pennsylvania
INSURANCE DEPARTMENT

Medical Care Availability and
Reduction of Error Fund

2021

ANNUAL REPORT

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I. Executive Summary

During 2021, the Medical Care Availability and Reduction of Error Fund (Mcare) continued to serve the Commonwealth health care provider community and injured persons by providing coverage and claims payments for medical malpractice. Mcare paid out $141,456,060 million in covered medical malpractice claims. Mcare also communicated with insurers, self-insurers, and health care providers, about Mcare operations and the medical malpractice insurance market.

2021 Highlights

The following highlights demonstrate Mcare's efforts in 2021 to modernize its overall business processes and operations.

Efficient and Effective Transition to Hybrid Work Environment

The Governor's March 2020 Order for remote work was lifted in April 2021. As a result, Mcare staff began working pursuant to telework agreements wherein the majority of our employees report to the office on a hybrid schedule. The coverage, claims and fiscal program areas continue to work efficiently and effectively in this hybrid work environment.

IT Modernization Project

Mcare is currently undergoing a modernization of its operating system. The project's goal is to replace Mcare's legacy system that was implemented in 1999. The legacy system is highly customized and is written in outdated programming language. Due to limited IT support and resources, Mcare is in the process of replacing the antiquated operating system with a new application that will have its own web portal to better support internal staff and external business partners. In addition, the new operating system will provide Mcare with an integrated reporting and electronic document management system.

Mcare is Moving

Mcare is a Bureau under the Office of Liquidations, Rehabilitations and Special Funds (OLRSF) within the Pennsylvania Insurance Department (Department). OLRSF is consolidating all of its offices into one building. Accordingly, Mcare is moving from its current office at 1010 N. 7th Street, Harrisburg, PA to the OLRSF offices at 901 N. 7th Street, Harrisburg, PA. In 2021, Mcare prepared for the move that is expected to take place in March of 2022. Various methods of communications are planned to provide notice of the move.

Mcare can be reached at 717-783-3770, via e-mail at ra-in-mcare-exec-web@pa.gov, or by visiting our website at https://www.insurance.pa.gov/SpecialFunds/Pages/MCARE.aspx.

II. Mcare Background

A patient compensation fund has been part of the Commonwealth's medical malpractice insurance landscape since 1975. At that time, when insurers were seeking triple-digit rate increases or leaving the medical professional liability insurance market, the legislature developed a solution that required participating health care providers to purchase $1.2 million of medical malpractice coverage. This consisted of insurance from the private market and excess coverage from the Medical Professional Liability Catastrophe Loss Fund (CAT Fund).

The CAT Fund legislation was repealed in 2002 by the Medical Care Availability and Reduction of Error (Mcare) Act (Act 13 of 2002), which created the Mcare Fund as a special fund within the Pennsylvania Insurance Department. Act 13 of 2002 mandates participation in Mcare for hospitals, nursing homes, birth centers, and primary health centers, and for licensed physicians, podiatrists and certified nurse midwives conducting 50% or more of their health care business within this Commonwealth. Most professional corporations, professional associations and partnerships owned entirely by health care providers may elect to insure their primary liability. If they elect to purchase primary coverage, then their participation in Mcare is mandatory.

Health care providers required to obtain excess professional liability coverage from Mcare must first obtain primary coverage from a Pennsylvania Insurance Department licensed primary insurer or approved self-insurance plan. The primary insurer invoices, collects and remits the assessment to Mcare on behalf of each health care provider they insure. The assessment paid to Mcare is a specified percentage of the prevailing primary premium (PPP) that the Pennsylvania Professional Liability Joint Underwriting Association (JUA) would have charged if each health care provider had obtained primary coverage from the JUA. This assessment percentage varies from year to year and is determined under a formula that considers the prior year's annual Mcare claim payments, annual operating expenses, a 10% buffer, any projected year-end balance, and whether Mcare has any loan repayment obligations.

While efforts began in the mid-1990s to phase-out Mcare's predecessor and have all mandatory professional liability coverage provided by medical malpractice insurance entities, this has not yet occurred. Pursuant to Act 13 of 2002, after a phase-out of Mcare, health care providers obligated to participate in Mcare would obtain 100% of their mandatory medical malpractice coverage from a private insurance entity, but still continue to pay annual Mcare assessments to pay for Mcare's incurred liabilities at the time of the phase-out (i.e., Mcare's unfunded liability or tail). In the past, Pennsylvania provider organizations have opposed stepping-up primary medical malpractice limits, as provided in Act 13 of 2002. In 2007 and 2008, they made their support of a step-up conditional on a commitment of public funds both to pay off Mcare's unfunded liabilities and to cap annual increases in private medical malpractice premium increases. The estimate of Mcare's unfunded liability was $1.056 billion as of December 31, 2020.

III. Mcare Financial Highlights

Appendix A.1 is the Mcare Cash Basis Statement of Operations as of December 31, 2021. The reporting is consistent with the assessment litigation settlement that required Mcare to separately account for the Reserve Fund. Excluding the Reserve Fund, Mcare ended calendar year 2021 with a balance of $56,675,135.

Appendix A.2 is the Cash Basis Statement of Reserve Fund as of December 31, 2021. No portion of the Reserve Fund balance of $13,912,297 was needed to pay claims in 2021. The Reserve Fund will continue to be separately accounted for and replenished only by the investment proceeds it generates.

Appendix A.3 is the Mcare Summary of Financials from Calendar Years 2012 to 2021. This document reflects the variability of Mcare's claims payments with a range of payments from $141 million in 2021 to $211 million in 2018.

Additional information on financials can be found in Appendix A.

IV. Mcare Program Review

A. Claims Program

The Mcare Fund has a fully functional claims administration unit comprised of geographic territory managers, examiners, and support personnel. Claims are submitted by primary insurers on behalf of health care providers as notice of potential triggering of Mcare excess indemnity coverage. In these claims, the primary insurer is responsible for providing the defense and the first $500,000 of indemnity. Mcare also has a declining number of claims submitted for defense and first dollar indemnity coverage based upon an occurrence date of incidents prior to January 1, 2006, under Section 715 of the Mcare Act.

Excess Claims Opened/Closed

Mcare opened 2,589 claims reported by primary insurers between September 1, 2020 and August 31, 2021 (the 2021 statutory claims period). This compares to 2,676 claims opened in the prior claims period. Mcare closed 2,968 claims in the 2021 claims period compared to 3,173 claims closed in the prior claims period. These numbers include claims closed with and without Mcare indemnity payment. A total of 111 primary insurers reported claims to Mcare in the 2021 claims period, compared to 107 in 2020.

Section 715 Claims Opened/Closed

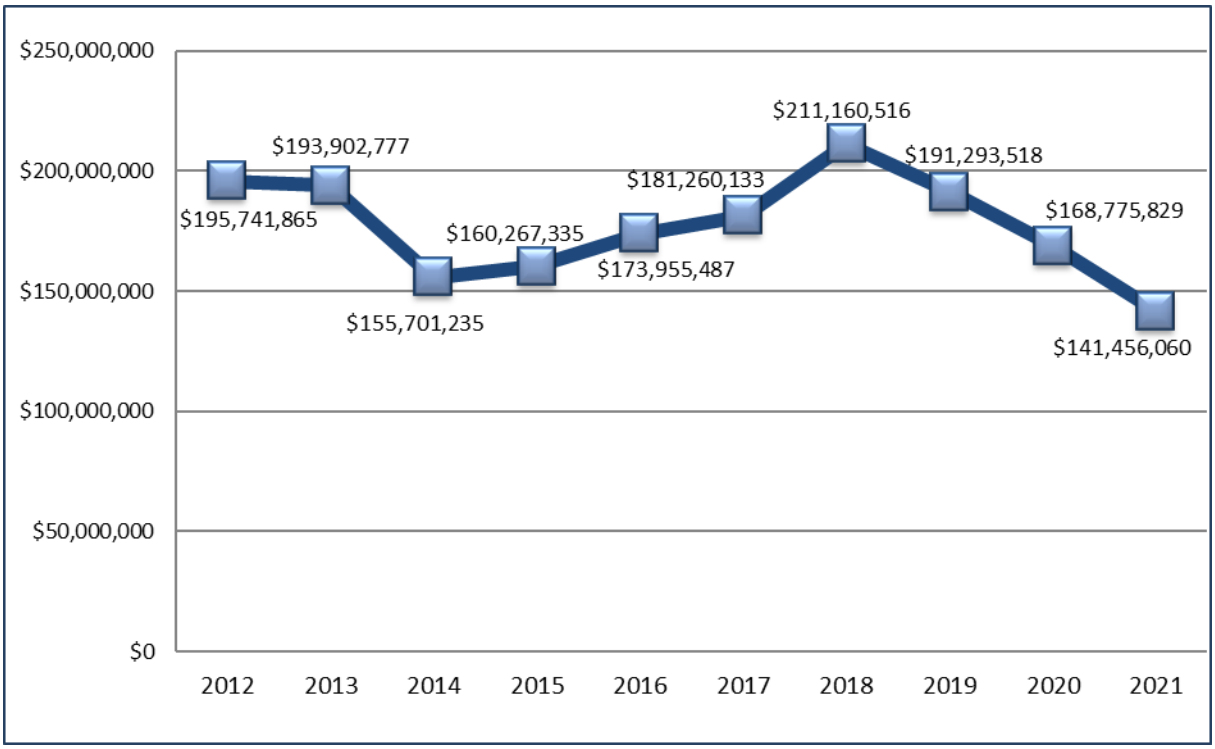
Section 715 of the Mcare Act is a remnant from the 1975 original compensation fund legislation. The purpose was to insulate primary insurers writing in Pennsylvania from the impact of claims filed four or more years after the medical care was rendered. The Mcare Act provided for an end to these claims by requiring that application be restricted to occurrences on or before December 31, 2005. For medical malpractice incidents occurring January 1, 2006 and subsequent, primary insurers are responsible for defense and indemnity, as they are for other claims. In the 2021 claims period, Mcare opened 4 and closed 17 Section 715 claims. This compares to 14 opened and 32 closed in the 2020 claims period.

Alternative Dispute Resolution (ADR)

Claims examiners and managers provide full investigation and disposition of reported claims. Within these functions and as appropriate, Mcare has actively promoted global resolution through settlement, arbitration, and mediation, to the benefit of the involved health care providers and plaintiffs. The unique position of Mcare allows for fair and objective analysis of the entire case and, when appropriate, can facilitate bringing parties to consensus. In the 2021 claims period, 132 ADR processes were completed. This is comprised of 22 arbitrations, 108 mediations, and 2 monetary cap trial agreements. Since the Mcare ADR program's inception in 2003, it has been used in over 2,200 medical malpractice matters.

Chart 1 below shows Mcare's total payments for the last 10 claims period years.

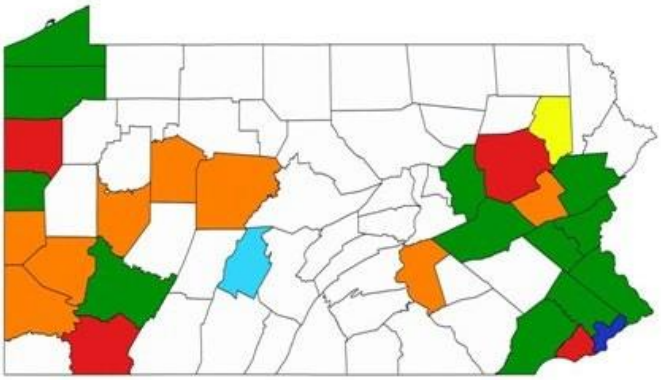
Chart 1: Claims Payments by Claims Year for 2012-2021



Regional Statistics

Mcare claims payments also vary by JUA territory. Chart 2 below shows the 2021 claims payments allocated by territory.

Chart 2: 2021 Mcare Paid Claims by Territory



Territory	Territory Total	County(ies) Within Territory
Territory 1	$42,591,560	Philadelphia
Territory 2	$26,580,000	Remainder of State
Territory 3	$13,555,000	Allegheny
Territory 3	$7,365,000	Armstrong, Beaver, Carbon, Clearfield, Dauphin, Jefferson, Washington
Territory 3	$20,920,000	Territory 3 Total
Territory 4	$12,200,000	Delaware, Fayette, Luzerne, Mercer
Territory 5	$8,150,000	Lackawanna
Territory 6	$27,514,500	Bucks, Chester, Columbia, Crawford, Erie, Lawrence, Lehigh, Monroe, Montgomery, Northampton, Schuylkill, Westmoreland
Territory 7	$3,500,000	Blair
Total Paid	$141,456,060	

Additional information on claims can be found in Appendix B.

B. Coverage Program

The Mcare Coverage Program consists of two major components. The first is the collection of assessments from health care providers to provide the funding for claims indemnity and expense payments and Mcare operations. The second is the processing of coverage submitted by insurers or self-insurers on behalf of health care providers. This information assists Mcare in applying the Commonwealth's mandatory medical malpractice insurance laws.

Assessment Collection

Mcare coverage is funded by assessments collected from health care providers as defined in the Mcare Act and interest earned on these funds. For 2021, the assessment revenue is $192 million as compared to the assessment revenue of $190 million for 2020. Since the assessment rate was the same for both years, the variance is primarily due to adjustments by health systems in effective dates of coverage.

The collection of the assessment is based on the PPP as defined in the schedule of occurrence rates approved for use by the JUA. The statutory assessment formula, as modified by the settlement of Hospital & Healthsystem of Pennsylvania, Pennsylvania Medical Society and Pennsylvania Podiatric Medical Association, 5 MAP 2014 (Pa. Supreme Ct.) (HAP/PAMED/PPMA Settlement Agreement), is to produce an amount sufficient to do all of the following:

1. Reimburse Mcare for paid claims,
2. Pay expenses Mcare incurred,
3. Pay principle and interest on any funds borrowed,
4. Provide a 10% buffer of the sum of items 1-3, and
5. Minus the projected year-end balance, which includes interest income from the sum of items 1-4.

Chart 3 below reflects the assessment percentage over the last 10 years and the impact of the assessment litigation settlement wherein Mcare agreed to recalculate the assessment percentage for the years in which there were projected funds remaining at year end. It was the difference between the original percentages and settlement adjusted percentages that was refunded to health care providers. Starting in the 2015 assessment year, the projected remaining funds were included in the calculation of the assessment percentage.

Chart 3: Assessment Percentage for 10 Most Recent Years

Assessment Year	Original Percentage	Settlement Adjusted Percentage
2013	25%	no change
2014	23%	19%
2015	12%	
2016	17%	
2017	19%	
2018	19%	
2019	19%	
2020	19%	
2021	19%	
2022	12%	

Hospital Experience Modification (HEM)

The Mcare Act provides for adjustments to the Mcare assessments paid by hospitals based upon loss experience. The maximum range as provided for by statute is a 20% decrease to a 20% increase.

Additional information on HEM can be found in Appendix C.

Coverage Analysis

Mcare receives reports of coverage from licensed insurers and approved self-insurance entities on behalf of physicians, podiatrists, and nurse midwives practicing in the Commonwealth, as well as their specialty and location of practice. It also receives reports of coverage on hospitals, nursing homes, primary health centers, birth centers and medical corporations. Under the Mcare Act, insurers have 60 days from when coverage begins to report coverage to Mcare.

Additional information on the Mcare Coverage Program can be found in Appendix C.

C. Compliance Program

Mcare is responsible for receiving and analyzing reports of coverage from insurers and self-insurers regarding health care providers' medical professional liability insurance coverage. These reports include the type of coverage, periods of coverage, whether a reporting endorsement has been purchased upon the termination of a claims made policy, and the assessment amount being paid per health care provider.

Mcare reviews each of these reports for compliance with Pennsylvania's mandatory insurance laws. In 2021, Mcare continued to strengthen its compliance efforts, with a focus on the compliance of hospitals and nursing homes.

V. Mcare Unfunded Liability

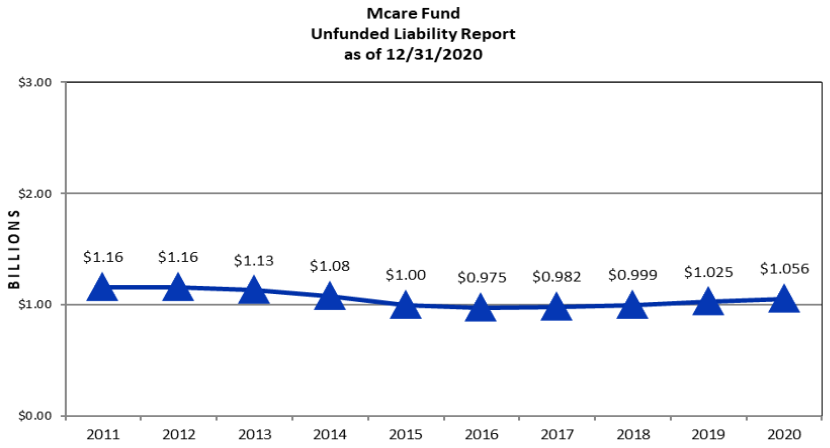
Mcare operates on a funding scheme characterized as a pay-as-you-go system since it holds no reserves, unlike a traditional insurance company. Mcare does not maintain a reserve dedicated to support the liability or claims that have been incurred but not yet paid. This constitutes the unfunded liability of Mcare.

One step taken in 2002 to reduce Mcare's unfunded liability was the change in the Mcare Act to place the responsibility for claims reported more than four (4) years from the incident back on the insurers or self-insureds effective January 1, 2006. This long tail portion of the medical professional liability exposure had been the responsibility of Mcare and its predecessor since 1975.

This change, coupled with the limits being provided by insurers increasing to $500,000 and the overall coverage limit going from $1.2 million to $1 million, has previously resulted in the Mcare unfunded liability projection trending downward. The annual actuarial study, prepared in 2021 by Deloitte Consulting LLP (Deloitte), concludes that an unfunded liability of $1.056 billion exists as of December 31, 2020. According to Deloitte, the unfunded liability projection has increased mainly due to cost projections on previous accident years caused by severity estimates in the medical malpractice market in Pennsylvania with recognized continued suppression of current claims caused by market pressures due to the pandemic.

Below is a chart reflecting the projected unfunded liability over the last 10 years.

Chart 5: Mcare Projected Unfunded Liability over the Last 10 Years



Additional information on the Mcare Unfunded Liability can be found in Appendix D.

VI. Limits Step Up and Podiatrists' Exit

Limits Step Up

The Mcare Act has a provision that requires a study of the private insurance market's capacity to write increased coverage limits with a corresponding decrease in the coverage limits provided by Mcare. The statute further provides that unless the Insurance Commissioner finds that additional basic insurance coverage capacity is not available, the limits written by the market will increase.

The first time this analysis was conducted in 2005, the Commissioner did not approve to increase or step-up the limits. Subsequent studies on a two-year cycle as provided for in the Mcare Act have made similar findings such that the limits remain unchanged.

The study conducted in 2021 found that it cannot be determined that additional basic insurance capacity was currently available. Reasons for this determination included the large market share of risk retention groups, the changing health care landscape, and the financial impact on health care providers. Thus, there was no increase to the current basic primary insurance limits for calendar years 2022 and 2023. The next capacity study will be conducted in 2023 for a potential step up in limits effective January 1, 2024.

Podiatrists' Exit

Another provision of the Mcare Act provides for the exit of the podiatrist class of health care providers from Mcare upon the satisfaction of an arrangement for the class to retire the fund's liabilities associated with podiatrists. Until a mutually desirable plan to retire their Mcare liabilities is identified, podiatrists continue to participate in Mcare.

VII. Appendices

Additional Financials — Appendix A

- A.1 Cash Basis Statement of Operations
- A.2 Cash Basis Statement of Reserve Fund
- A.3 Mcare Summary of Financials – 10 Most Recent Years

Additional Claims Information — Appendix B

- B.1 Paid Claims by Region – 5 Most Recent Years
- B.2 Claim and Case Payments – 10 Most Recent Years
- B.3 Summary of Annual Fund Claim Payments by Health Care Provider Group – 10 Most Recent Years
- B.4 Claim Payments by Self-Insurer and Primary Insurer – 5 Most Recent Years

Additional Coverage Information — Appendix C

- C.1 2021 Annual Assessment Rate Calculation
- C.2 2021 Hospital Experience Modification Factor Calculation
- C.3 Amount of Assessment Received by Provider Type and Assessment Year – 10 Most Recent Years
- C.4 Yearly Average Assessment by Provider Group – 10 Most Recent Years
- C.5 Assessment Remitted by Self-Insurer and Primary Insurer – 10 Most Recent Years
- C.6 Count of Unique Health Care Providers by Provider Type by Assessment Year – 10 Most Recent Years

Additional Mcare Unfunded Liability Information — Appendix D

- D.1 Pennsylvania Medical Care Availability and Reduction of Error Fund Estimation of 12/31/2020 Unfunded Liability prepared by Deloitte Consulting LLP – Summary of Results

MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND

CASH BASIS STATEMENT OF OPERATIONS

JANUARY 1, 2021 TO DECEMBER 31, 2021

MCARE FUND BALANCE JANUARY 1, 2021			**$ 12,961,309**
Receipts:			
ASSESSMENT REVENUE	$ 192,086,404		
INVESTMENT INCOME ON ASSESSMENTS	$ 77,714		
MISCELLANEOUS REVENUE	$ 0		
TRANSIT & PAYABLES SUMMARY	$ 925,001		
TOTAL RECEIPTS	**$ 193,089,118**		**$ 193,089,118**
TOTAL FUNDS AVAILABLE:			**$ 206,050,427**
Claims Deductions:			
2021 CLAIMS PAYMENTS	$ 141,456,060	#1	
CLAIMS DEDUCTIONS	**$ 141,456,060**		
Operating Expenses:			
SALARIES	$ 2,791,994		
PAYROLL TAXES & BENEFITS	$ 1,772,550		
DATA PROCESSING SERVICES	$ 101,236		
LEGAL FEES & EXPENSES	$ 867,220	#2	
COMMONWEALTH SHARED SERVICES	$ 277,740		
CONSULTANTS	$ 380,308		
TELECOMMUNICATIONS	$ 40,338		
REAL ESTATE	$ 373,051		
IT MODERNIZATION	$ 1,200,165	#3	
OTHER OPERATIONAL EXPENSES	$ 114,630		
TOTAL OPERATING EXPENSES	**$ 7,919,232**		
TOTAL DEDUCTIONS AND EXPENSES:			**$ (149,375,292)**
MCARE FUND BALANCE BEFORE TRANSFER			**$ 56,675,135**
TRANSFER FROM MCARE RESERVE FUND			**$ 0** #4
MCARE FUND BALANCE DECEMBER 31, 2021			**$ 56,675,135**

FINANCIAL FOOTNOTES:

#1	2021 Claim Payments	$ 141,456,060
#2	Legal Fees & Expenses	$ 867,220
	Amount paid to defend Health Care Providers under §715	
#3	IT Modernization	$ 1,200,165
	IT vendor expense only	
#4	Reserve Fund Balance 01/01/2021	$ 13,901,392
	Transfer to Mcare Operations in lieu of borrowing per HAP/PAMED/PPMA Settlement Agreement paragraph 4.A.	$ 0
	Reserve Fund Investment Income	$ 10,905
	Reserve Fund Balance 12/31/2021	$ 13,912,297

MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND

CASH BASIS STATEMENT OF RESERVE FUND

JANUARY 1, 2021 TO DECEMBER 31, 2021

RESERVE FUND BALANCE JANUARY 1, 2021			**$ 13,901,392**	
Investment Income:			**Invested Amount**	
JANUARY	$	1,424	$ 13,902,816	
FEBRUARY	$	1,503	$ 13,904,319	
MARCH	$	1,103	$ 13,905,422	
APRIL	$	1,158	$ 13,906,580	
MAY	$	1,046	$ 13,907,626	
JUNE	$	821	$ 13,908,447	
JULY	$	522	$ 13,908,968	
AUGUST	$	562	$ 13,909,530	
SEPTEMBER	$	542	$ 13,910,072	
OCTOBER	$	565	$ 13,910,637	
NOVEMBER	$	1,077	$ 13,911,714	
DECEMBER	$	583	$ 13,912,297	
TOTAL INVESTMENT INCOME	**$**	**10,905**		#1
TOTAL FUNDS AVAILABLE:			**$ 13,912,297**	
Claims Deductions:				
TRANSFER FOR CLAIMS PAYMENTS	$	-	**$ 0**	#2
RESERVE FUND BALANCE DECEMBER 31, 2021			**$ 13,912,297**	

FINANCIAL FOOTNOTES:

#1 Total Investment Income	$	10,905
Replenishment per HAP/PAMED/PPMA Settlement Agreement paragraph 4.E.		
#2 Transfer for Claims Payments	$	-
Transfer to Mcare Operations in lieu of borrowing per HAP/PAMED/PPMA Settlement Agreement paragraph 4.A.		

Source:
COMMONWEALTH'S SAP ACCOUNTING RECORDS AND BUREAU OF FISCAL MANAGEMENT MONTHLY REPORTS.

Mcare Fund

Summary of Financials from CY 2012 to 2021

*** In Millions ***

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Beginning Balance	130	130	169	73	28	12	17	0	0	13
2	Settlement Agreement [1]			**(169)**							
3	**ADJUSTED BEGINNING BALANCE**	130	130	0	73	28	12	17	0	0	13
	Receipts:										
4	Assessment Revenue	209	239	233	124	165	192	184	195	190	192
5	Investment Income Earned	2	2	2	2	1	2	3	3	0	0
6	Auto CAT Fund	0	0	0	0	0	0	0	0	0	0
7	Abatement Repayment/Credits	0	0	0	0	0	0	0	0	0	0
8	Transfer from Other Funds [2]	0	0	0	0	0	0	15	1	0	0
9	Loan from Other Funds	0	0	0	0	0	0	0	0	0	0
10	Misc. Other	1	4	1	0	1	1	(1)	0	0	1
11	Net +/- in Fair Value of Investments	0	0	4	(1)	0	0	0	0	0	0
12	Subtotal Receipts without Beginning Balance (4+5+6+7+8+9+10+11)	212	245	240	125	167	195	201	199	190	193
13	**Grand Total Receipts with Beginning Balance** (3+12)	342	375	240	198	195	207	218	199	190	206
		2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
	Expenditures:										
14	Salaries & Benefits	4	4	4	4	4	4	4	4	4	4
15	Loan Repayment	0	0	0	0	0	0	0	0	0	0
16	Interagency Transfer	0	0	0	0	0	0	0	0	0	0
17	Loss on Investments	0	0	0	0	0	0	0	0	0	0
18	Legal Fees & Expenses	6	6	6	4	3	2	2	2	2	1
19	Liability Claims Paid	196	194	156	160	174	181	211	191	170	141
20	Misc. Other [3]	6	2	1	2	2	3	1	2	1	3
21	**Grand Total Expenditures** (14+15+16+17+18+19+20)	212	206	167	170	183	190	218	199	177	149
22	**Year End Balance (13-21)**	**130**	**169**	**73**	**28**	**12**	**17**	**0**	**0**	**13**	**57**

[1] Settlement Agreement - Pursuant to the Settlement Agreement effective October 3, 2014 between the Pennsylvania Medical Society, the Hospital & Healthsystem Association of Pennsylvania and the Pennsylvania Podiatric Medical Association, $139 million (Relief Fund) of the 2013 Year End Balance is to be returned to the Eligible Health Care Providers who paid assessments during the years of 2009, 2010, 2011, 2012 and 2014. The return of funds was completed by year-end 2017. The remaining $30 million (Reserve Fund) is to be held by Mcare separately and only used to pay claims or other Mcare expenses where other Mcare revenues, including statutory buffer, are insufficient and in lieu of borrowing.

[2] Transfer from Other Funds - transferred $15 million from Reserve Fund in lieu of borrowing in 2018. Transferred $1.4 million from Reserve Fund in lieu of borrowing in 2019.

[3] Misc. Other - includes rounding adjustments and $4.9 million Credit Refunds issued in 2012

Pennsylvania Insurance Department

Mcare Fund

Paid Claims by Region 2017 - 2021*

Year	Total Annual Claim Payment	Eastern		Central		Western		Other	
		Region Paid Claims	Percent of Region to Total Paid Claims	Region Paid Claims	Percent of Region to Total Paid Claims	Region Paid Claims	Percent of Region to Total Paid Claims	Region Paid Claims	Percent of Region to Total Paid Claims
2017	$181,260,133	$81,406,418	44.91%	$48,480,436	26.74%	$51,373,279	28.34%	$0	0.00%
2018	$211,160,516	$105,871,615	50.13%	$58,900,723	27.89%	$45,938,178	21.75%	$450,000	0.21%
2019	$191,293,518	$84,718,761	44.28%	$51,225,982	26.77%	$54,848,775	28.67%	$500,000	0.26%
2020	$168,775,829	$68,850,708	40.79%	$49,724,000	29.46%	$49,736,121	29.46%	$465,000	0.27%
2021	$141,456,060	$63,089,060	44.60%	$40,822,000	28.86%	$37,195,000	26.29%	$350,000	0.25%

Regional County Definition:

Eastern	Bucks, Chester, Delaware, Lehigh, Montgomery, Northampton, Philadelphia
Central	Adams, Berks, Bradford, Carbon, Centre, Clinton, Columbia, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Lycoming, Mifflin, Monroe, Montour, Northumberland, Perry, Pike, Schuylkill, Snyder, Sullivan, Susquehanna, Tioga, Union, Wayne, Wyoming, York
Western	Allegheny, Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Forest, Greene, Indiana, Jefferson, Lawrence, McKean, Mercer, Potter, Somerset, Venango, Warren, Washington, Westmoreland
Other	Includes all other states and the United States District Courts where an Mcare defendant was involved.

*County designation within region is for Mcare claims handling purposes only.

Pennsylvania Insurance Department

Mcare Fund

Claim and Case Payments - 10 Most Recent Years

Year	Fund Money	**Claim** Count	Average **Claim Value**	**Case** Count	Average **Case Value**
2012	$195,741,865	404	$484,510	267	$733,116
2013	$193,902,777	414	$468,364	295	$657,298
2014	$155,701,235	346	$450,004	255	$610,593
2015	$160,267,335	352	$455,305	268	$598,012
2016	$173,955,487	372	$467,622	290	$599,847
2017	$181,260,133	402	$450,896	295	$614,441
2018	$211,160,516	439	$481,003	296	$713,380
2019	$191,293,518	413	$463,180	290	$659,633
2020	$168,775,829	352	$479,477	254	$664,472
2021	$141,456,060	316	$447,645	236	$599,390

Note: One “case” consists of 1 to many “claims”.

Pennsylvania Insurance Department

Mcare Fund

Summary of Annual Fund Claim Payments by Health Care Provider Group

2012-2021

	Individuals MDs, DOs, Podiatrists Certified Nurse Midwives				Medical Corporations				Institutions Hospitals, Nursing Homes Birth Centers, Primary Care Centers				Totals	
Year	Count of Claims	% of Total Claims	Amount of Fund Payment	% of Annual Fund Claims Payment	Count of Claims	% of Total Claims	Amount of Fund Payment	% of Annual Fund Claims Payment	Count of Claims	% of Total Claims	Amount of Fund Payment	% of Annual Fund Claims Payment	Total Claim Count	Total Annual Fund Claims Payment
2012	256	63%	$128,473,897	66%	16	4%	$8,912,666	5%	132	33%	$58,355,302	30%	404	$195,741,865
2013	267	64%	$125,139,084	65%	21	5%	$9,230,191	5%	126	30%	$59,533,502	31%	414	$193,902,777
2014	225	65%	$103,366,679	66%	12	3%	$6,050,000	4%	109	32%	$46,284,556	30%	346	$155,701,235
2015	241	68%	$108,303,790	68%	5	1%	$2,675,000	2%	106	30%	$49,288,545	31%	352	$160,267,335
2016	229	62%	$106,235,581	61%	12	3%	$6,112,500	4%	131	35%	$61,607,406	35%	372	$173,955,487
2017	244	61%	$113,657,457	63%	19	5%	$9,179,486	5%	139	35%	$58,423,190	32%	402	$181,260,133
2018	269	61%	$132,674,414	63%	23	5%	$12,485,866	6%	147	33%	$66,000,236	31%	439	$211,160,516
2019	255	62%	$117,731,905	62%	17	4%	$7,975,000	4%	141	34%	$65,586,613	34%	413	$191,293,518
2020	208	59%	$99,461,246	59%	9	3%	$5,250,000	3%	135	38%	$64,064,583	38%	352	$168,775,829
2021	178	56%	$84,222,111	60%	12	4%	$6,300,000	4%	126	40%	$50,933,949	36%	316	$141,456,060

Pennsylvania Insurance Department

Mcare Fund

Claim Payments by Self-Insurer and Primary Insurer

Insurer Code	2017	2018	2019	2020	2021
S10	$ 2,500,000	$ 2,000,000	$ 3,500,000	$ 3,000,000	$ 500,000
S12	$ 1,945,952	$ 1,500,000	$ 500,000	$ 500,000	$ 475,000
S23	$ -	$ -	$ 3,000,000	$ -	$ -
S35	$ -	$ -	$ -	$ 1,000,000	$ -
S40	$ -	$ 500,000	$ 1,000,000	$ -	$ 500,000
S41	$ -	$ -	$ -	$ 500,000	$ -
S49	$ -	$ -	$ -	$ -	$ -
S51	$ 1,500,000	$ -	$ 500,000	$ 500,000	$ 500,000
S53	$ -	$ -	$ -	$ -	$ -
S54	$ -	$ 250,000	$ -	$ -	$ 400,000
S60	$ -	$ 300,000	$ -	$ 750,000	$ -
S62	$ -	$ -	$ -	$ 1,000,000	$ -
S67					$ 500,000
S68	$ 500,000	$ 1,025,000	$ 3,100,000	$ -	$ 250,000
S69	$ -	$ 1,500,000	$ -	$ 1,000,000	$ 2,800,000
003	$ 10,600,000	$ 16,283,334	$ 11,718,077	$ 11,922,246	$ 6,565,000
011	$ 2,000,000	$ 1,950,000	$ 2,950,000	$ 4,024,000	$ 3,275,000
031	$ 14,343,972	$ 18,905,548	$ 13,856,800	$ 9,400,000	$ 4,300,000
032	$ 2,450,000	$ 1,000,000	$ 1,000,000	$ 900,000	$ -
039	$ 560,000	$ -	$ -	$ -	$ -
052	$ -	$ 400,000	$ -	$ -	$ -
067	$ 12,863,755	$ 15,586,000	$ 14,126,801	$ 8,355,000	$ 10,972,000
086	$ 3,800,000	$ 2,000,000	$ -	$ 1,000,000	$ -
090	$ -	$ 500,000	$ -	$ -	$ -
093	$ 1,840,000	$ 50,000	$ -	$ 1,000,000	$ -
103	$ 500,000	$ -	$ 750,000	$ 1,000,000	$ -
119	$ -	$ 1,000,000	$ -	$ 55,000	$ -
121	$ 1,000,000	$ -	$ 500,000	$ 1,000,000	$ 2,400,000
124	$ 250,000	$ -	$ -	$ -	$ 500,000
126	$ -	$ 2,000,000	$ -	$ -	$ -
127	$ 563,544	$ 1,650,000	$ 500,000	$ 1,725,000	$ 1,500,000
129	$ 2,500,000	$ 6,650,197	$ 3,600,000	$ 6,300,000	$ 2,900,000
130	$ -	$ -	$ -	$ -	$ -
135	$ -	$ -	$ -	$ -	$ -
136	$ 3,000,000	$ 2,000,000	$ 100,000	$ 1,000,000	$ 380,000
137	$ -	$ -	$ -	$ 500,000	$ -
138	$ -	$ 1,500,000	$ 1,000,000	$ 400,000	$ 997,500
144	$ 15,475,000	$ 16,760,000	$ 20,895,000	$ 19,075,000	$ 19,755,000
145	$ 4,450,000	$ 4,775,000	$ 6,825,000	$ 3,100,000	$ 3,000,000
155	$ 10,325,000	$ 11,650,000	$ 10,150,000	$ 7,250,000	$ 8,680,000
156	$ 4,025,000	$ 3,863,869	$ 5,638,000	$ 5,260,000	$ 3,350,000
161	$ -	$ 750,000	$ -	$ -	$ -
162	$ -	$ -	$ -	$ 2,000,000	$ -
173	$ -	$ -	$ 500,000	$ -	$ -
179	$ -	$ 250,000	$ -	$ -	$ -

Pennsylvania Insurance Department

Mcare Fund

Claim Payments by Self-Insurer and Primary Insurer

Insurer Code	2017	2018	2019	2020	2021
181	$ -	$ -	$ -	$ -	$ -
184	$ -	$ -	$ -	$ -	$ -
186					$ 375,000
194	$ -	$ -	$ -	$ -	$ -
196	$ 400,000	$ 2,500,000	$ -	$ -	$ -
197	$ 5,996,484	$ 4,000,000	$ 3,000,000	$ 6,350,000	$ 5,425,000
199	$ 4,000,000	$ 3,342,391	$ 3,100,000	$ 500,000	$ 2,500,000
202	$ 3,976,350	$ 3,632,500	$ 4,000,000	$ 600,000	$ 895,000
203	$ 900,000	$ 1,900,000	$ 2,000,000	$ 500,000	$ 1,500,000
206					$ 500,000
207	$ 11,704,487	$ 8,820,361	$ 5,000,000	$ 4,250,000	$ 6,073,949
208	$ 544,207	$ 500,000	$ -	$ -	$ 300,000
210	$ 150,000	$ -	$ -	$ -	$ -
211	$ 4,572,391	$ 7,958,669	$ 8,800,000	$ 6,000,000	$ 3,000,000
212	$ -	$ 500,000	$ 1,500,000	$ 950,000	$ -
217	$ -	$ 400,000	$ -	$ -	$ -
218	$ -	$ -	$ 500,000	$ -	$ -
219	$ 3,000,000	$ 5,226,723	$ 2,475,000	$ 500,000	$ 1,900,000
220	$ 1,850,000	$ 1,000,000	$ 1,000,000	$ 195,000	$ -
221	$ 2,350,000	$ 1,980,579	$ 4,150,000	$ 1,750,000	$ 500,000
222	$ 850,000	$ 2,500,000	$ 5,275,982	$ 2,509,583	$ 1,000,000
223	$ 1,800,000	$ 4,000,000	$ 1,000,000	$ 1,500,000	$ 1,750,000
224	$ 1,200,000	$ 500,000	$ -	$ -	$ 2,925,000
228	$ 950,000	$ -	$ -	$ -	$ -
232	$ 500,000	$ -	$ -	$ 300,000	$ -
234	$ -	$ -	$ 500,000	$ -	$ 500,000
239	$ 2,974,590	$ 1,500,000	$ 2,363,093	$ 1,500,000	$ 2,475,000
241	$ 500,000	$ 375,000	$ 1,100,000	$ -	$ 2,400,000
243	$ -	$ 500,000	$ -	$ -	$ -
245	$ 19,253,000	$ 11,775,000	$ 10,050,000	$ 18,875,000	$ 7,650,000
246	$ 1,000,000	$ 350,000	$ -	$ 500,000	$ -
253	$ 1,500,000	$ 4,666,667	$ 2,233,333	$ 4,600,000	$ 2,450,000
258	$ 500,000	$ 1,175,000	$ 695,000	$ 925,000	$ -
261	$ -	$ 2,000,000	$ 2,775,000	$ 1,150,000	$ 2,000,000
262	$ -	$ -	$ 500,000	$ -	$ -
271	$ 2,950,000	$ 2,783,678	$ 4,275,000	$ 1,950,000	$ 3,500,000
275	$ -	$ -	$ -	$ -	$ -
276	$ 1,550,000	$ 150,000	$ 1,725,000	$ 380,000	$ 1,075,000
277	$ -	$ -	$ -	$ 500,000	$ -
279	$ 500,000	$ 1,000,000	$ -	$ -	$ -
285	$ 500,000	$ -	$ -	$ -	$ -
286	$ -	$ -	$ -	$ 250,000	$ -
289	$ -	$ -	$ -	$ 500,000	$ -
290	$ 283,385	$ -	$ -	$ -	$ -
308	$ 1,000,000	$ -	$ -	$ 250,000	$ 1,000,000
310	$ 2,463,016	$ 8,550,000	$ 6,066,432	$ 6,860,000	$ 3,362,611

Pennsylvania Insurance Department

Mcare Fund

Claim Payments by Self-Insurer and Primary Insurer

Insurer Code	2017	2018	2019	2020	2021
312	$ 150,000	$ 500,000	$ -	$ -	$ -
314	$ -	$ 1,000,000	$ -	$ -	$ -
320	$ 500,000	$ -	$ -	$ -	$ -
324	$ -	$ -	$ 1,500,000	$ 500,000	$ 2,725,000
329	$ -	$ -	$ 1,400,000	$ -	$ 500,000
331	$ 250,000	$ -	$ 800,000	$ -	$ -
333	$ 500,000	$ 300,000	$ -	$ -	$ -
334	$ -	$ -	$ -	$ 1,500,000	$ -
338	$ 2,150,000	$ 7,875,000	$ 3,900,000	$ 6,700,000	$ 875,000
341	$ 500,000	$ 800,000	$ 1,500,000	$ 950,000	$ 500,000
344					$ 500,000
346					$ 1,000,000
347					$ 1,800,000
350	$ -	$ 500,000	$ -	$ 500,000	$ 500,000
351	$ 500,000	$ -	$ 2,400,000	$ 965,000	$ 1,500,000
359					$ 2,000,000
Total	$ 181,260,133	$ 211,160,516	191,293,518	$ 168,775,829	$ 141,456,060

Pennsylvania Medical Care Availability

and Reduction of Error Fund

2021

Assessment

Rate Calculation

19%

Appendix C.1

Executive Summary

As required by Act 13 of 2002 ("the Act"), the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare") calculates the annual assessment rate to be used on behalf of eligible Pennsylvania health care providers. In addition, the 2021 assessment calculation reflects the provisions prescribed by the 2014 Settlement Agreement.[1]

2021 Assessment Rate

Section 712(d)(1) of the Act requires an assessment that will, in the aggregate, produce an amount of revenue sufficient to do all the following:

(i) Reimburse the fund for the payment of reported claims which became final during the preceding claims period;
(ii) Pay expenses of the fund incurred during the preceding claims period;
(iii) Pay principal and interest on moneys transferred into the fund; and
(iv) Provide a reserve that shall be 10% of the sum of (i), (ii), and (iii) above.

In addition, the Settlement Agreement required that "beginning with the 2015 Mcare Assessment and for each annual Assessment thereafter, the Mcare Fund shall compute the Assessment by subtracting the full amount of the Projected Starting Balance from" the sum of items (i) through (iv) above.

For 2021, the resulting assessment amount of $186,408,256 is to be collected per the application of an assessment rate to the prevailing primary premium (PPP) for all 2021 policies. The projection of the annual PPP is a vital component of calculating the assessment rate. The 2021 selected PPP of $975,775,627 generates an assessment rate of 19.10%, which rounds to 19% as shown in Exhibit 1. Numerous external factors will affect both the 2021 payment obligations of Mcare and the 2021 PPP base, from which Mcare derives its revenue. We have considered actual assessment revenue from years 2017, 2018, and 2019 as our basis for our estimate of the 2021 selected PPP. Our assessment rate is levied against the PPP based on the JUA's filed occurrence rates at $500,000 per claim and reflect no increase in the primary limits.

To the extent that the 2021 claims payments and net expenses of Mcare differ from the assessment collected during 2021, Mcare may have a significant positive or negative year-end balance. This balance may be impacted by other variables, including but not limited to, the amount of supplemental funding, if any, made available to Mcare during 2021 and the differences between the projected 2021 PPP and the actual 2021 PPP which may result in a difference between projected and actual assessment revenue. Use of the Reserve Fund and/or supplemental funding would be required if the assessment collected in 2021 is insufficient to meet Mcare's 2021 obligations.

[1] Settlement Agreement - Pursuant to the Settlement Agreement effective October 3, 2014 between the Pennsylvania Medical Society, the Hospital & Healthsystem Association of Pennsylvania and the Pennsylvania Podiatric Medical Association.

Basis of the Calculation

Section 712(d)(1) of the Act mandates that the aggregate assessment for 2021 produces an amount sufficient to pay obligations that include claims expenses, operating expenses, principal, and interest on moneys transferred into Mcare, and 10% buffer amount. In addition, the Settlement Agreement requires Mcare to reduce the assessment amount by the Projected Starting Balance.

Claims Payments

The December 31, 2020 payment of claims in the amount of $168.7 million is the principal component of the 2021 assessment.

Operating Expenses

The operating expenses for claim year ending August 31, 2020 were $7.7 million. These expenses include Mcare administrative costs, including legal expenditures mainly related to the defense of Section 715 claims.

Principal and Interest on Money Transferred, if Any

It was not necessary for Mcare to borrow any monies in order to meet its 2020 obligations.

Buffer Amount

The Act requires that the assessment calculation include a reserve amount equal to 10% of the sum of the above.

Projected Starting Balance

The Settlement Agreement defines the Projected Starting Balance to be the "balance in the Mcare Fund as of January 1 of the applicable assessment year, as projected as of on or about October 15 of the prior calendar year, including interest and other income in the Assessment Relief Fund. The Assessment Relief Fund and the Reserve Fund shall not be included in the calculation of the Projected Starting Balance." Mcare's January 1, 2021 Projected Starting Balance is $7.7 million.

Settlement Reserve Fund

The Settlement Agreement defines the Reserve Fund as "the portion of the Settlement Funds that Mcare is permitted to retain as a one-time, non-replenishing reserve…. The starting balance of the Reserve Fund as of the effective date of the Settlement (October 3, 2014) is $30 million, and the Reserve Fund shall never exceed that amount. Interest and other income earned on the amounts in the Reserve Fund may be retained in the Reserve Fund unless retention of such interest and other income would result in the Reserve Fund exceeding $30 million…." The Insurance Commissioner may choose to reduce the Assessment Amount for a given year using all or a portion of the remaining Reserve Fund. The Reserve Fund balance as of September 30, 2020 is $13,894,546.

Prevailing Primary Premium (PPP)

The assessment and policy count data for policies effective in 2017, 2018, and 2019 was used to calculate the 2021 PPP. This data includes primary policy type (claims-made or occurrence), product code, county code, and specialty code.

Product Code

The product code is one of eight as listed below:

1. BC Birth Center;
2. HS Hospital;
3. MC Professional Corporation;
4. MD Physician, Resident, or Fellow;
5. MW Nurse Midwife;
6. NC Nursing Home;
7. PC Primary Health Center; and
8. SC Podiatrist.

County Code

The assigned rating county of the exposure in one of the 67 Pennsylvania counties (e.g. Allegheny, Luzerne, Philadelphia).

Specialty Code

The specialty code is provided in the JUA (Pennsylvania Professional Liability Joint Underwriting Association) annual rating schedule, as well as ISO codes for certified nurse midwives and podiatrists.

Rate Change

The JUA made no rating changes effective January 1, 2021. Therefore, the projected 2021 PPP did not require Mcare to factor in any adjustments to the JUA class, county/territory, or specialty.

Selected 2021 PPP

Mcare selected $975 million as the 2021 PPP based on remittances received and processed by Mcare as of September 28, 2020 (See Exhibit 2). This PPP may vary from the actual 2021 PPP due to numerous factors including, but not limited to:

- Possible changes in the relative size of Pennsylvania's health care industry during 2021 relative to recent years;
- Possible changes in the specialty and/or territory of a health care provider's exposure during 2020 and 2021;
- Possible changes in the effective date of primary policies (i.e., cancel/rewrite distortions) during 2020 and 2021; and
- Additional data, such as policy adjustments, late reported assessment, and mergers and closings that will cause the assessment data to change.

2021 Assessment Rate

The cost components of the assessment total $194 million. There was a $7.7 million Projected Starting Balance for January 1, 2021, as prescribed by the Settlement Agreement, to reduce the assessment amount to $186 million. Given the 2021 PPP projection of $975 million, the calculated 2021 assessment rate is 19.10%, which Mcare rounded down to 19%.

Assessment Rate Factors	2021
(1) Claim Year Ending 08/31/2020 Claims Payments	$168,775,829
(2) Claim Year Ending 08/31/2020 Operating Expenses	$7,730.791
(3) Buffer of 10% (1) + (2)	$17,650,662
(4) 2020 Assessment Costs (1) + (2) + (3)	$194,157,282
(5) Projected Starting Balance 01/01/2021	$7,749,026
(6) Settlement Reserve Fund	$0
(7) 2021 Assessment Amount (4) - (5) - (6)	$186,408,256
(8) Projected 2021 Prevailing Primary Premium (PPP)	$975,775,627
(9) Calculated 2021 Assessment Rate (7) ÷ (8) Rounded	19%

Exhibit 1

Prior Year Comparison

The calculated 2021 assessment rate of 19% is the same as the 2020 assessment rate of 19%. The 2021 and 2020 assessment rate calculations are summarized below:

Assessment Rate Factors	**2021**	**2020***
(1) Claim Year Ending 08/31 Claims Payments*	$168,775,829	$157,977,086
(2) Claim Year Ending 08/31 Operating Expenses	$7,730,791	$8,184,703
(3) Buffer of 10% (1) + (2)	$17,650,662	$16,616,179
(4) Assessment Costs (1) + (2) + (3)	$194,157,282	$182,777,968
(5) Projected Starting Balance 01/01	$7,749,026	$0
(6) Settlement Reserve Fund	$0	$0
(7) Assessment Amount (4) - (5) - (6)	$186,408,256	$182,777,968
(8) Projected Prevailing Primary Premium (PPP)	$975,775,627	$951,353,607
(9) Calculated Assessment Rate (7) ÷ (8) Rounded	19%	19%

*The 2019 committed claims payments used to calculate the 2020 assessment are $191,293,518; however, on the date the assessment calculation was completed, $33,316,432 in payment were awaiting a court approval of the payment and thus they were excluded from the calculation. As the court orders were received, the payment was authorized.

Exhibit 2

Mcare Selected 2021

Prevailing Primary Premium (PPP)

Annual Assessment Remittances	**Projected PPP**	**Implied Assessment Rate**
Projection Based on 2017 Assessment Remittances	$ 950,372,182	19.61%
Projection Based on 2018 Assessment Remittances	$1,022,573,100	18.23%
Projection Based on 2019 Assessment Remittances	$ 975,775,627	19.10%
Mcare Selected 2021 PPP *	$ 975,775,627	19.10%

* Selected PPP based on the remittances of 2017, 2018, and 2019.

* * *

pennsylvania
INSURANCE DEPARTMENT

Medical Care Availability and Reduction of Error Fund

2021

Calculation of the Hospital Experience Modification Factor

Appendix C.2

Executive Summary

As per Section 712(g)(4) of Act 13 of 2002 ("the Act"), Mcare experience rates each eligible hospital through its Hospital Experience Modification ("HEM") program. The purpose of the HEM program is to provide appropriate financial incentives to encourage effective risk management practices and to promote quality care. The Act requires:

> The applicable prevailing primary premium of a hospital may be adjusted through an increase or decrease in the individual hospital's prevailing primary premium not to exceed 20%. Any adjustments shall be based on the frequency and severity of claims paid by the Fund on behalf of other hospitals of similar class, size, risk and kind within the same defined region during the past five most recent claims periods.

The HEM factor calculation provides hospitals with an understandable methodology of how their factor is determined.

HEM Factor Calculation

Each year, the Mcare HEM factor calculation directly correlates the hospital's claims experience at the Mcare layer of coverage with what the hospital has paid into Mcare, similar to a paid loss retrospective rating plan. The first step in calculating the HEM factors is to identify those hospitals which hold a current license with the PA Department of Health and have at least five years of claims experience.

New hospitals that do not meet the five-year claims experience requirement may not be rated, and, therefore, will have an annual HEM factor of 1.0 or 100%. Hospitals that surrendered their license, but are still providing services under a merged license, will be rated under the merged hospital's current license. Closed hospitals are excluded from participating in Mcare as they are not a health care provider recognized by the Act.

Once the hospitals eligible for a 2021 HEM factor have been identified, their individual Mcare loss ratio is calculated ("Loss Ratio"). As required by the Act, five years of claims and assessment data is used to calculate the HEM factor. The aggregate of five years of claims payments is divided by the aggregate of five years of assessment payments. For the 2021 HEM calculation, the following data was used in the calculation.

Claims Payments

Claims payments made in claims years 2015 to 2019 were used in the calculation.

Assessment Payments

Assessments received and processed as of October 1, 2020 for years 2016 to 2020 were used in the calculation. Historically, most hospital's assessment payments are for coverage effective either in January or July. Any hospital whose assessment has not been received and processed prior to October 1, 2020 must be advance calculated. The advance calculation is based on the hospital's most recent bed and visit counts, assessment rate, and related HEM year factor.

Band and Loss Ratio Analysis

To compare a hospital's Mcare Loss Ratio to its peers, hospitals are placed in one of five bands. A hospital's band is determined by its Annualized Prevailing Primary Premium (APPP). The APPP is calculated by taking the hospital's annual bed and visit counts and multiplying them by the unadjusted Prevailing Primary Premium (PPP) as defined in the Mcare Act. The bands are as follows:

Band	Band Range
1	$0 to $330,000
2	$330,001 to $640,000
3	$640,001 to $1,300,000
4	$1,300,001 to $2,760,000
5	$2,760,001 and Greater

Each Band Loss Ratio is developed by taking the aggregate five years of claims payments on behalf of all the hospitals in the band and dividing it by the aggregate five years of assessments paid by all hospitals in the band. This produces the Band Loss Ratio. Each hospital's Loss Ratio is compared to its Band Loss Ratio to determine whether the hospital's Loss Ratio is better, the same or worse than others in the same band. It is this difference that forms the foundation of the HEM factor. The results of this comparison may indicate a HEM factor that is outside the +/-20% allowed by the statute. Accordingly, the result of this initial analysis is called the Uncapped HEM Factor.

Revenue Neutral and Off-Balance Analysis

Since its inception, the HEM program has been "revenue neutral". Revenue neutral in this context means that the hospitals, as a provider group, will pay the same with the HEM program as they would have without it. By doing so, other health care providers do not benefit from reduced assessment payments nor do they subsidize the hospital provider group assessment payments. To determine whether the HEM program is revenue neutral, Mcare calculates how much hospitals as a group would pay into Mcare if there was not a HEM program (Baseline Assessment). Then the amount the hospitals would pay once the HEM factors are applied (Modified Assessment) is calculated. The Baseline Assessment is compared to the Modified Assessment and the difference

is the Off-Balance Target. The Off-Balance Target is generally a positive number, which means the initial HEM factor calculation generates less assessment than if there was no HEM program. Thus, a factor (Off-Balance Factor) is applied to the Modified Assessment so that it is increased to generate the additional assessment needed to match the Baseline Assessment. The use of the Off-Balance Factor on the Uncapped HEM Factor must be done together with the application of the +/- 20% statutory restriction.

Multiple calculations are needed because as a hospital's HEM factor is increased with the application of the Off-Balance Factor, it has the possible impact of taking the factor to the statutory maximum of 120%. Once this happens, no additional assessment may be collected from the hospital. Successive calculations limit the hospital's new HEM Factor at the maximum until the Off-Balance Target is reached. This process results in the Capped HEM, which is the hospital's final HEM. The Mcare Act requires that frequency be incorporated into the HEM calculation process. Mcare addresses this mandate by including all hospitals with one or more Mcare paid claims in calculating the Off-Balance Factor. It is possible for a hospital to have one or more Mcare paid claims but for the Mcare hospital Loss Ratio as compared to their peers, and still be under the statutory minimum of 80%. For these hospitals, their Loss Ratio is brought to 80% and then the Off-Balance Factor is applied to it (Off Balance Only).

If a hospital has no Mcare paid claims during the five-year evaluation period, their HEM factor is 80%. This is the maximum discount allowed by the Mcare Act.

2021 HEM Breakdown

Below is a breakdown of the HEM factor calculation for the 2021 assessment year.

Count	Factor	Description
84	80.0%	Claims Free
36	82.9%	Off Balance Only
14	83.6% - 119.9%	Intermediate
61	120.0%	Max Rate
195 Rated		

Distribution of HEM Factor

Mcare emails the HEM factor to each individual hospital's contact. In addition, contact information for Mcare is provided should there be any questions regarding Mcare's calculation of the hospital's HEM factor or to request additional information.

* * *

Pennsylvania Insurance Department

Mcare Fund

Amount of Assessment Received by Provider Type and Assessment Year									
Assessment Year	Rate[2]	Physicians (MD/DO)	Podiatrists	Nurse Midwives	Hospitals	Nursing Homes	Primary Health Centers	Birth Centers	Medical Corporations
2012	23%	$ 152,493,315	$ 3,065,651	$ 1,063,880	$ 40,059,126	$ 4,099,402	$ 831,401	$ 34,245	$ 4,612,059
2013	25%	$ 175,996,291	$ 3,709,951	$ 1,263,957	$ 44,045,124	$ 5,532,965	$ 927,072	$ 34,509	$ 5,015,326
2014	23%	$ 169,360,660	$ 3,939,701	$ 1,312,471	$ 41,779,456	$ 4,816,426	$ 917,792	$ 35,630	$ 4,380,062
2015	12%	$ 89,370,360	$ 2,067,654	$ 689,888	$ 22,274,479	$ 2,557,037	$ 492,162	$ 18,676	$ 2,309,389
2016	17%	$ 127,240,130	$ 2,943,431	$ 984,511	$ 31,234,379	$ 3,580,112	$ 726,980	$ 27,829	$ 3,264,460
2017	19%	$ 134,960,909	$ 3,254,338	$ 1,138,097	$ 32,795,358	$ 3,975,380	$ 865,740	$ 31,919	$ 3,422,284
2018	19%	$ 145,697,641	$ 3,235,991	$ 1,285,536	$ 35,968,905	$ 3,927,294	$ 940,752	$ 32,633	$ 3,165,905
2019	19%	$ 146,968,124	$ 3,146,546	$ 1,319,222	$ 35,795,414	$ 3,930,140	$ 931,536	$ 27,294	$ 3,123,303
2020	19%	$ 144,924,730	$ 3,034,612	$ 1,297,737	$ 34,398,160	$ 3,683,698	$ 971,516	$ 24,030	$ 2,878,922
2021[1]	19%	$ 140,490,540	$ 2,930,728	$ 1,410,679	$ 32,048,263	$ 3,380,935	$ 930,975	$ 27,132	$ 2,621,442

[1] Coverage for policies that incept or renew during the month of December is due to Mcare on or before March 1, 2022. Coverage for 2021 policies that have been reported and processed as of January 20, 2022 is included in the amounts and is subject to additional development.

[2] For years 2012, 2013, and 2014 the assessment rate and assessment received reflects the pre-settlement percentage and the actual dollars collected.

Pennsylvania Insurance Department

Mcare Fund

Yearly Average Assessment by Provider Group													
		Physicians			Podiatrists			Hospitals			Nursing Homes		
Assessment Year	Assessment Rate[1]	Yearly Average[2]	% Change over Prior Year[2]	% Change from 2012 to 2021[2]	Yearly Average[2]	% Change over Prior Year[2]	% Change from 2012 to 2021[2]	Yearly Average[2]	% Change over Prior Year[2]	% Change from 2012 to 2021[2]	Yearly Average[2]	% Change over Prior Year[2]	% Change from 2012 to 2021[2]
2012	23%	$3,615			$2,552			$181,263			$5,864		
2013	25%	$4,112			$3,038			$200,205			$7,926		
2014	23%	$3,916			$3,177			$187,351			$6,960		
2015	12%	$2,046			$1,679			$100,789			$3,695		
2016	17%	$2,887			$2,412			$141,974			$5,181		
2017	19%	$3,062			$2,635			$150,437			$5,761		
2018	19%	$3,222			$2,639			$166,522			$5,699		
2019	19%	$3,198			$2,568			$172,924			$5,720		
2020	19%	$3,156			$2,535			$169,449			$5,425		
2021	19%	$3,273	3%	-10%	$2,744	8%	7%	$173,233	2%	-5%	$5,453	0%	-8%

[1] For years 2011, 2012, 2013 and 2014 the assessment rate reflects the pre-settlement percentages and the yearly average is based on the actual dollars collected.

[2] The reporting of coverage adjustments may impact the yearly average and percent change.

Pennsylvania Insurance Department

Mcare Fund

Assessment Remitted by Self-Insurer and Primary Insurer

Insurer Code	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021[1]
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
S10	$ 3,925,883	$ 5,086,685	$ 4,883,519	$ 2,596,283	$ -	$ -	$ -	$ -	$ -	$ -
S12	$ 1,701,951	$ 2,119,413	$ 2,127,826	$ 1,071,266	$ 1,640,799	$ 1,878,160	$ 441,070	$ -	$ -	$ -
S40	$ 408,487	$ 536,409	$ 548,488	$ 290,538	$ 444,667	$ 519,132	$ 541,188	$ 551,911	$ 580,086	$ 598,897
S41	$ 68,635	$ 75,056	$ 77,831	$ 40,570	$ 58,952	$ 79,101	$ 96,066	$ 41,916	$ -	$ -
S54	$ 393,845	$ 480,575	$ 455,416	$ 260,685	$ 410,403	$ 478,947	$ 475,057	$ 479,950	$ 463,468	$ -
S57	$ 21,274	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
S58	$ 12,482	$ 15,481	$ 15,492	$ 8,881	$ 9,245	$ 10,262	$ 12,761	$ 8,529	$ 6,461	$ 5,605
S60	$ 480,034	$ 545,819	$ 538,397	$ 307,302	$ 185,365	$ -	$ -	$ -	$ -	$ -
S61	$ 10,805	$ 12,555	$ 11,943	$ 6,231	$ 8,900	$ 9,947	$ 9,785	$ 9,785	$ 9,623	$ 8,330
S63	$ 178,381	$ 216,346	$ 216,499	$ 67,749	$ -	$ -	$ -	$ -	$ -	$ -
S64	$ 14,663	$ 16,946	$ 16,121	$ -	$ -	$ -	$ -	$ -	$ -	$ -
S67	$ 9,742	$ 11,114	$ 10,671	$ 8,634	$ 24,771	$ 28,574	$ 28,574	$ 28,574	$ 28,574	$ 28,574
S68	$ -	$ -	$ 1,586,947	$ 843,000	$ 1,128,109	$ 1,149,585	$ 1,183,689	$ 631,139	$ 105,721	$ 97,402
S69	$ -	$ -	$ -	$ -	$ 4,165,559	$ 4,833,776	$ 4,948,891	$ 5,217,646	$ 5,990,438	$ 6,492,565
001	$ 11,721	$ 12,712	$ 15,382	$ -	$ -	$ -	$ -	$ -	$ -	$ -
003	$ 12,782,156	$ 16,119,315	$ 16,346,152	$ 8,335,034	$ 10,760,138	$ 10,661,785	$ 10,117,182	$ 9,754,598	$ 10,127,370	$ 10,033,162
011	$ 2,374,594	$ 3,281,084	$ 3,700,186	$ 1,589,918	$ 2,584,151	$ 3,229,166	$ 2,929,173	$ 1,946,397	$ 1,847,337	$ 830,184
021	$ 82,237	$ 87,430	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
023	$ 101,281	$ 113,314	$ 95,281	$ 38,811	$ 30,345	$ 28,636	$ 29,011	$ 26,296	$ 24,452	$ 23,282
031	$ 18,716,257	$ 19,992,698	$ 17,418,519	$ 8,481,896	$ 11,764,870	$ 12,097,191	$ 11,516,220	$ 10,541,064	$ 9,724,310	$ 9,205,338
032	$ 852,571	$ 887,543	$ 681,267	$ 331,629	$ 379,835	$ 408,819	$ 342,835	$ 372,321	$ 531,783	$ 638,512
035	$ -	$ -	$ -	$ -	$ 45,583	$ -	$ 3,262	$ 308	$ -	$ -
038	$ -	$ -	$ -	$ 21,082	$ 30,021	$ 33,750	$ 29,109	$ 30,629	$ 30,304	$ 21,854
052	$ 71,237	$ 132,046	$ 64,126	$ 22,820	$ 36,368	$ 116,122	$ 136,186	$ 285,298	$ 381,582	$ 387,315
055	$ -	$ -	$ 89,425	$ 41,805	$ 55,682	$ 62,238	$ 60,227	$ 64,201	$ 62,776	$ 67,654
056	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,124	$ -
067	$ 12,578,990	$ 13,912,613	$ 13,531,061	$ 6,910,188	$ 9,306,870	$ 11,036,370	$ 9,841,831	$ 9,290,361	$ 8,272,642	$ 7,253,465
090	$ 66,940	$ 81,584	$ 80,774	$ 40,778	$ 57,267	$ 65,423	$ 41,311	$ -	$ -	$ -
103	$ 268,261	$ 721,750	$ 1,212,483	$ 682,114	$ 2,206,637	$ 1,319,642	$ 306,461	$ 238,912	$ 170,366	$ 150,442
110	$ 52,843	$ 75,357	$ 39,896	$ 1,291	$ 1,828	$ 2,043	$ 31,114	$ 16,276	$ 74,030	$ 90,551
112	$ 8,661	$ 10,064	$ 9,573	$ 4,995	$ 7,076	$ 7,908	$ 7,908	$ 163,268	$ 162,681	$ 164,042
113	$ 10,868	$ 15,394	$ 17,432	$ 7,030	$ 14,166	$ 12,845	$ 18,656	$ 43,988	$ 24,204	$ 43,250
118	$ 18,269	$ 9,171	$ 8,738	$ 8,918	$ 12,657	$ -	$ -	$ -	$ -	$ -
121	$ 488,452	$ 508,436	$ 453,832	$ 291,976	$ 567,915	$ 505,392	$ 464,311	$ 3,718,890	$ 4,718,932	$ 4,884,154
124	$ 788,170	$ 830,071	$ 783,419	$ 375,219	$ 503,243	$ 1,769,309	$ 1,926,942	$ 1,775,418	$ 1,652,208	$ 1,492,573
127	$ 376,388	$ 246,670	$ 541,574	$ 611,060	$ 939,628	$ 999,787	$ 889,631	$ 1,123,504	$ 1,759,348	$ 1,643,430
129	$ 4,358,655	$ 3,053,578	$ 4,457,301	$ 2,199,179	$ 2,827,020	$ 3,173,850	$ 3,346,188	$ 238,298	$ 626,860	$ 6,394
130	$ 19,970	$ 74,714	$ 43,833	$ 6,160	$ 7	$ -	$ -	$ -	$ -	$ -
137	$ 95,517	$ 114,141	$ 277,059	$ 145,743	$ 206,289	$ 48,100	$ 37,632	$ 33,538	$ 26,967	$ 26,572
138	$ 739,112	$ 850,570	$ 934,882	$ 499,036	$ 745,370	$ 1,045,122	$ 1,081,823	$ 1,086,571	$ 1,094,107	$ 886,648
144	$ 18,958,871	$ 23,529,330	$ 22,370,815	$ 11,610,202	$ 17,156,773	$ 8,576,732	$ 20,219,128	$ 20,564,047	$ 19,587,085	$ 20,056,866
145	$ 4,749,815	$ 5,422,499	$ 5,133,275	$ 2,770,722	$ 2,945,947	$ 2,412,948	$ 3,311,554	$ 2,799,287	$ 1,861,978	$ 783,931
155	$ 13,816,272	$ 15,931,152	$ 15,401,536	$ 8,127,065	$ 11,681,500	$ 14,886,076	$ 15,189,961	$ 16,236,201	$ 17,177,120	$ 17,441,600
156	$ 7,921,906	$ 8,659,189	$ 7,590,570	$ 5,166,860	$ 5,526,119	$ 6,260,631	$ 6,133,798	$ 6,115,612	$ 6,571,840	$ 6,894,215
162	$ 69,802	$ 120,527	$ 118,044	$ 80,415	$ 178,877	$ 195,235	$ 504,935	$ 395,931	$ 381,123	$ 378,002
165	$ 259,444	$ 272,371	$ 76,134	$ 70,766	$ 87,281	$ 103,888	$ 92,699	$ 49,501	$ 22,417	$ 21,668
173	$ -	$ 1,242	$ -	$ -	$ 405,704	$ 503,423	$ 457,670	$ 515,495	$ 244,667	$ 230,832
179	$ 35,611	$ 35,955	$ 36,917	$ 19,318	$ 24,830	$ 51,423	$ 67,154	$ 70,579	$ 38,718	$ 25,706
186	$ 34,101	$ 22,421	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
194	$ 48,581	$ 11,573	$ 10,750	$ 6,430	$ 7,001	$ 8,058	$ 2,673	$ 2,305	$ 321	$ 8,015
196	$ 970,662	$ 1,038,084	$ 898,586	$ 425,636	$ 543,060	$ 643,801	$ 400,840	$ 258,817	$ 268,015	$ 21,894
197	$ 5,506,331	$ 6,872,008	$ 5,961,345	$ 2,983,701	$ 4,003,266	$ 4,410,037	$ 4,275,519	$ 4,221,062	$ 4,119,408	$ 3,292,116
198	$ 103,003	$ 118,884	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
199	$ 4,610,572	$ 5,392,324	$ 5,329,903	$ 2,901,373	$ 4,271,121	$ 5,027,183	$ 5,242,478	$ 5,494,778	$ 5,563,833	$ 6,013,660
202	$ 6,449,223	$ 7,749,522	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
203	$ 1,320,779	$ 1,745,055	$ 1,794,847	$ 932,436	$ 1,416,924	$ 1,934,620	$ 2,429,903	$ 2,723,113	$ 2,873,523	$ 3,136,448
206	$ 23,432	$ -	$ -	$ -	$ -	$ 124,441	$ 131,544	$ 94,225	$ 71,025	$ 38,752
207	$ 14,147,779	$ 15,991,743	$ 15,263,721	$ 6,651,781	$ 9,649,099	$ 10,942,758	$ 11,211,488	$ 11,846,265	$ 12,059,156	$ 12,631,280

Pennsylvania Insurance Department

Mcare Fund

Assessment Remitted by Self-Insurer and Primary Insurer

Insurer Code	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021[1]
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
208	$ 1,862,092	$ 2,125,544	$ 2,033,677	$ 1,045,518	$ 1,387,829	$ 286,584	$ 12,624	$ 4,356	$ 3,733	$ 3,019
210	$ 1,524,122	$ 901,685	$ 892,463	$ 444,621	$ 128,062	$ 732	$ 2,576	$ -	$ -	$ -
211	$ 7,622,953	$ 8,661,328	$ 7,357,292	$ 1,548,345	$ -	$ -	$ -	$ -	$ -	$ -
212	$ 269,253	$ 392,620	$ 649,370	$ 427,633	$ 769,809	$ -	$ -	$ -	$ -	$ -
216	$ 5,644	$ 6,893	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
217	$ 332,970	$ 378,859	$ 289,646	$ 145,666	$ 246,912	$ 353,284	$ 217,192	$ 199,049	$ 196,089	$ 163,554
218	$ 297,256	$ 385,246	$ 376,913	$ 213,513	$ 325,227	$ 420,094	$ 436,101	$ 450,312	$ 450,578	$ 395,154
219	$ 3,500,473	$ 4,236,273	$ 3,809,186	$ 2,013,599	$ 2,739,925	$ 3,046,379	$ 2,836,663	$ 2,714,224	$ 2,752,591	$ 2,462,382
220	$ 2,189,191	$ 1,874,510	$ 1,367,918	$ 449,037	$ 626,915	$ 571,862	$ 617,846	$ 694,496	$ 757,068	$ 2,044,498
221	$ 3,467,253	$ 4,344,956	$ 4,468,210	$ 2,417,018	$ 2,216,260	$ 1,348,271	$ 1,138,019	$ 494,164	$ -	$ -
222	$ 3,603,829	$ 4,552,699	$ 4,716,792	$ 2,597,229	$ 4,013,352	$ 5,096,548	$ 5,330,301	$ 5,455,515	$ 5,985,564	$ 6,206,169
223	$ 5,711,742	$ 3,790,754	$ 3,742,316	$ 2,105,356	$ 3,153,132	$ 4,096,088	$ 4,765,404	$ 5,073,259	$ 5,680,177	$ 599,522
224	$ 1,882,426	$ 2,296,212	$ 2,548,582	$ 1,498,596	$ 2,330,169	$ 2,856,033	$ 2,892,251	$ 2,879,358	$ 2,977,581	$ 3,708,898
225	$ 70,114	$ 80,901	$ 77,034	$ 40,020	$ -	$ -	$ -	$ -	$ -	$ -
226	$ 75,865	$ 77,175	$ 75,123	$ 39,308	$ 1,151	$ -	$ -	$ -	$ -	$ -
227	$ 3,225	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
228	$ 1,470,230	$ 1,052,570	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
232	$ 122,273	$ 136,670	$ 174,369	$ 154,431	$ 193,866	$ 245,750	$ 184,143	$ 99,047	$ 95,367	$ 112,373
233	$ 1,504	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
234	$ 196,256	$ 217,077	$ 226,605	$ 128,959	$ 171,953	$ 177,735	$ 193,055	$ 214,939	$ 162,702	$ -
235	$ 69,698	$ 81,258	$ 76,906	$ 39,742	$ 57,102	$ 65,495	$ 69,533	$ 68,563	$ 66,875	$ 58,933
236	$ 17,106	$ 36,456	$ 58,055	$ 28,097	$ 17,643	$ 14,270	$ 14,503	$ 16,945	$ 16,945	$ 16,945
237	$ 20,319	$ 21,057	$ 18,694	$ 10,590	$ 17,505	$ 23,638	$ 26,570	$ 24,505	$ 15,163	$ 13,135
239	$ 2,308,781	$ 2,282,363	$ 2,321,204	$ 1,440,787	$ 2,083,762	$ 2,408,588	$ 2,161,565	$ 2,631,901	$ 3,382,262	$ 2,755,626
241	$ 840,404	$ 973,243	$ 974,321	$ 484,333	$ 768,631	$ 885,717	$ 874,363	$ 892,341	$ 921,985	$ 1,049,470
242	$ 36,079	$ 41,922	$ 39,879	$ 20,806	$ 29,476	$ 32,944	$ 27,162	$ 27,162	$ 26,874	$ 26,874
243	$ 22,679	$ 26,343	$ 26,156	$ 13,873	$ 21,605	$ 21,723	$ 20,877	$ 26,028	$ 27,812	$ 21,402
244	$ 43,306	$ 56,156	$ 67,363	$ 34,033	$ 5,652	$ 6,318	$ 6,842	$ 6,318	$ 11,010	$ -
245	$ 6,496,178	$ 7,878,415	$ 7,923,153	$ 4,526,535	$ 7,064,405	$ 8,341,353	$ 9,267,371	$ 9,783,277	$ 9,404,137	$ 9,819,740
246	$ 1,726,568	$ 1,960,678	$ 610,352	$ -	$ -	$ -	$ -	$ -	$ -	$ -
247	$ 41,704	$ 108,459	$ 56,479	$ 36,329	$ 66,805	$ 79,262	$ 80,431	$ 62,703	$ 48,311	$ 32,122
248	$ 370,396	$ 443,530	$ 405,018	$ 209,820	$ 82,171	$ -	$ -	$ -	$ -	$ -
249	$ 14,768	$ 22,767	$ 6,897	$ 4,692	$ -	$ -	$ -	$ -	$ -	$ -
252	$ 54,800	$ 58,348	$ 20,063	$ 10,632	$ 14,341	$ 18,017	$ 19,158	$ 22,340	$ 22,607	$ 21,198
253	$ 4,130,445	$ 4,783,029	$ 4,568,471	$ 2,265,702	$ 3,254,773	$ 2,235,165	$ -	$ -	$ -	$ -
256	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,749	$ 2,537
257	$ 17,602	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
258	$ 1,686,361	$ 1,780,720	$ 1,493,302	$ 767,745	$ 935,301	$ 951,349	$ 877,381	$ 529,558	$ -	$ -
261	$ 1,177,343	$ 981,276	$ 851,200	$ 451,974	$ 680,371	$ 672,122	$ 728,490	$ 699,919	$ 846,368	$ 178,785
262	$ 62,788	$ 68,834	$ 59,482	$ 25,075	$ 28,238	$ 38,403	$ 39,998	$ 36,276	$ 36,230	$ 33,186
264	$ 1,066	$ 1,308	$ 1,207	$ 630	$ 892	$ 997	$ 997	$ 997	$ 997	$ 997
265	$ 140,669	$ 146,164	$ 138,607	$ 70,567	$ 122,108	$ 125,178	$ 144,308	$ 230,530	$ 266,263	$ 259,398
266	$ 33,962	$ 46,564	$ 44,295	$ 1,675	$ 2,374	$ 28,808	$ 33,213	$ 40,122	$ 37,780	$ -
267	$ 633	$ 807	$ 741	$ 387	$ -	$ -	$ -	$ -	$ -	$ -
268	$ 2,043	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
269	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,329	$ 41,120	$ -
270	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,637	$ 43,954	$ 75,322
271	$ 2,499,127	$ 2,509,046	$ 4,084,896	$ 2,584,584	$ 3,286,823	$ 4,329,908	$ 4,915,139	$ 4,110,404	$ 2,306,009	$ 2,628,495
274	$ 175,615	$ 193,020	$ 167,227	$ 83,804	$ 112,520	$ 121,652	$ 120,635	$ 117,221	$ 109,859	$ 104,534
275	$ 528,789	$ 18,100	$ 21,501	$ 33,860	$ 25,686	$ 26,007	$ 32,139	$ 5,454	$ 4,293	$ 3,724
276	$ 512,402	$ 597,451	$ 563,886	$ 290,947	$ 368,373	$ 287,662	$ 272,926	$ 268,383	$ 270,216	$ 309,785
277	$ 77,665	$ 89,378	$ 138,806	$ 90,233	$ 36,433	$ 33,147	$ -	$ -	$ -	$ -
279	$ 593,150	$ 563,997	$ 136,277	$ -	$ -	$ -	$ -	$ -	$ 673,926	$ 664,370
280	$ -	$ -	$ -	$ -	$ -	$ 2,797	$ 4,427	$ 4,427	$ -	$ -
286	$ 157,730	$ 120,817	$ 124,559	$ 80,914	$ 115,655	$ 161,621	$ 212,812	$ 303,011	$ 382,681	$ 326,803
289	$ 59,699	$ 74,358	$ 55,548	$ 31,937	$ 68,495	$ 39,688	$ 37,435	$ 49,748	$ 180,291	$ 331,449
290	$ 64,324	$ 76,356	$ 74,558	$ 39,054	$ 55,670	$ 59,283	$ 59,116	$ 59,006	$ 57,451	$ -
291	$ 19,927	$ 5,520	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Pennsylvania Insurance Department

Mcare Fund

Assessment Remitted by Self-Insurer and Primary Insurer

Insurer Code	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021[1]
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
292	$ 71,916	$ 7,992	$ 19,965	$ 4,999	$ 5,179	$ -	$ -	$ -	$ -	$ -
293	$ 47,614	$ 21,814	$ 17,178	$ 7,260	$ 843	$ 942	$ -	$ -	$ -	$ -
294	$ 4,734	$ 1,813	$ 3,472	$ 4,032	$ 4,814	$ 5,380	$ 8,678	$ 18,225	$ 15,357	$ 95,443
296	$ 2,797	$ 3,324	$ 3,449	$ 1,799	$ 2,549	$ 2,849	$ 2,849	$ -	$ -	$ -
297	$ 11,047	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
298	$ 26,560	$ 32,910	$ 32,527	$ 18,997	$ 26,913	$ 30,080	$ 30,080	$ 22,511	$ 64,465	$ 65,236
300	$ -	$ -	$ -	$ -	$ -	$ 881	$ 2,254	$ 4,751	$ 9,979	$ 25,680
303	$ 30,070	$ 40,121	$ 48,304	$ 27,066	$ 33,720	$ 40,418	$ 47,724	$ 40,783	$ 43,424	$ 47,209
305	$ 36,547	$ 39,130	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
307	$ 2,633	$ 3,155	$ 7,208	$ 4,005	$ 5,429	$ 5,256	$ 2,820	$ 1,626	$ 2,120	$ 1,626
308	$ 791,271	$ 1,082,547	$ 525,385	$ 581,522	$ 94,101	$ 62,101	$ 7,793	$ 29,919	$ 12,472	$ 24,337
309	$ -	$ -	$ 4,675	$ 2,439	$ 111,880	$ 137,793	$ 161,698	$ 50,369	$ 27,999	$ 160,389
310	$ 4,948,242	$ 5,724,914	$ 5,392,537	$ 3,049,475	$ 4,443,594	$ 4,916,649	$ 5,046,027	$ 5,212,339	$ 5,277,962	$ 5,463,229
311	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,149	$ 1,149
312	$ 34,459	$ 20,797	$ 25,161	$ 32,280	$ 25,084	$ -	$ -	$ -	$ -	$ -
313	$ 903	$ 1,242	$ 1,140	$ 595	$ 208	$ -	$ -	$ -	$ -	$ -
314	$ 107,938	$ 121,335	$ 218,223	$ 112,271	$ 129,076	$ 19,279	$ -	$ -	$ -	$ -
315	$ 41,374	$ 52,256	$ 43,491	$ 8,309	$ 21,250	$ 34,926	$ 39,773	$ 4,776	$ 514	$ -
316	$ 29,157	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
318	$ 4,435	$ -	$ 85	$ -	$ -	$ -	$ -	$ 7,548	$ 10,917	$ 5,014
320	$ 472,985	$ 298,395	$ 1,232	$ -	$ -	$ -	$ -	$ -	$ -	$ -
321	$ 5,926	$ 36,484	$ 29,869	$ 19,247	$ 20,428	$ 13,241	$ 7,548	$ -	$ -	$ -
322	$ 30,874	$ 45,687	$ 22,317	$ 8,879	$ 80,208	$ 74,993	$ 85,490	$ -	$ -	$ 74,022
323	$ 62,024	$ 64,842	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 857,539
324	$ 25,617	$ 32,452	$ 29,512	$ 99,378	$ 1,488,791	$ 1,967,565	$ 2,345,644	$ 1,859,372	$ 758,428	$ 381,252
325	$ 20	$ 31,562	$ 47,118	$ 36,088	$ 52,979	$ 17,810	$ -	$ -	$ -	$ -
326	$ 9,404	$ 54,700	$ 71,589	$ 50,683	$ 71,882	$ 16,402	$ 14,598	$ 15,575	$ 19,543	$ 21,270
327	$ -	$ 179,962	$ 47,961	$ 22,241	$ 33,635	$ 35,094	$ 37,289	$ 51,159	$ 55,871	$ 99,013
328	$ 330	$ 597,682	$ 504,099	$ 271,394	$ 400,377	$ 454,319	$ 441,247	$ 323,564	$ 293,326	$ 193,180
329	$ 97,844	$ 128,861	$ 164,064	$ 172,773	$ 93,865	$ 329,834	$ 321,787	$ 339,444	$ 59,527	$ -
330	$ 502	$ 463,115	$ 485,036	$ 80,249	$ 128,072	$ 49,451	$ 40,395	$ 1,223	$ -	$ -
331	$ -	$ 548,448	$ 78,726	$ 52,795	$ 49,976	$ 42,040	$ 24,970	$ 36,044	$ 735	$ -
332	$ 735	$ -	$ 4,940	$ 3	$ 4,183	$ 6,814	$ 11,352	$ 22,731	$ 32,090	$ 47,300
333	$ -	$ 213,686	$ 597,201	$ 267,156	$ 48,673	$ 149,137	$ 187,024	$ 261,745	$ 263,566	$ 239,167
334	$ -	$ 229,182	$ 601,491	$ 300,028	$ 274,788	$ 279,322	$ 290,964	$ 202,790	$ 140,572	$ 183,787
335	$ -	$ -	$ -	$ 2,245	$ 10,222	$ 11,424	$ 16,791	$ 58,657	$ 62,061	$ 38,186
336	$ -	$ 3,747	$ 3,564	$ 1,860	$ -	$ -	$ -	$ -	$ -	$ -
337	$ -	$ -	$ -	$ -	$ -	$ 919	$ 3,378	$ 5,755	$ 12,347	$ 5,292
338	$ 31,776	$ 1,695,310	$ 6,794,582	$ 4,263,837	$ 6,216,823	$ 6,956,614	$ 7,105,396	$ 7,206,831	$ 7,704,372	$ 7,725,606
339	$ -	$ 24,230	$ 16,187	$ -	$ -	$ -	$ -	$ -	$ -	$ -
340	$ -	$ 154	$ 60,580	$ 28,454	$ 51,229	$ 3,099	$ 3,348	$ -	$ -	$ -
341	$ -	$ -	$ 1,403,904	$ 780,560	$ 1,168,563	$ 1,368,826	$ 1,365,765	$ 1,253,813	$ 1,314,541	$ 1,364,295
342	$ -	$ -	$ 2,391	$ 5,095	$ 7,217	$ 8,067	$ 5,984	$ 3,483	$ 3,447	$ 8,120
343	$ -	$ -	$ 14,795	$ 9,012	$ 12,767	$ 4,668	$ 9,810	$ 48,172	$ 65,784	$ 78,372
344	$ -	$ -	$ 2,943	$ -	$ -	$ 188,697	$ 223,860	$ 31,061	$ -	$ -
345	$ -	$ 3,101	$ 2,074	$ -	$ 12,417	$ 20,722	$ 11,987	$ 23,551	$ 20,538	$ 16,569
346	$ -	$ -	$ -	$ 26,462	$ 57,467	$ 56,044	$ 100,826	$ 128,676	$ 109,462	$ 49,913
347	$ -	$ -	$ -	$ 15,377	$ 124,740	$ 299,034	$ 335,557	$ 222,492	$ 156,745	$ 146,424
348	$ -	$ -	$ -	$ 3,233	$ 8,317	$ 100,593	$ 108,477	$ 117,666	$ 131,034	$ 36,677
349	$ -	$ -	$ 836	$ 56,984	$ 33,506	$ 31,896	$ 48,375	$ 85,202	$ 15,582	$ 23,384
350	$ -	$ -	$ -	$ 18,350	$ 365,131	$ 524,577	$ 636,690	$ 908,750	$ 995,154	$ 769,374
351	$ -	$ -	$ -	$ 2,489,481	$ 5,350,272	$ 5,643,898	$ 4,592,897	$ 5,037,847	$ 4,740,573	$ 4,333,984
353	$ -	$ -	$ -	$ -	$ 30,991	$ -	$ 25,503	$ 12,657	$ 9,422	$ 4,438
354	$ -	$ -	$ -	$ -	$ 219,523	$ 350,542	$ 350,767	$ 341,864	$ 330,271	$ 318,578
355	$ -	$ -	$ -	$ -	$ 1,972,111	$ 2,417,153	$ 2,443,919	$ 2,876,583	$ 2,366,534	$ 2,265,922
357	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,000	$ -	$ -	$ -
358	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,046	$ 4,361
359	$ -	$ -	$ -	$ -	$ -	$ 1,043,963	$ 1,009,675	$ 275,675	$ 231,219	$ 186,160
360	$ -	$ -	$ -	$ -	$ 19,663	$ 70,807	$ 65,522	$ 59,501	$ -	$ -

Pennsylvania Insurance Department

Mcare Fund

Assessment Remitted by Self-Insurer and Primary Insurer

Insurer Code	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021[1]
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
361	$ -	$ -	$ -	$ -	$ -	$ 151,350	$ 178,268	$ 276,880	$ 280,497	$ 188,550
362	$ -	$ -	$ -	$ -	$ 3,766	$ -	$ -	$ -	$ -	$ -
363	$ -	$ -	$ -	$ -	$ -	$ 6,699	$ 8,025	$ 8,774	$ 8,774	$ 6,780
364	$ -	$ -	$ -	$ -	$ -	$ -	$ 249,824	$ 378,026	$ 388,773	$ 454,494
365	$ -	$ -	$ -	$ -	$ -	$ 1,260,716	$ 3,263,085	$ 4,331,170	$ 4,113,443	$ 3,890,298
367	$ -	$ -	$ -	$ -	$ -	$ 28,433	$ 21,067	$ 14,783	$ 23,250	$ 33,127
368	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,544,749	$ 2,607,905	$ -	$ -
369	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 787,605	$ 264,183	$ 210,784
370	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,637	$ 12,525	$ 154,633	$ 145,962
371	$ -	$ -	$ -	$ -	$ -	$ -	$ 105,467	$ 16,670	$ -	$ -
372	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 615,219	$ 618,963	$ 419,777
373	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,748	$ 20,397	$ 17,573
374	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,416,788	$ 1,289,885	$ 3,409
375	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,819	$ 11,679
376	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 86,294	$ 73,584	$ 99,883
377	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,834	$ 108,864	$ 65,283
378	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,233	$ 13,020
379	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 862,305	$ 907,397
380	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,053	$ -
381	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 129,765
382	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 452,242
383	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,797
385	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 83,496
386	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 118,354
387	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 708,883
388	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,065
900	$ 1,032	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Totals	$ 206,259,079	$ 236,525,195	$ 226,542,198	$ 119,779,645	$ 170,001,832	$ 180,444,025	$ 194,254,657	$ 195,241,579	$ 191,213,405	$ 183,840,694

Note: The Amount is based on the gross rated undiscounted assessment remitted and processed as of January 20, 2022 and is subject to additional development.

Pennsylvania Department of Insurance

Mcare Fund

Count of Unique Health Care Providers by Provider Type by Assessment Year

10 Most Recent Years

Assessment Year	Physicians (MD/DO)	Podiatrists	Nurse Midwives	Hospitals	Nursing Homes	Primary Health Centers	Birth Centers	Total Annual Count[3]
2012	42,173	1,201	309	221	699	5	5	44,613
2013	42,798	1,221	314	220	698	5	5	45,261
2014	43,247	1,240	316	223	692	5	5	45,728
2015	43,662	1,231	322	221	692	5	6	46,139
2016	44,067	1,220	335	220	691	5	6	46,544
2017	44,064	1,235	352	218	690	4	6	46,569
2018	45,207	1,226	366	216	689	4	5	47,713
2019	45,955	1,225	388	207	687	3	5	48,470
2020	45,908	1,197	378	203	679	3	5	48,373
2021	42,923	1,068	382	185	620	3	5	45,186

Coverage for policies that have been reported and processed as of January 20, 2022 are included in the counts.

[1] Medical corporations are excluded as they are not health care providers.

[2] Coverage for policies that incept or renew during the month of December is due to Mcare on or before March 1, 2022. Coverage for 2021 policies that have been reported and processed as of January 20, 2022 is included in the counts and subject to additional development.

[3] Applying an experience based development factor of 1.06% to the current 2020 health care provider count results in a projected 2021 health care provider count of 48,897.

PENNSYLVANIA MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND

Unfunded Liability Analysis as of December 31, 2020;

Rollforward Analysis to June 30, 2021 (based on actual loss activity)

Deloitte Consulting LLP

August 5, 2021

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August 5, 2021

Ms. Tawny Mummah
Executive Director – Mcare Fund
Pennsylvania Insurance Department – Bureau of Mcare
1010 North 7th Street, Suite 201
Harrisburg, PA 17102

Dear Ms. Mummah:

Deloitte Consulting LLP is pleased to submit the actuarial report regarding our analysis of Pennsylvania Insurance Department ("Department") unfunded liability associated with the Medical Care Availability and Reduction of Error Fund as of June 30, 2021. This report supports our analysis of data through December 31, 2020, including a rollforward to June 30, 2021 based on actual loss payments and claim emergence from January 1, 2021 to June 30, 2021.

Michael Green and Greg Chrin are members of the Casualty Actuarial Society and the American Academy of Actuaries and meet the qualification standards to issue this actuarial report.

We have enjoyed working with Pennsylvania Insurance Department on this analysis. If you have any questions after reviewing this report, please do not hesitate to contact us.

Sincerely,

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I. Overview

Deloitte Consulting LLP ("Deloitte Consulting", "us", "we" or "our") was retained by the Pennsylvania Insurance Department to provide an independent actuarial analysis regarding the Department's unfunded liability of the Medical Care Availability and Reduction of Error Fund ("Mcare" or "the Fund") as of June 30, 2021. This report has been created to support and document our independent analysis.

This report discusses our approach and presents the results of our December 31, 2020 review, which was also rolled forward to June 30, 2021. Our unpaid claim estimates are presented on an undiscounted basis. All information presented in this report is as of December 31, 2020 and June 30, 2021, displayed in thousands of US dollars unless otherwise stated.

Fund Background

The Medical Professional Liability Catastrophe Loss Fund ("CAT Fund") was created on January 13, 1976 to ensure reasonable compensation for persons injured due to medical negligence. As a successor to CAT Fund, the Medical Care Availability and Reduction of Error Fund was created by Act 13 of 2002 and signed into law on March 20, 2002.

The Fund provides excess coverage (to varying historical limits) for health care providers who have exhausted their primary limits ("Excess Claims"), and previously provided first dollar coverage, including defense, for claims that are reported within the statute of limitations, but four or more years after the occurrence event ("Section 715 Claims").

Per Section 715 of Act 13, a provision was created to eliminate the Fund's first-dollar coverage of late reported claims. Prior to Act 13, these late reported claims were known as Section 605 claims. All medical professional liability insurance policies issued on or after January 1, 2006 provide coverage within the primary policy limit for breach of contract or tort occurring after December 31, 2005 regardless of when reported. However, the Fund still provides first dollar coverage for certain late reported claims under Section 715, including injuries to minors and for foreign objects in accordance with the Statute of repose at Section 513 of Act 13, when the first date of occurrence was prior to January 1, 2006 and the last date(s) of criticized treatment is more than four years before the claim was made.

The mandatory medical professional liability primary coverage limits are scheduled to increase (with corresponding decreases in the Fund coverage limits), subject to the Commissioner's assessment of the basic insurance coverage capacity. Per our discussions with the Department, the estimates contained in this report assume that the primary coverage limits will increase to $750,000 in 2024 through 2026 and then to $1 million in 2027, and that the Fund provides no excess coverage beginning with policies issued or renewed in 2027.

Policy Year	Hospital: Mandatory Primary Occurrence / Aggregate Limits	Physician: Mandatory Primary Occurrence / Aggregate Limits	Mcare Fund Excess Occurrence / Aggregate Limits	Section 605/715 Limits
1996 & Prior	200 / 1,000	200 / 600	1,000 / 3,000	1,000
1997 – 1998	300 / 1,500	300 / 900	900 / 2,700	1,000
1999 – 2000	400 / 2,000	400 / 1,200	800 / 2,400	1,000
2001 – 2002	500 / 2,500	500 / 1,500	700 / 2,100	1,000
2003 – 2005	500 / 2,500	500 / 1,500	500 / 1,500	1,000
2006 – 2023	500 / 2,500	500 / 1,500	500 / 1,500	500 (excess)
2024 – 2026	750 / 3,750	750 / 2,250	250 / 750	250 (excess)
2027 & Sub.	1,000 / 4,500	1,000 / 3,000	0 / 0	0 (excess)

The Fund is supported by an assessment collected from each participating health care provider. The annual assessment percentage for calendar year 2020 is 19%.[1] Act 13 requires an assessment that will, in the aggregate, produce an amount sufficient to accomplish the following:

1) Reimburse the Fund for payments of reported claims which became final during the preceding claims period;[2]
2) Pay expenses of the Fund incurred during the preceding claims period;
3) Pay principal and interest on moneys transferred into the Fund; and
4) Provide a reserve that should be 10% of the sum of (1), (2) and (3).

Beginning with the 2015 assessment and for each annual assessment thereafter, the Fund computes the assessment by subtracting any projected starting balance from the sum of items (1) through (4) above.[3] The assessment is collected via the application of an assessment rate to the policy year prevailing primary premium, which is based on the Joint Underwriting Association (JUA) occurrence rates applicable to the health care provider. Given that the assessments are primarily designed to reimburse the Fund for claims and expenses paid during the preceding claims period, the Fund effectively operates on a pay-as-you-go basis. The Fund does not maintain a reserve dedicated to support the liability for claims that have been incurred but not yet paid; however, the fund does require regular actuarial evaluations of its projected unfunded liability.

[1] https://www.insurance.pa.gov/SpecialFunds/MCARE/Pages/2020.aspx
[2] The Funds fiscal year for claim payments ends on August 31st, with actual payments on the claims settled within the fiscal year being made on or about December 31st
[3] Per the "settlement agreement" effective October 3, 2014 between the Commonwealth of Pennsylvania and the "Petitioners" – the Hospital & Health System Association of Pennsylvania ("HAP"), the Pennsylvania Medical Society ("PAMED"), and the Pennsylvania Podiatric Medical Association ("PPMA").

REPORT SECTIONS

This report is comprised of the following sections:

- **Overview** – provides a general introduction and overview of the engagement;
- **Scope** – describes the work and reports that Deloitte Consulting has performed and produced;
- **Conditions and Limitations** – details the limitations that apply to this engagement's work product, report, and results;
- **Summary of Results** – provides our estimates of the unpaid claims including relevant comments that discuss the areas of note observed throughout our analysis;
- **Actuarial Methodology** – describes the approach underlying the results of our estimates of unpaid claims;
- **Disclosures** – discusses certain disclosures required by Actuarial Standards of Practice pertaining to the estimation of property/casualty unpaid claims;
- **Exhibits** – describes the contents of the exhibits included in this report.

II. Scope

Deloitte Consulting serves as an independent consultant to Pennsylvania Insurance Department under an agreement between Pennsylvania Insurance Department and Deloitte Consulting. Our role under such engagement is to provide an actuarial analysis of the Mcare's unfunded liability.

The scope of work is to provide the following:

- An estimate of the Department's unfunded liability as of December 31, 2020 for covered claims from January 1, 1976 through December 31, 2020.
- Considerations impacting the unfunded liability and future calendar year payment projections, including but not limited to principal drivers of the projections, typical time horizons over which experience is considered for projection purposes, and historical variability of these drivers.
- A roll-forward of the Department's unfunded liability from December 31, 2020 to June 30, 2021, calculated by adding the projected cost of newly covered claims minus actual payments for 6 months of 2021 to the estimated unfunded liability as of December 31, 2020.

Greg Chrin is a Member of the American Academy of Actuaries (MAAA) and a Fellow of the Casualty Actuarial Society (FCAS). Greg Chrin prepared and supervised the various analyses contained in this report. Greg Chrin meets the definition of a Qualified Actuary per the NAIC Annual Statement Instructions – Property and Casualty, Actuarial Opinion. Michael Green, MAAA, ACAS, performed a peer review of this work. Greg Chrin and Michael Green have also attested compliance with the Casualty Actuarial Society's Continuing Education Policy as of December 31, 2020 to perform actuarial services in 2021. These organizations have professional standards that, among other provisions, require an actuary perform only assignments for which he/she is qualified.

The estimates contained in this report provide for losses and do not include any provisions for:

- Breast Implant and Pedicle Screw Claims
- Defense Costs
- Administrative expenses
- Brokerage or reinsurance costs including commissions
- Risk management fees
- Loss control fees
- Legal fees (other than claim defense costs)
- Actuarial fees
- Assessments

Our reasonable unpaid claim estimates provided in this report are intended to represent an "actuarial central estimate". "Actuarial central estimate" is defined by actuarial literature as "an estimate that represents an expected value over the range of reasonably possible outcomes."

The services we performed in this actuarial analysis do not constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants (AICPA). Any use of the word "review" within this report should be interpreted in the common use of that term, and not the definition of "review" promulgated by the AICPA.

Deloitte Consulting affirms, to the best of our knowledge, that it presently has no interest, direct or indirect, which would conflict with the performance of services for this analysis.

III. Conditions and Limitations

Due to the inherent uncertainty in projecting the ultimate costs of claims, no assurance can be offered that any particular estimate of unpaid claims will be adequate. We believe, however, that the actuarial techniques and assumptions used in our analysis are reasonable.

In estimating the unfunded liability, it is necessary to project the future payments of the unfunded liability. It is certain that actual future payments of the unfunded liability will not develop exactly as projected by any actuarial technique and may, in fact, vary significantly from the projections. No warranty is expressed or implied that such variance will not occur.

Further, our projections make no provision for the broadening of coverage by legislative action or judicial interpretation or for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Department's historical database or which are not yet quantifiable.

In particular, our projections make no separate provision or specific adjustment for the impact of the COVID-19 pandemic on the number and severity of future reported claims or the development of previously reported claims or the exposures as the volume of data is insufficiently credible on which to base actuarial assumptions. However, we caution that early expectations would suggest that:

- The pandemic may directly or indirectly result in more and/or larger claims being incurred than expected based on historical information for some coverages, or fewer claims for other coverages; and
- The effect of the pandemic on medical treatment, legal processes and business operations may cause the development of losses for previously reported claims to be understated for the period starting with the pandemic's inception through the evaluation date of the data for this report and thereby understate the projected ultimate losses and the outstanding liability.

Distribution and Use

This analysis has been prepared solely for the internal use of Pennsylvania Insurance Department and as documentation supporting our estimates related to unpaid claim liabilities as of December 31, 2020 and June 30, 2021. We understand that the Pennsylvania Insurance Department may release this report to the Pennsylvania Medical Society, the Hospital and Health System Association of Pennsylvania, and the Pennsylvania Podiatric Medical Association. In addition, the Fund may use this report as a part of the Mcare's Annual Report. Limited distribution of this report is permitted to the Department's external auditors to support their audit process, provided that it is made available on a confidential basis and that any further distribution by auditors to third parties is prohibited without Deloitte Consulting's prior written consent. This report may be made available to applicable state insurance regulatory agencies when required who shall use the report solely in connection with the discharge of their regulatory oversight responsibilities and for no other purpose.

Any other distribution of this report is not permitted without the prior written consent of Deloitte Consulting. The supporting data, analysis and tables contained in our exhibits are provided to clearly document the assumptions which support the results stated herein and are integral parts of this study. It is our intention that this report be used in its entirety, as a whole, and not segmented for other purposes.

Deloitte Consulting shall have no liability, regardless of form, to any person or entity other than the Pennsylvania Insurance Department for any action taken or omitted to be taken by such parties in respect of this report. Third parties should recognize that the furnishing of this report is not a substitute for their own due diligence and may not place any reliance on this report or data contained herein that would result in the creation of any duty or liability by Deloitte Consulting to any third party.

DATA RELIANCE

Deloitte Consulting has relied upon data provided by the Department for this review. A specific audit to verify the accuracy or completeness of the data is beyond the scope of this engagement. While we have reviewed the data with regard to its reasonableness and consistency, we have relied on such data without audit or verification and our conclusions are based on the assumption that it is accurate and complete. If the underlying information provided is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

IV. SUMMARY OF RESULTS

A summary of our estimated unfunded liability excluding breast implant and pedicle screw exposure as of December 31, 2020 is displayed in the table below. We have included a 0.9% load to account for the unfunded liability associated with delay damages and post judgment interest ("DD & PJI") costs.

Summary of Unfunded Liability (000's) as of December 31, 2020	
Coverage	**Undiscounted Estimates**
Excess Claims	$907,870
Section 715 Claims (First Dollar Coverage)	$16,310
Section 715 Claims (Excess Coverage)	$122,515
Total Excluding DD & PJI	**$1,046,695**
DD & PJI Load	0.9%
Total Including DD & PJI	**$1,056,115**

Furthermore, a summary of our estimated unfunded liability excluding breast implant and pedicle screw exposure derived from data valued as of December 31, 2020 and rolled forward to June 30, 2021 using actual loss emergence from January 1, 2021 through June 30, 2021 is displayed in the table below.

Summary of Unfunded Liability (000's) as of June 30, 2021	
Coverage	**Undiscounted Estimates**
Excess Claims	$913,394
Section 715 Claims (First Dollar Coverage)	$13,784
Section 715 Claims (Excess Coverage)	$124,770
Total Excluding DD & PJI (Using Projected Payments)	**$1,051,948**
Estimated Payments (1/1/2021 – 6/30/2021)	$97,796
Actual Payments (1/1/2021 – 6/30/2021)	$61,507
Total Excluding DD & PJI (Based on Actual Payments)	**$1,088,237**
DD & PJI Load	0.9%
Total Including DD & PJI	**$1,098,031**

A more detailed display of our unfunded liability estimates is presented on the Summary of the supporting exhibits.

The unfunded liability estimates provided above make provisions for:

- Case outstanding; claim adjusters' estimates of outstanding unpaid loss for known, reported claims.
- Incurred but not reported claims ("IBNR"); claims not yet reported and not recorded in the loss system, which are expected to arise from accidents that have already occurred
- "Pipeline" claims; claims known but not yet recorded in the loss system.
- Case development; future development on known, recorded claims.
- Reopened claims; future reopened claims which should be coded to the year the claim was originally incurred.

The last four components listed above are commonly referred to collectively as bulk IBNR.

RELEVANT COMMENTS

- **Breast Implant and Pedicle Screw Claims**
  The Fund has been able to identify reported claims with exposure to breast implant or pedicle screw liability. These exposures have resulted in significant historical reported claim activity. However, nearly all breast implant and pedicle screw claims are closed with relatively minor historical Fund payment activity (less than $10 million). Therefore, we have excluded these claims from the data used in our analysis to avoid the potential distortive effects on our projections. The unpaid claim estimates shown herein do not include a provision for these exposures.

- **Delay Damages and Post Judgment Interest**
  Prior to Act 135 of 1996, delay damages and post-judgment interest costs were generally included within the limits of coverage provided by the Fund. Pursuant to Act 135, these costs are now shared with other carriers in proportion to the share of loss and outside the Fund limits of coverage. Data for the most recent 15 calendar years indicate that Fund costs for delay damages and post-judgment interest have ranged from approximately 0.2% to approximately 1.8%. We have selected 0.9% as the estimated ratio of these costs to loss and have increased our estimates of the unfunded liability projections accordingly.

- **Defense and Other Costs**
  Our estimates do not include a provision for the costs of providing defense for Section 715 claims. These costs, which have averaged approximately 20% per year of the Section 715 claims paid over recent years, have historically been included in the Fund's operating (rather than claims) budget. Similarly, our estimates do not include a provision for the cost of claims administration nor for the Fund's other operating costs. We understand that defense is provided by the primary insurers for those claims where the Fund's coverage is provided on an excess basis.

- **Actual versus Expected Development**

  By using prior-year assumptions and selections from our independent testing, we estimated expected paid losses to emerge since the prior valuation. We then compared these expectations by year to the actual loss activity and noted any adverse or favorable development. Details on actual versus expected emergence are displayed in the tables below:

Summary of Actual versus Expected Emergence – Paid Loss (000's) 12/31/2019 – 12/31/2020			
Line of Business	**Expected Emergence**	**Actual Emergence**	**Actual vs. Expected**
Excess Claims SW excl. Philadelphia	117,648	111,400	(6,248)
Excess Claims Philadelphia	49,979	37,950	(12,029)
Section 715 Claims SW excl. Philadelphia (First Dollar)	4,103	13,456	9,353
Section 715 Claims Philadelphia (First Dollar)	1,418	0	(1,418)
Section 715 Claims SW excl. Philadelphia (Excess)	6,634	5,000	(1,634)
Section 715 Claims Philadelphia (Excess)	3,268	0	(3,268)
Total	**$183,050**	**$167,806**	**$(15,244)**

It is important to note that variances between actual and expected losses are not unexpected due to the inherently random nature of the insurance claim process (both in timing and amount of payments). Our prior-year estimates, as well as our expectation of loss development during the past 12 months, were based on the Entity's history of data up through that point in time only. Therefore, the actual versus expected differences displayed above are intended to be construed as loss activity in the current year above and beyond (either positive or negative) what the previous historical loss development patterns had implied.

We do not consider these variances to necessarily indicate there was any error in the prior year Estimated Actuarial Liabilities. We have considered the loss emergence described above (as well as the loss emergence for previous years) when reselecting our loss development pattern assumptions. We also consider this information when we reselect our ultimate loss estimates, as described below.

- **Change in Ultimate Loss Estimates**

  In aggregate, we have held our ultimate selections for common accident years since the prior December 31, 2019 valuation. Details on changes in our ultimate loss selections are displayed in the table below:

Summary of Change in Ultimate Loss (000's)	
Line of Business	**Ultimate Change**
Excess Claims SW excl. Philadelphia	10,393
Excess Claims Philadelphia	(18,243)
Section 715 Claims SW excl. Philadelphia (First Dollar)	11,442
Section 715 Claims Philadelphia (First Dollar)	(1,685)
Section 715 Claims SW excl. Philadelphia (Excess)	3,455
Section 715 Claims Philadelphia (Excess)	(5,365)
Total	**$(3)**

As displayed above in the "Actual versus Expected Development" section, the overall favorable emergence is primarily driven by lower than historical average payment activity over the last calendar year for Excess claims, partially offset by Section 715 claims for Statewide excluding Philadelphia (first dollar coverage) which developed unfavorably. In total, actual payments of $167.8 million made between 12/31/19 and 12/31/20 valuations were lower than the projected payments of $183.1 million for the same period, potentially as the court activity in Pennsylvania was curtailed due to the COVID-19 pandemic. Industry data also indicates that the suppression of litigation has resulted in both delayed proceedings and lower than expected settlements, both of which would appear as favorable development. Our selections do not fully reflect the favorable experience observed since the prior analysis. We believe this experience may just be a delay in payment activity and not an actual decrease in the ultimate cost of claims.

In addition, we were provided with a revised split of the total base premium exposure of $980 million for accident years 2019 and 2020, which also applies to 2021 (refer to: Section I, Exhibits I and II, Sheet 4, Column 2). The Statewide excluding Philadelphia ("SW excl. Philadelphia") base premium increased from $676 million to $706 million, while the Philadelphia base premium decreased from $304 million to $274 million. We note that the SW excl. Philadelphia loss rates and severities are higher as compared to the respective Philadelphia indications. Therefore, the shift in $30 million of base premium drives an overall unfavorable impact in 2019 and 2020 which mostly offsets the favorable ultimate loss changes mentioned above. Note that the change in ultimate selections noted above by segment incorporate the impact of the shift in base premium exposure. Please refer to the supporting analysis exhibits for more details on the loss rate and severity selections, actual versus expected development and the change in ultimate loss by individual accident year for each individual segment.

- **Runoff of Liabilities**

  We have estimated the unfunded liability as of December 31, 2020 for each of the future accident years by rolling forward our estimates based on the projected newly asserted claims and

expected payment activity by calendar year. Refer to Summary Appendix, Sheet 2 for the respective calculations.

V. Actuarial Methodology

Unfunded Liability

During the course of our analysis, Deloitte Consulting considered the following:

- Historical paid loss development patterns by coverage and any recent changes in these patterns;
- Historical closed with payment claim count development patterns and any recent changes in these patterns; and
- Industry information where needed to supplement the Fund's own data.

Several actuarial methods may be used for estimating ultimate losses. The methods used by each line of business are applied based on the credibility of the historical data, changes in Department operations affecting the historical data (e.g., changes in case reserving or claim reporting), the characteristics of that line of business (e.g., long versus short tail of development), and actuarial judgment. The paragraphs below describe the mechanics of the various methods and outline the underlying assumptions for each method.

General assumptions may include, but not be limited to, the following items:

- Loss development factors, including age-to-age, age-to-ultimate, and "tail" development factors
- Loss trends, including severity trend, frequency trend, and loss cost trend
- Loss cost amounts
- Exposure trends – primarily base premium

Loss Methods

- **Paid Loss Development Method**
  This method projects losses to ultimate based upon historical changes in the valuation of paid losses at given points in time (e.g., 12 months, 24 months). This method is particularly appropriate when loss development patterns have been historically stable and can be predicted with reasonable accuracy. This method is appropriate when claim handling processes have been stable but are independent of the case reserving methods used by the company given the reliance only on paid losses.

- **Expected Loss Rate Method**
  The expected loss rate method adjusts the historical loss rates to a current year on-level basis to reflect changes in the claim cost inflation, frequency, rate change and retention levels. Loss rates are defined as the estimated losses per unit of premium. An on-level loss rate is selected and then unadjusted to each appropriate year. The selected unadjusted loss rates are then multiplied by the premium to calculate ultimate losses.

- **Paid Bornhuetter-Ferguson (B-F) Method**
  This method is essentially a combination of two other reserving techniques: the paid loss development method and the expected loss rate method. The B-F method blends these two methods by splitting expected losses into two distinct pieces: expected paid losses and expected unpaid losses. As an accident year matures, the expected paid losses are replaced with actual paid losses plus expected unpaid losses to produce ultimate losses. Thus, as the accident year matures, the initial expected paid loss estimate becomes less important while the actual paid loss experience becomes more important. To calculate this method, one must estimate initial expected losses and a loss payment pattern. The initial expected losses are calculated by selecting an average loss rate and multiplying by the exposure. The payment pattern is taken from the paid loss development method.

- **Frequency-Severity Method**
  The frequency-severity method begins with selecting initial expected loss severities, after consideration of the results from the loss development approaches. The initial loss severities are representative of the ultimate costs per claim. These expected loss severities are then applied to estimated ultimate claim counts to estimate ultimate losses.

We note that the Fund does not establish a provision for case reserves on open claims. Case reserves represent an estimate of the case value based on a claim adjuster's assessment of the relevant case-specific facts and circumstances. Therefore, we have not leveraged actuarial methods that rely upon case reserve estimates (e.g., reported loss development method, reported B-F method, etc.).

For our analysis of Section 715 excess claims (AY 2006 & Subs.) excluding breast implant and pedicle screw exposure (Section III of the analysis exhibits), we have relied on the loss development factor selections for Excess claims (Section I of the analysis exhibits) assuming a lag of four years, considering the nature of Section 715 excess claims and since the Department's historical claims experience is not sufficiently statistically credible.

Base Premium estimates utilized in our procedures are updated based on periodic assessment studies and loss and exposure trends. We have reviewed these trends and held them flat in light of the market conditions.

SELECTED ULTIMATE LOSSES AND UNPAID LOSS CALCULATION

The estimates of ultimate losses for the direct business by accident year is selected based on the indications of the reserving methods described above. More weight is applied to the B-F and frequency-severity methods in more recent periods and the loss development method in older periods. We calculated unpaid loss by subtracting paid losses from these ultimate selections.

OTHER CONSIDERATIONS

ROLL-FORWARD ANALYSIS

The loss data that we used to estimate the unfunded liability amount was valued as of December 31, 2020. Therefore, in order to compute the estimated unfunded liability as of June 30, 2021, we had calculated a projection in June based on estimated loss payments. We have now revisited our analysis and made certain adjustments for the actual loss payments and claim emergence from January 1, 2021 to June 30, 2021, as described below.

To estimate the unfunded liability as of June 30, 2021, we added a provision for new occurrences from January 1, 2021 to June 30, 2021 by adding the pro-rated portion of the estimated ultimate loss exposed during this time period and subtracted actual loss payments from January 1, 2021 to June 30, 2021.

Our estimated loss payments from January 1, 2021 to June 30, 2021 are approx. $97.8 million for all segments combined. The actual loss payments for the same period and all segments combined are provided to be $61.5 million which compare favorable to our expectation, and may be driven by delay in legal proceedings and claim reporting as caused by the COVID-19 pandemic. In light of the uncertain claims environment, we have held our ultimate loss selections and subtracted actual loss payments of $61.5 million to imply a higher estimate of unfunded liability as of June 30, 2021.

REINSURANCE COLLECTIBILITY

The Fund has not purchased reinsurance for many years, and reinsurance recoveries over recent calendar years have been insignificant. Future reinsurance recoveries are also expected to be insignificant, and no adjustment for reinsurance recoverables has been made to our estimate of the unfunded liability.

PENNSYLVANIA PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION (PPCIGA)

For insurers who become insolvent, the PPCIGA provides coverage for primary policy limits up to $300,000. The Fund currently provides coverage in excess of $500,000. This could create a gap between the protection of the PPCIGA and the Fund which is not explicitly covered by the Fund. However, the gap may impact the amount of payments provided by the Fund which adds to the uncertainty of the estimates. We do not expect this uncertainty to materially impact our estimates.

VI. DISCLOSURES

Actuarial Standard of Practice No. 43: *"Property/Casualty Unpaid Claim Estimates"* requires certain disclosures to accompany actuarial estimates of unpaid claims. The following disclosures are applicable to our analysis of the Department's unfunded liability as of December 31, 2020 and June 30, 2021.

- **Terminology**: The terms "Unfunded Liability", "Estimates of Unpaid Claims", and "Unpaid Claim Estimates" are used interchangeably and are meant to convey the same meaning. The term "Reserve" is limited to its strict definition as an amount recorded in financial statements.

- **Purpose or Use of Unpaid Claim Estimates**: The purpose of the unpaid claim estimates is to provide the Department's Management with an independent analysis and estimates of unfunded liability associated with the Department's Mcare programs.

- **Scope of the Unpaid Claim Estimates**: The intended measure of the unpaid claim estimates provided is an actuarial central estimate (an estimate that represents an expected value over the range of reasonably likely outcomes). Our estimates are shown on an undiscounted basis.

- **Constraints on the Unpaid Claim Estimates**: There were certain constraints in the performance of this actuarial analysis. These constraints stem from substantial uncertainties in estimating the loss for unpaid claims. Examples include but are not limited to the rate of inflation inherent in losses during observable development periods, the projected development for losses as they age beyond the observable development periods, and the inherent variability in losses over time.

- **Uncertainty**: We have not attempted to measure the uncertainty in the estimates.

- **Applicable Dates**: These unpaid claim estimates as of December 31, 2020 and June 30, 2021 were based on loss, and premium data evaluated as of December 31, 2020, and additional information provided to us through the date of this report.

- **Updates of Previous Estimates**: These unpaid claim estimates include updates of previous estimates. The assumptions underlying these estimates are generally based on our evaluation of the Entity's historical experience, and these assumptions in some cases have changed since our last evaluation of the unpaid claim liabilities as of June 30, 2020.

- **Documentation**: This report, along with the accompanying exhibits, provides documentation supporting our unpaid claim estimates as of December 31, 2020 and June 30, 2021.

Actuarial Standard of Practice No. 56: *"Modeling"* requires disclosure of certain information regarding the actuary's use of models when issuing actuarial reports for work performed on or after October 1, 2020. For this valuation, the unpaid claim estimate calculations were determined using

Microsoft Excel based reserving models developed and maintained internally by Deloitte Consulting. The model was designed specifically for the measurement of property & casualty unpaid claim estimates and the actuary has updated the applicable parameters for the specific coverages reviewed and assumptions selected for this valuation.

VII. EXHIBITS

Pennsylvania Medical Care Availability and Reduction of Error Fund Summary 1

Total Excess and Section 715 Claims, Excluding Breast Implant & Pedicle Screw Claims

Unfunded Liability Analysis as of 12/31/2020
(000)'s

Summary Exhibit

	Selected Ultimate Loss @ 12/31/2020	Paid Loss @ 12/31/2020	Indicated Unpaid Loss @ 12/31/2020
	(1)	(2)	(3)
Excess Claims (1991 - 2020)			
SW excl. Philadelphia	3,348,984	2,658,180	690,804
Philadelphia	2,259,527	2,042,461	217,066
Excess Claims (1990 & Prior)	1,858,845	1,858,845	0
Sub-Total (A)	7,467,356	6,559,486	907,870
Section 715 Claims (First Dollar Coverage: 2005 & Prior)			
SW excl. Philadelphia	605,352	591,805	13,547
Philadelphia	432,880	430,118	2,763
Sub-Total (B)	1,038,232	1,021,923	16,310
Section 715 Claims (Excess Coverage: 2006 - 2020)			
SW excl. Philadelphia	105,873	13,915	91,958
Philadelphia	34,027	3,470	30,557
Sub-Total (C)	139,900	17,385	122,515
Total (D = A + B + C)	**8,645,488**	**7,598,793**	**1,046,695**
DD & PJI Load (E)			**0.9%**
Total incl. DD & PJI (D * (1+E))			**1,056,115**

Footnotes:

(1) Deloitte Selected Ultimate Loss @ 12/31/2020
(2) Provided by Entity @ 12/31/2020
(3) Deloitte Indicated Unpaid Loss @ 12/31/2020

Pennsylvania Medical Care Availability and Reduction of Error Fund Summary 2

Total Excess and Section 715 Claims, Excluding Breast Implant & Pedicle Screw Claims

Unfunded Liability Analysis as of 06/30/2021
(000)'s

Summary Exhibit

	Selected Ultimate Loss @ 06/30/2021	Paid Loss @ 06/30/2021	Indicated Unpaid Loss @ 06/30/2021
	(1)	(2)	(3)
Excess Claims (1991 - 2021)			
SW excl. Philadelphia	3,493,730	2,721,390	699,968
Philadelphia	2,305,116	2,068,895	213,427
Excess Claims (1990 & Prior)	1,858,845	1,858,845	0
Sub-Total (A)	7,657,691	6,649,129	913,394
Section 715 Claims (First Dollar Coverage: 2005 & Prior)			
SW excl. Philadelphia	605,352	593,846	11,506
Philadelphia	432,880	430,603	2,277
Sub-Total (B)	1,038,232	1,024,449	13,784
Section 715 Claims (Excess Coverage: 2006 - 2021)			
SW excl. Philadelphia	118,208	17,807	94,234
Philadelphia	37,455	5,205	30,536
Sub-Total (C)	155,663	23,012	124,770
Total (D = A + B + C)	**8,851,586**	**7,696,589**	**1,051,948**
Expected Paid 1/1/2021 - 6/30/2021 (E)			97,796
Actual Paid 1/1/2021 - 6/30/2021 (F)			61,507
Total (G = D + E - F)			**1,088,237**
DD & PJI Load (E)			**0.9%**
Total incl. DD & PJI (D * (1+E))			**1,098,031**

Footnotes:

(1) Deloitte Selected Ultimate Loss @ 06/30/2021
(2) Provided by Entity @ 12/31/2020 + "Projected - Actual" Payments through 06/30/2021
(3) Deloitte Indicated Unpaid Loss @ 06/30/2021; Latest Year Adjusted for Partial Period

pennsylvania
INSURANCE DEPARTMENT

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End of Report