninsured CY Claims CY Claims	Adjusted Disc Potn¹ Uninsured Liability 0% Adjusted Disc Potn¹ Uninsured Liability	Total Economic Cost 30,327 30,354 100% Total Economic Cost	2025 Ending Surplus / (Deficit) 5,707 5,257 Nomin 2025 Ending Surplus / (Deficit)	2025 MCARI Unfunde Liability 3 5,56
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Rate Enviro Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007	Total Charged to HCPs Total Charged to HCPs 31,398 28,959 104% 95% Total Charged to HCPs 31,706	1% 1% 1mment: 10-1 Present Value Total State Support 355 356 Percentage 1% for 2007, L Present Value Total State Support 355 356 356	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 -5% 4% Chereafter hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287	Adjusted Change in Tail Due to Limits Chg 407 19% Adjusted Change in Tail Due to Limits Chg 407 407	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13) O% Change in Beg PV Tail Liab (vs Act 13) Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims O% Adjusted Potential Uninsured CY Claims CY Claims Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn1 Uninsured Liability	Total Economic Cost 100% 100% 100% 100% 100% 100% 100% 100	2025 Ending Surplus / (Deficit) 5,707 5,257 Nomin 2025 Ending Surplus / (Deficit) 5,707	2025 MCARI Unfunde Liability 3 5,56
Status Quo, Abatement through 12/31/2007 Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Rate Enviro Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007	Total Charged to HCPs Total Charged to HCPs 31,398 28,959 104% 95% Total Charged to HCPs 31,706	1% 1% 1mment: 10-1 Present Value Total State Support 355 356 Percentage 1% for 2007, L Present Value Total State Support 355 356 356	-1% -1% -1% -1% -1% -1% -1% -1% -1% -1%	-5% 4% hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287 -5% 4% Chereafter hrough 2025 Change in Discounted Unfunded Liability (1,381) 1,287	Adjusted Change in Tail Due to Limits Chg 407 19% Adjusted Change in Tail Due to Limits Chg 407 407	Change in Beg PV Unfunded Liab (vs Act 13)	Change in Beg PV Tail Liab (vs Act 13) O% Change in Beg PV Tail Liab (vs Act 13) Change in Beg PV Tail Liab (vs Act 13)	Adjusted Potential Uninsured CY Claims O% Adjusted Potential Uninsured CY Claims CY Claims Adjusted Potential Uninsured CY Claims	Adjusted Disc Potn1 Uninsured Liability	Total Economic Cost 100% 100% 100% 100% 100% 100% 100% 100	2025 Ending Surplus / (Deficit) 5,707 5,257 Nomin 2025 Ending Surplus / (Deficit) 5,707	2025 MCARE Unfunded Liability 33 5,56

Page numbers noted above are for the corresponding exhibit and page of Appendix C - Work Task 3 - Other Model Results - Addendum.

Prepared for the Commission on the Mcare Fund

		C	ommon Key	Assumption	ns								
	Interest Rate Paid on Debt:			5.25%, Cot	ipon Equals Y	ield, Procee	ds Equal Face	;					
	Interest Rate Earned on Surplus:			4.00%									
	Target Surplus:			20.0% of U	nfunded Liab	ility							
	MCARE Overhead as % of Annual Claim Payments:			6.0%									
	Target Buffer for MCARE Assessment:			10.0%									
	Discount Rate for Present Value Calculations:			4.0%									
	Assumption re: Mcare Projections:			80%									
	<u> </u>												
	Rate I	Environment	: Some Softe	ning, Then	Steady								
			Present Valu									Nomina	l Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to	Support	Surplus /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	HCPs		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
E1.P2		32,905	388	(499)	(1,570)	465	-	_	_	_	31,689	5,741	45
,	7 Status Quo, Abatement through 12/31/2007	30.088	388	(264)	1,478	-	5	(5)	_	_	31,690	5,228	6.357
,	Salas Quo, Holicinent anough 12-51/2007	,	Percentage	of Total Eco				(=)			01,000	,	.,
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	1%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	95%	1%	-1%	5%	0%	0%		0%	0%	100%		
											20070		
		Rate Envir	onment: Ste	ady Trend							Ī		
		Tente Envir		e Summary T	hrough 2025							Nomina	ıl Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to	Support	Surplus /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic	Surplus /	Unfunded
		HCPs	Support	(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
E2.P2	Phase-out Assumptions, Legislative Scenario	32,763	388	(499)	(1,570)	465	10,	(-		31,546	5,741	45
E2,P2 E2,P7		29,946	388	(264)	1,478	403	- 5	(5)		-	31,547	5,228	6,357
1.2,1 /	Status Quo, Abatement through 12/31/2007	27,740		of Total Eco				(5)			31,347	3,220	0,557
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	1%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	95%	1%	-1%	5%	0%	0%	0%	0%	0%	100%		
		Rate Envir	onment: 10-										
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		Total		Ch	Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	Total	2025	2025
		Charged to	Total State	Change in Surplus /	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Economic	Ending	MCARE
		HCPs	Support	(Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	iici s		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
E3,P2		32,498	388	(499)	(1,570)	465	-	-	-	-	31,281	5,741	45
E3,P7	Status Quo, Abatement through 12/31/2007	29,712	388	(264)	1,478	-	5	(5)	-	-	31,313	5,228	6,357
		•	Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	1%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	95%	1%	-1%	5%	0%	0%	0%	0%	0%	100%		
	Rate Envi	ronment: 2%	6 for 2007, I	ong-Term	Thereafter								
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		Total		Change in	Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	Total	2025	2025
		Charged to	Total State	Surplus /	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Economic	Ending	MCARE
		HCPs	Support	(Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	iici s		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
E4,P2		32,809	388	(499)	(1,570)	465	-	-	-	-	31,592	5,741	45
E4,P7		29,992	388	(264)	1,478	-	5	(5)	-	-	31,594	5,228	6,357
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	1%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	95%	1%	-1%	5%	0%	0%	0%	0%	0%	100%		
		95%	1%	-1%	5%	0%	0%	0%	0%	0%	100%		

Note
Page numbers noted above are for the corresponding exhibit and page of Appendix C - Work Task 3 - Other Model Results - Addendum.

Prepared for the Commission on the Mcare Fund

		C	ommon Key	Assumptio	ns						1		
	Interest Rate Paid on Debt:			5.25%, Cou	ipon Equals Y	ield, Procee	eds Equal Face						
	Interest Rate Earned on Surplus:			4.00%			_						
	Target Surplus:			20.0% of U	nfunded Liab	ility							
	MCARE Overhead as % of Annual Claim Payments:			6.0%									
	Target Buffer for MCARE Assessment:			10.0%							1		
	Discount Rate for Present Value Calculations:			4.0%							1		
	Assumption re: Mcare Projections:			90%									
	· · ·										_		
	Rate En	vironment:	: Some Softe	ning, Then	Steady								
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to	Support	Surplus /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic	Surplus /	Unfunded
Dogg	Phase-out Assumptions, Legislative Scenario	HCPs		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Act 13, Abatement through 12/31/2007	34,009	407	(532)	(1,757)	523		, ,	_	_	32,650	5,779	51
	Status Quo, Abatement through 12/31/2007	30,839	407	(268)	1,673	- 343	- 6	(6)			32,651	5,202	7,153
L1,F0	Status Quo, Abatement tirough 12/31/2007	30,837		of Total Eco			0	(0)			32,031	3,202	7,133
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	5%	0%	0%	0%	0%	0%	100%		
	Sands Quo, Touchen anough 12-31/2007	7170	1,0	170	270	0,0	0,0	0,0	0,0	070	10070		
		Rate Envir	onment: Ste	ady Trend							1		
				e Summary T	hrough 2025							Nomina	l Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to	Support	Surplus /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic	Surplus /	Unfunded
		HCPs	Support	(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Phase-out Assumptions, Legislative Scenario	22.066	107	(500)		_		(10 11ct 13)			22.507		-
E2,P3	Act 13, Abatement through 12/31/2007	33,866 30,697	407 407	(532)	(1,757)	523	- 6	(6)	-	-	32,507 32,509	5,779 5,202	7,153
E2,P8	Status Quo, Abatement through 12/31/2007	30,097		of Total Eco			0	(0)			32,309	3,202	7,133
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	5%		0%	0%	0%	0%	100%		
		Rate Envir	onment: 10-	Year Cycle									
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		m . 1			Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	m . 1	2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to HCPs	Support	Surplus / (Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	HCPS		(Dencit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Act 13, Abatement through 12/31/2007	33,598	407	(532)	(1,757)	523	_		_	_	32,239	5,779	51
	Status Quo, Abatement through 12/31/2007	30,463	407	(268)	1,673	-	6	(6)	-	-	32,275	5,202	7,153
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	5%	0%	0%	0%	0%	0%	100%		
	Rate Enviro	onment: 2%	6 for 2007, I	ong-Term	Thereafter								
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		m . 1			Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	m . 1	2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to HCPs	Support	Surplus /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	HCPS		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Act 13, Abatement through 12/31/2007	33,912	407	(532)	(1,757)	523	-	_	_	_	32,553	5,779	51
	Status Quo, Abatement through 12/31/2007	30,743	407	(268)	1,673	-	6	(6)	-	-	32,555	5,202	7,153
,	and a second state of the second seco			of Total Eco				(4)					
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-5%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	5%	0%	0%	0%	0%	0%	100%		

Prepared for the Commission on the Mcare Fund

		С	ommon Key	Assumption	ns								
	Interest Rate Paid on Debt:			5.25%, Cot	ipon Equals Y	ield, Procee	eds Equal Face						
	Interest Rate Earned on Surplus:			4.00%			_						
	Target Surplus:			20.0% of U	nfunded Liab	ility							
	MCARE Overhead as % of Annual Claim Payments:			6.0%									
	Target Buffer for MCARE Assessment:			10.0%									
	Discount Rate for Present Value Calculations:			4.0%									
	Assumption re: Mcare Projections:			100%									
	Rate I	Environment	: Some Softe	ning, Then	Steady								
			Present Valu	e Summary T	hrough 2025							Nomina	al Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to HCPs	Support	Surplus / (Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	HCPS		(Dencit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	4 Act 13, Abatement through 12/31/2007	35,107	408	(546)	(1,940)	581	-		_	_	33,610	5,815	58
	Status Quo, Abatement through 12/31/2007	31,585	408	(253)	1.871	-	7	(7)	-	-	33,612	5,174	7,948
,,	Samus Quo, Homemon unough 12/31/2007	0.1,0.00	Percentage	of Total Eco				(.,			00,012		.,,
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-6%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	6%	0%	0%	0%	0%	0%	100%		
		Rate Envir	onment: Ste	adv Trend									
				e Summary T	hrough 2025							Nomina	al Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to	Support	Surplus /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic	Surplus /	Unfunded
D	m	HCPs		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007	34,964	408	(546)	(1,940)	581	/	(,	_		33,467	5,815	58
E2,P9		31,442	408	(253)	1,871	-	7	(7)		-	33,469	5,174	7,948
1,2,1)	Status Quo, Abatement tinough 12/31/2007	31,442		of Total Eco			,	(1)			33,407	3,174	7,740
	Act 13, Abatement through 12/31/2007	104%	1%	-2%	-6%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	6%	0%	0%	0%	0%	0%	100%		
		•											
		Rate Envir	onment: 10-										
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		Total		Cl	Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	Total	2025	2025
		Charged to	Total State	Change in Surplus /	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Economic	Ending	MCARE
		HCPs	Support	(Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	TICI S		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Act 13, Abatement through 12/31/2007	34,692	408	(546)	(1.940)	581	-	-	_	-	33,195	5,815	58
	Status Quo, Abatement through 12/31/2007	31,208	408	(253)	1,871	-	7	(7)	-	-	33,235	5,174	7,948
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007	105%	1%	-2%	-6%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	6%	0%	0%	0%	0%	0%	100%		
	Rate Env	ironment: 2%	% for 2007, I	ong-Term	Thereafter								
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		T-4-1		Cl	Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	Total	2025	2025
		Total	Total State	Change in Surplus /	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l		Ending	MCARE
		C1		Surpius /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic	Surplus /	Unfunded
		Charged to	Support	(Deficit)							Cost		
Page	Phase-out Assumptions, Legislative Scenario	Charged to HCPs	Support	(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
<u>Page</u> E4,P4	Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007		Support 408	(Deficit)		Limits Chg	13)	(vs Act 13)	CY Claims	Liability -	33,514	(Deficit) 5,815	
_	Act 13, Abatement through 12/31/2007	HCPs		` ′	Liability		13) - 7	(vs Act 13)	CY Claims	Liability - -			Liability 58 7,948
E4,P4	Act 13, Abatement through 12/31/2007	HCPs 35,010	408 408	(546)	Liability (1,940) 1,871	Limits Chg 581	13)	-	-	-	33,514	5,815	58
E4,P4	Act 13, Abatement through 12/31/2007	HCPs 35,010	408 408	(546) (253)	Liability (1,940) 1,871	Limits Chg 581	13) - 7	-	-	-	33,514	5,815	58
E4,P4	Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	HCPs 35,010 31,489	408 408 Percentage	(546) (253) e of Total Eco	Liability (1,940) 1,871 nomic Cost	Limits Chg 581	- 7	- (7)	-	-	33,514 33,515	5,815	58
E4,P4	Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007 Act 13, Abatement through 12/31/2007	HCPs 35,010 31,489	408 408 Percentage 1%	(546) (253) e of Total Eco	Liability (1,940) 1,871 nomic Cost -6%	Limits Chg 581 - 2%	- 7	(7)	0%	0%	33,514 33,515	5,815	58

Prepared for the Commission on the Mcare Fund

		С	ommon Key	Assumption	ns								
	Interest Rate Paid on Debt:			5.25%, Cot	ipon Equals Y	ield, Procee	eds Equal Face						
	Interest Rate Earned on Surplus:			4.00%			_						
	Target Surplus:			20.0% of U	nfunded Liab	ility							
	MCARE Overhead as % of Annual Claim Payments:			6.0%									
	Target Buffer for MCARE Assessment:			10.0%									
	Discount Rate for Present Value Calculations:			4.0%									
	Assumption re: Mcare Projections:			110%									
	Rate I	Environment	: Some Softe	ning, Then	Steady								
			Present Valu	e Summary T	hrough 2025							Nomina	al Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to HCPs	Support	Surplus / (Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	HCPS		(Dencit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Act 13, Abatement through 12/31/2007	36,204	420	(572)	(2,122)	639	-		_	_	34,570	5,851	64
	Status Quo, Abatement through 12/31/2007	32,332	422	(251)	2,070	-	7	(7)	-	-	34,573	5,149	8,744
,	Quay 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		Percentage	of Total Eco	nomic Cost			(-,/					
	Act 13, Abatement through 12/31/2007	105%	1%	-2%	-6%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	94%	1%	-1%	6%	0%	0%	0%	0%	0%	100%		
		Rate Envir	onment: Ste	adv Trend									
				e Summary T	hrough 2025							Nomina	al Values
					Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted		2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Total	Ending	MCARE
		Charged to	Support	Surplus /	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic	Surplus /	Unfunded
ъ	m	HCPs		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
	Phase-out Assumptions, Legislative Scenario Act 13, Abatement through 12/31/2007	36,062	420	(572)	(2,122)	639	/	(,	_		34,428	5,851	64
	Status Quo, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	32,190	420	(251)	2,070	- 039	- 7	(7)		-	34,428	5,149	8,744
1.2,1 10	Status Quo, Abatement through 12/31/2007	32,170		of Total Eco			,	(1)			34,431	3,147	0,744
	Act 13, Abatement through 12/31/2007	105%	1%	-2%	-6%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	93%	1%	-1%	6%	0%	0%	0%	0%	0%	100%		
		•											
		Rate Envir	onment: 10-										
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		Total		Cl	Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	Total	2025	2025
		Charged to	Total State	Change in Surplus /	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l	Economic	Ending	MCARE
		HCPs	Support	(Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	11013		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
E3.P5		35,786	420	(572)	(2,122)	639	_	-	_	-	34,151	5,851	64
E3,P10	Status Quo, Abatement through 12/31/2007	31,956	422	(251)	2,070	-	7	(7)	-	-	34,197	5,149	8,744
			Percentage	of Total Eco	nomic Cost								
	Act 13, Abatement through 12/31/2007	105%	1%	-2%	-6%	2%	0%	0%	0%	0%	100%		
	Status Quo, Abatement through 12/31/2007	93%	1%	-1%	6%	0%	0%	0%	0%	0%	100%		
	Rate Env	ironment: 2%	6 for 2007, L	ong-Term	Thereafter								
			Present Valu	e Summary T	hrough 2025							Nomina	l Values
		T-4-1		Cl	Change in	Adjusted	Change in Beg	Change in	Adjusted	Adjusted	Total	2025	2025
		Total	Total State	Change in	Discounted	Change in	PV Unfunded	Beg PV	Potential	Disc Potn'l		Ending	MCARE
		Charged to HCPs	Support	Surplus / (Deficit)	Unfunded	Tail Due to	Liab (vs Act	Tail Liab	Uninsured	Uninsured	Economic Cost	Surplus /	Unfunded
Page	Phase-out Assumptions, Legislative Scenario	ners		(Deficit)	Liability	Limits Chg	13)	(vs Act 13)	CY Claims	Liability	Cost	(Deficit)	Liability
E4,P5		36,108	420	(572)	(2,122)	639	-	-	-	-	34,474	5,851	64
E4,P10		32,236	422	(251)	2,070	-	7	(7)	-	-	34,477	5,149	8,744
			Percentage	of Total Eco	nomic Cost								
		_		20/	601	20/	0%	0%	0%	0%	100%		
	Act 13, Abatement through 12/31/2007	105%	1%	-2%	-6%	2%	0%	U%0	070	070	100%		
	Act 13, Abatement through 12/31/2007 Status Quo, Abatement through 12/31/2007	105% 93%	1%	-2% -1%	-6% 6%	0%	0%	0%	0%	0%	100%		