



Medical Care Availability and
Reduction of Error Fund

2022

ANNUAL REPORT

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I. Executive Summary

During 2022, 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 \$172,313,655 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.

2022 Highlights

The following highlights demonstrate Mcare's efforts in 2022 to modernize its overall business processes and operations.

Mcare Moved to Capitol Associates Building

Mcare is a Bureau under the Office of Liquidations, Rehabilitations and Special Funds (OLRSF) within the Pennsylvania Insurance Department. In March of 2022, OLRSF consolidated all of its offices into the Capitol Associates Building located at 901 N. 7th Street, Harrisburg, PA.

IT Modernization Project

Mcare continued its efforts to modernize 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 The legacy system is highly customized and is written in outdated programming language.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.

Successful Hybrid Work Environment

The coverage, claims and fiscal program areas continued to work efficiently and effectively in the hybrid work environment implemented once the March 2020 Executive Order for remote work was lifted in April 2021. As a result, Mcare staff have been working pursuant to telework agreements wherein the majority of the employees report to the office on a hybrid schedule.

Mcare can be reached at 717-783-3770, via e-mail at ra-in-mcare-exec-web@pa.gov, or by visiting the website at <https://www.insurance.pa.gov/SpecialFunds/MCARE/Pages/default.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 Act (Act 13 of 2002), which created Mcare 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. Professional corporations, professional associations and partnerships owned entirely by health care providers may elect to insure or self-insure their primary liability. If they elect to purchase basic primary liability 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 claims 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 \$1.088 billion as of December 31, 2021.

III. Mcare Financial Highlights

Appendix A.1 is the Mcare Cash Basis Statement of Operations as of December 31, 2022. 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 2022 with a balance of \$4,233,758.

Appendix A.2 is the Cash Basis Statement of Reserve Fund as of December 31, 2022. No portion of the Reserve Fund balance of \$14,089,158 was needed to pay claims in 2022. 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 2013 to 2022. 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

Mcare 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 2,612 claims reported by primary insurers between September 1, 2021 and August 31, 2022 (the 2022 statutory claims period). This compares to 2,589 claims opened in the prior claims period. Mcare closed 2,444 claims in the 2022 claims period compared to 2,968 claims closed in the prior claims period. These numbers include claims closed with and without Mcare indemnity payment. A total of 116 primary insurers reported claims to Mcare in the 2022 claims period, compared to 111 in 2021.

Section 715 Claims Opened/Closed

Section 715 of the Mcare Act is a remnant from the 1975 original compensation fund legislation. The purpose of Section 715 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 2022 claims period, Mcare opened 13 and closed 13 Section 715 claims. This compares to 4 opened and 17 closed in the 2021 claims period. There are 38 active claims as of August 31, 2022. Newly established claims are dependent on incidents that occurred prior to January 1, 2006 and other qualifying factors. Therefore, claims continue to diminish based on the time period that has elapsed.

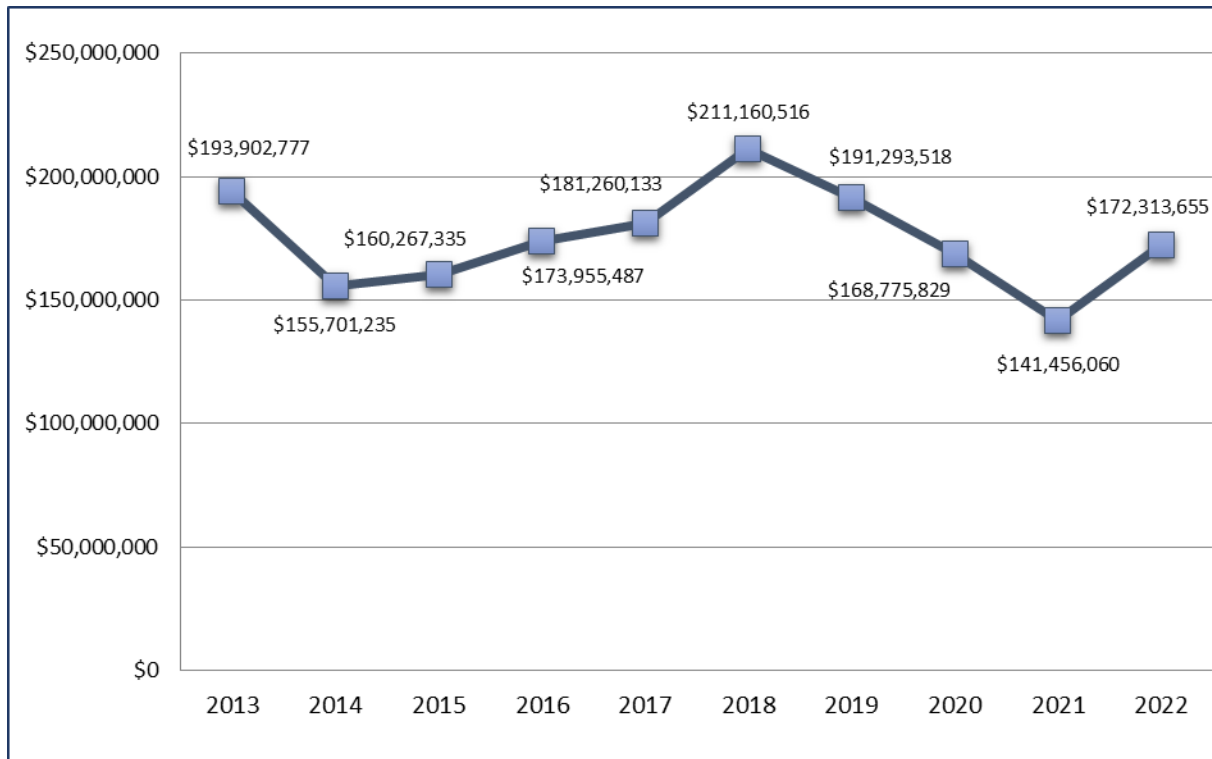
Alternative Dispute Resolution (ADR)

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 2022 claims period, 121 ADR processes were completed. This is comprised of 26 arbitrations, 93 mediations, and 2

monetary cap trial agreements. Since the Mcare ADR program's inception in 2003, it has been used in over 2,300 medical malpractice matters.

Chart 1 below shows Mcare's total claims payments for the ten most recent years.

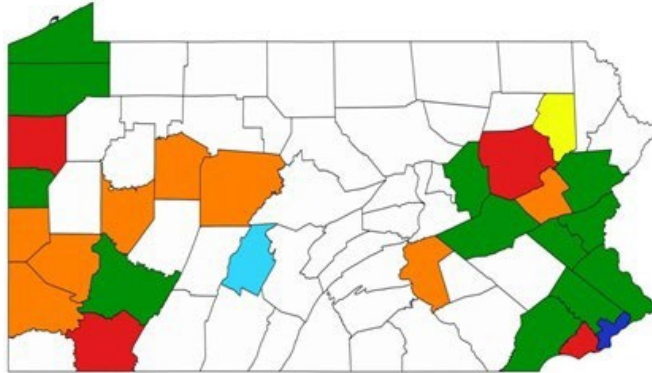
Chart 1: Ten Most Recent Claims Payments by Claims Year



Regional Statistics

Mcare claims payments also vary by JUA territory. Chart 2 below shows the 2022 claims payments allocated by territory.

Chart 2: 2022 Mcare Paid Claims by JUA Territory



Territory	Territory Total	County(ies) Within Territory
Territory 1	\$40,944,149	Philadelphia
Territory 2	\$33,015,375	Remainder of State
Territory 3	\$24,283,588	Allegheny
Territory 3	\$10,728,321	Armstrong, Beaver, Carbon, Clearfield, Dauphin, Jefferson, Washington
Territory 3	\$35,011,909	Territory 3 Total
Territory 4	\$16,328,242	Delaware, Fayette, Luzerne, Mercer
Territory 5	\$9,825,000	Lackawanna
Territory 6	\$35,688,980	Bucks, Chester, Columbia, Crawford, Erie, Lawrence, Lehigh, Monroe, Montgomery, Northampton, Schuylkill, Westmoreland
Territory 7	\$1,500,000	Blair
Total Paid	\$172,313,655	

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 for 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 2022, the assessment revenue is \$129 million as compared to the assessment revenue of \$192 million for 2021. This is the result of an assessment rate of 12% for 2022, which is a departure from the prior five years' assessment rate of 19%. The assessment rate decreased for 2022 due to the pandemic and Mcare's associated suppressed claims payments from September 1, 2020 to August 31, 2021. As the Department announced the lower rate of 12%, Mcare advised that the year's lower rate may be short-lived as the full impact of the pandemic could cause the rate to return to or surpass the previous rate within a few years. As predicted, the 2022 claims year payments returned to pre-COVID levels.

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 principal and interest on any funds borrowed,
4. Provide a 10% buffer of the sum of items 1-3, and
5. Minus the projected starting balance, which includes interest income from the sum of items 1-4.

Chart 3 below reflects the assessment percentage over the last ten 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 Ten Most Recent Years

Assessment Year	Original Percentage	Settlement Adjusted Percentage
2013	25%	
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.2.

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 and submit the assessment to Mcare on behalf of the health care provider.

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. Mcare continues to strengthen its compliance efforts, with a focus on the compliance of hospitals and nursing homes.

V. Mcare Unfunded Liability

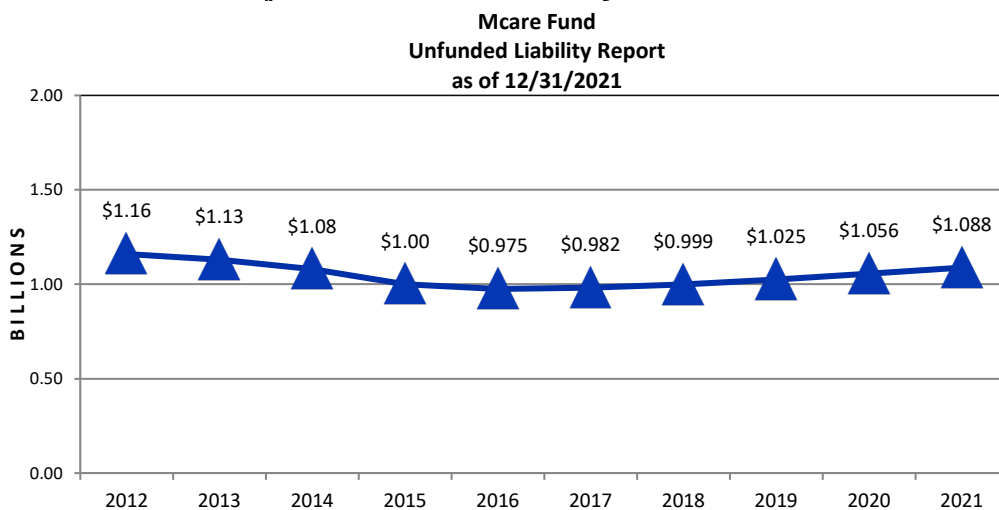
Mcare operates on a funding scheme characterized as a pay-as-you-go system since it holds no reserves, unlike a traditional insurance company. Mcare does not maintain a reserve dedicated to support the liability or claims that have been incurred but not yet paid. This constitutes the unfunded liability 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 reduced from \$1.2 million to \$1 million, has previously resulted in the Mcare unfunded liability projection trending downward.

The annual actuarial study, prepared in 2022 by Deloitte Consulting LLP (Deloitte), concludes that an unfunded liability of \$1.088 billion exists as of December 31, 2021. According to Deloitte, the unfunded liability projection as of December 31, 2021, has increased when compared to December 31, 2020, due to a lower level of payment activity over the last calendar year relative to historical experience, potentially due to the COVID pandemic. Also, industry data indicates that the suppression of litigation has resulted in both delayed proceedings and lower than expected settlements.

Below is a chart reflecting the projected unfunded liability for the ten most recent years.

Chart 5: Mcare Projected Unfunded Liability for the Ten Most Recent 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.

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MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND

CASH BASIS STATEMENT OF OPERATIONS

JANUARY 1, 2022 TO DECEMBER 31, 2022

MCARE FUND BALANCE JANUARY 1, 2022 **\$ 56,675,135**

Receipts:

ASSESSMENT REVENUE	\$	129,441,744
INVESTMENT INCOME ON ASSESSMENTS	\$	1,883,771
MISCELLANEOUS REVENUE	\$	0
TRANSIT & PAYABLES SUMMARY	\$	(180,604)

TOTAL RECEIPTS	\$	<u>131,144,911</u>	\$	131,144,911
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TOTAL FUNDS AVAILABLE: **\$ 187,820,046**

Claims Deductions:

2022 CLAIMS PAYMENTS	\$	172,313,655 ^{#1}
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CLAIMS DEDUCTIONS	\$	<u>172,313,655</u>
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Operating Expenses:

SALARIES	\$	2,959,217
PAYROLL TAXES & BENEFITS	\$	1,868,314
DATA PROCESSING SERVICES	\$	130,000
LEGAL FEES & EXPENSES	\$	1,045,023 ^{#2}
COMMONWEALTH SHARED SERVICES	\$	380,505
CONSULTANTS	\$	723,326
TELECOMMUNICATIONS	\$	34,628
REAL ESTATE	\$	372,745
IT MODERNIZATION	\$	3,129,005 ^{#3}
MOVING EXPENSES	\$	563,392 ^{#4}
OTHER OPERATIONAL EXPENSES	\$	66,477

TOTAL OPERATING EXPENSES	\$	<u>11,272,633</u>
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TOTAL DEDUCTIONS AND EXPENSES: **\$ (183,586,288)**

MCARE FUND BALANCE BEFORE TRANSFER **\$ 4,233,758**

TRANSFER FROM MCARE RESERVE FUND **\$ 0 ^{#5}**

MCARE FUND BALANCE DECEMBER 31, 2022 **\$ 4,233,758**

FINANCIAL FOOTNOTES:

^{#1}	2022 Claim Payments	\$	172,313,655
^{#2}	Legal Fees & Expenses	\$	1,045,023
	Amount paid to defend Health Care Providers under §715		
^{#3}	IT Modernization	\$	3,129,005
	IT vendor expense only		
^{#4}	Moving Expenses	\$	563,392
	Mcare consolidated its office with the Office of Liquidations, Rehabilitations and Special Funds in March 2022		
^{#5}	Reserve Fund Balance 01/01/2022	\$	13,912,297
	Transfer to Mcare Operations in lieu of borrowing per		
	HAP/PAMED/PPMA Settlement Agreement paragraph 4.A.	\$	0
	Reserve Fund Investment Income	\$	176,861
	Reserve Fund Balance 12/31/2022	\$	<u>14,089,158</u>

MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND

CASH BASIS STATEMENT OF RESERVE FUND

JANUARY 1, 2022 TO DECEMBER 31, 2022

<u>RESERVE FUND BALANCE JANUARY 1, 2022</u>	\$	13,912,297
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Monthly Receipts:	Investment Income:	Month End Balance:
JANUARY	\$ 676	\$ 13,912,973
FEBRUARY	\$ 828	\$ 13,913,801
MARCH	\$ 844	\$ 13,914,645
APRIL	\$ 1,825	\$ 13,916,470
MAY	\$ 3,421	\$ 13,919,892
JUNE	\$ 7,679	\$ 13,927,570
JULY	\$ 11,804	\$ 13,939,374
AUGUST	\$ 17,925	\$ 13,957,300
SEPTEMBER	\$ 25,182	\$ 13,982,481
OCTOBER	\$ 28,059	\$ 14,010,540
NOVEMBER	\$ 33,100	\$ 14,043,641
DECEMBER	\$ 45,517	\$ 14,089,158
TOTAL INVESTMENT INCOME	\$ 176,861 ^{#1}	
TOTAL FUNDS AVAILABLE:		\$ 14,089,158
Claims Deductions:		
TRANSFER FOR CLAIMS PAYMENTS	\$ 0 ^{#2}	\$ 0

<u>RESERVE FUND BALANCE DECEMBER 31, 2022</u>	\$	14,089,158
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FINANCIAL FOOTNOTES:

^{#1} Total Investment Income Replenishment per HAP/PAMED/PPMA Settlement Agreement paragraph 4.E.	\$	176,861
^{#2} Transfer for Claims Payments Transfer to Mcare Operations in lieu of borrowing per HAP/PAMED/PPMA Settlement Agreement paragraph 4.A.	\$	0

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

Mcare Fund											
Summary of Financials - Most Recent Ten Years											
* In Millions *											
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Beginning Balance	130	169	73	28	12	17	0	0	13	57
2	Settlement Agreement ¹		(169)								
3	ADJUSTED BEGINNING BALANCE	130	0	73	28	12	17	0	0	13	57
	Receipts:										
4	Assessment Revenue	239	233	124	165	192	184	195	190	192	129
5	Investment Income Earned	2	2	2	1	2	3	3	0	0	2
6	Transfer from Other Funds ²	0	0	0	0	0	15	1	0	0	0
7	Loan from Other Funds	0	0	0	0	0	0	0	0	0	0
8	Misc. Other	4	1	0	1	1	(1)	0	0	1	0
9	Net +/- in Fair Value of Investments	0	4	(1)	0	0	0	0	0	0	0
10	Subtotal Receipts without Beginning Balance (4+5+6+7+8+9)	245	240	125	167	195	201	199	190	193	131
11	Grand Total Receipts with Beginning Balance (3+10)	375	240	198	195	207	218	199	190	206	188
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Expenditures:										
12	Salaries & Benefits	4	4	4	4	4	4	4	4	4	5
13	Loan Repayment	0	0	0	0	0	0	0	0	0	0
14	Loss on Investments	0	0	0	0	0	0	0	0	0	0
15	Legal Fees & Expenses	6	6	4	3	2	2	2	2	1	1
16	Liability Claims Paid	194	156	160	174	181	211	191	170	141	172
17	IT Modernization	0	0	0	0	0	0	0	0	1	3
18	Misc. Other ³	2	1	2	2	3	1	2	1	2	3
19	Grand Total Expenditures (12+13+14+15+16+17+18)	206	167	170	183	190	218	199	177	149	184
20	Year End Balance (11-19)	169	73	28	12	17	0	0	13	57	4
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 \$15.1 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.											

Pennsylvania Insurance Department

Mcare Fund

Paid Claims by Region - Five Most Recent Years¹

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
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%
2022	\$172,313,655	\$70,957,621	41.18%	\$47,465,375	27.55%	\$53,415,659	31.00%	\$475,000	0.28%

Regional County Definition:

Eastern Bucks, Chester, Delaware, Lehigh, Montgomery, Northampton, Philadelphia, United State Eastern District Court

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, United States Middle District Court

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, United States Western District Court

Other Includes all other states where an Mcare defendant was involved.

¹ County designation within region is for Mcare claims handling purposes only.

Pennsylvania Insurance Department

Mcare Fund

Average Claim and Case Payments - Ten Most Recent Years

Year	Fund Money	Claim Count	Average Claim Value	Case Count	Average Case Value
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
2022	\$172,313,655	367	\$469,519	257	\$670,481

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

Pennsylvania Insurance Department

Mcare Fund

Summary of Annual Fund Claims Payments by Health Care Provider Group
Ten Most Recent Years

<u>Individuals</u> MDs, DOs, Podiatrists Certified Nurse Midwives					<u>Medical Corporations</u>				<u>Institutions</u> Hospitals, Nursing Homes Birth Centers, Primary Care Centers				<u>Totals</u>		
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	
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	
2022	216	59%	\$103,454,281	60%	18	5%	\$8,350,000	5%	133	36%	\$60,509,374	35%	367	\$172,313,655	

Pennsylvania Insurance Department

Mcare Fund

**Claims Payments by Self-Insurer and Primary Insurer
Five Most Recent Years**

Insurer Code	2018	2019	2020	2021	2022
S01	\$ -	\$ -	\$ -	\$ -	\$ -
S10	\$ 2,000,000	\$ 3,500,000	\$ 3,000,000	\$ 500,000	\$ 500,000
S12	\$ 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	\$ 3,500,000
S41	\$ -	\$ -	\$ 500,000	\$ -	\$ -
S43	\$ -	\$ -	\$ -	\$ -	\$ -
S45	\$ -	\$ -	\$ -	\$ -	\$ -
S49	\$ -	\$ -	\$ -	\$ -	\$ -
S51	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
S53	\$ -	\$ -	\$ -	\$ -	\$ -
S54	\$ 250,000	\$ -	\$ -	\$ 400,000	\$ -
S57	\$ -	\$ -	\$ -	\$ -	\$ -
S60	\$ 300,000	\$ -	\$ 750,000	\$ -	\$ 1,450,000
S62	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -
S63	\$ -	\$ -	\$ -	\$ -	\$ -
S66	\$ -	\$ -	\$ -	\$ -	\$ -
S67	\$ -	\$ -	\$ -	\$ 500,000	\$ -
S68	\$ 1,025,000	\$ 3,100,000	\$ -	\$ 250,000	\$ 1,500,000
S69	\$ 1,500,000	\$ -	\$ 1,000,000	\$ 2,800,000	\$ 3,329,875
003	\$ 16,283,334	\$ 11,718,077	\$ 11,922,246	\$ 6,565,000	\$ 11,650,000
011	\$ 1,950,000	\$ 2,950,000	\$ 4,024,000	\$ 3,275,000	\$ 1,000,000
031	\$ 18,905,548	\$ 13,856,800	\$ 9,400,000	\$ 4,300,000	\$ 15,650,500
032	\$ 1,000,000	\$ 1,000,000	\$ 900,000	\$ -	\$ 1,000,000
039	\$ -	\$ -	\$ -	\$ -	\$ -
045	\$ -	\$ -	\$ -	\$ -	\$ -
052	\$ 400,000	\$ -	\$ -	\$ -	\$ 453,242
067	\$ 15,586,000	\$ 14,126,801	\$ 8,355,000	\$ 10,972,000	\$ 12,491,555
086	\$ 2,000,000	\$ -	\$ 1,000,000	\$ -	\$ -
090	\$ 500,000	\$ -	\$ -	\$ -	\$ -
093	\$ 50,000	\$ -	\$ 1,000,000	\$ -	\$ -
103	\$ -	\$ 750,000	\$ 1,000,000	\$ -	\$ 250,000
112	\$ -	\$ -	\$ -	\$ -	\$ -
119	\$ 1,000,000	\$ -	\$ 55,000	\$ -	\$ -
121	\$ -	\$ 500,000	\$ 1,000,000	\$ 2,400,000	\$ 1,000,000
124	\$ -	\$ -	\$ -	\$ 500,000	\$ -
126	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
127	\$ 1,650,000	\$ 500,000	\$ 1,725,000	\$ 1,500,000	\$ 2,525,003
129	\$ 6,650,197	\$ 3,600,000	\$ 6,300,000	\$ 2,900,000	\$ 2,500,000
130	\$ -	\$ -	\$ -	\$ -	\$ -
135	\$ -	\$ -	\$ -	\$ -	\$ -
136	\$ 2,000,000	\$ 100,000	\$ 1,000,000	\$ 380,000	\$ 1,100,000
137	\$ -	\$ -	\$ 500,000	\$ -	\$ 675,000

Pennsylvania Insurance Department

Mcare Fund

**Claims Payments by Self-Insurer and Primary Insurer
Five Most Recent Years**

Insurer Code	2018	2019	2020	2021	2022
138	\$ 1,500,000	\$ 1,000,000	\$ 400,000	\$ 997,500	\$ -
139	\$ -	\$ -	\$ -	\$ -	\$ -
143	\$ -	\$ -	\$ -	\$ -	\$ -
144	\$ 16,760,000	\$ 20,895,000	\$ 19,075,000	\$ 19,755,000	\$ 17,915,000
145	\$ 4,775,000	\$ 6,825,000	\$ 3,100,000	\$ 3,000,000	\$ 5,625,000
155	\$ 11,650,000	\$ 10,150,000	\$ 7,250,000	\$ 8,680,000	\$ 6,300,000
156	\$ 3,863,869	\$ 5,638,000	\$ 5,260,000	\$ 3,350,000	\$ 6,912,104
159	\$ -	\$ -	\$ -	\$ -	\$ -
161	\$ 750,000	\$ -	\$ -	\$ -	\$ -
162	\$ -	\$ -	\$ 2,000,000	\$ -	\$ 1,300,000
173	\$ -	\$ 500,000	\$ -	\$ -	\$ -
179	\$ 250,000	\$ -	\$ -	\$ -	\$ -
181	\$ -	\$ -	\$ -	\$ -	\$ -
184	\$ -	\$ -	\$ -	\$ -	\$ -
185	\$ -	\$ -	\$ -	\$ -	\$ -
186	\$ -	\$ -	\$ -	\$ 375,000	\$ -
194	\$ -	\$ -	\$ -	\$ -	\$ -
196	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 900,000
197	\$ 4,000,000	\$ 3,000,000	\$ 6,350,000	\$ 5,425,000	\$ 5,000,000
199	\$ 3,342,391	\$ 3,100,000	\$ 500,000	\$ 2,500,000	\$ 3,125,000
202	\$ 3,632,500	\$ 4,000,000	\$ 600,000	\$ 895,000	\$ 135,000
203	\$ 1,900,000	\$ 2,000,000	\$ 500,000	\$ 1,500,000	\$ 3,000,000
206	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000
207	\$ 8,820,361	\$ 5,000,000	\$ 4,250,000	\$ 6,073,949	\$ 6,817,718
208	\$ 500,000	\$ -	\$ -	\$ 300,000	\$ -
210	\$ -	\$ -	\$ -	\$ -	\$ -
211	\$ 7,958,669	\$ 8,800,000	\$ 6,000,000	\$ 3,000,000	\$ 1,650,247
212	\$ 500,000	\$ 1,500,000	\$ 950,000	\$ -	\$ 1,000,000
217	\$ 400,000	\$ -	\$ -	\$ -	\$ -
218	\$ -	\$ 500,000	\$ -	\$ -	\$ -
219	\$ 5,226,723	\$ 2,475,000	\$ 500,000	\$ 1,900,000	\$ 1,000,000
220	\$ 1,000,000	\$ 1,000,000	\$ 195,000	\$ -	\$ 1,000,000
221	\$ 1,980,579	\$ 4,150,000	\$ 1,750,000	\$ 500,000	\$ 3,400,000
222	\$ 2,500,000	\$ 5,275,982	\$ 2,509,583	\$ 1,000,000	\$ 4,109,980
223	\$ 4,000,000	\$ 1,000,000	\$ 1,500,000	\$ 1,750,000	\$ 6,550,000
224	\$ 500,000	\$ -	\$ -	\$ 2,925,000	\$ 2,300,000
228	\$ -	\$ -	\$ -	\$ -	\$ -
229	\$ -	\$ -	\$ -	\$ -	\$ -
232	\$ -	\$ -	\$ 300,000	\$ -	\$ -
234	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
239	\$ 1,500,000	\$ 2,363,093	\$ 1,500,000	\$ 2,475,000	\$ 2,700,000
241	\$ 375,000	\$ 1,100,000	\$ -	\$ 2,400,000	\$ 1,000,000
243	\$ 500,000	\$ -	\$ -	\$ -	\$ -
245	\$ 11,775,000	\$ 10,050,000	\$ 18,875,000	\$ 7,650,000	\$ 8,725,000
246	\$ 350,000	\$ -	\$ 500,000	\$ -	\$ 500,000
250	\$ -	\$ -	\$ -	\$ -	\$ -

Pennsylvania Insurance Department

Mcare Fund

**Claims Payments by Self-Insurer and Primary Insurer
Five Most Recent Years**

Insurer Code	2018	2019	2020	2021	2022
253	\$ 4,666,667	\$ 2,233,333	\$ 4,600,000	\$ 2,450,000	\$ -
258	\$ 1,175,000	\$ 695,000	\$ 925,000	\$ -	\$ -
261	\$ 2,000,000	\$ 2,775,000	\$ 1,150,000	\$ 2,000,000	\$ 1,000,000
262	\$ -	\$ 500,000	\$ -	\$ -	\$ -
271	\$ 2,783,678	\$ 4,275,000	\$ 1,950,000	\$ 3,500,000	\$ 6,900,000
275	\$ -	\$ -	\$ -	\$ -	\$ -
276	\$ 150,000	\$ 1,725,000	\$ 380,000	\$ 1,075,000	\$ 500,000
277	\$ -	\$ -	\$ 500,000	\$ -	\$ -
279	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 500,000
285	\$ -	\$ -	\$ -	\$ -	\$ -
286	\$ -	\$ -	\$ 250,000	\$ -	\$ 500,000
289	\$ -	\$ -	\$ 500,000	\$ -	\$ -
290	\$ -	\$ -	\$ -	\$ -	\$ 68,588
297	\$ -	\$ -	\$ -	\$ -	\$ -
308	\$ -	\$ -	\$ 250,000	\$ 1,000,000	\$ -
310	\$ 8,550,000	\$ 6,066,432	\$ 6,860,000	\$ 3,362,611	\$ 2,204,843
312	\$ 500,000	\$ -	\$ -	\$ -	\$ -
314	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
320	\$ -	\$ -	\$ -	\$ -	\$ -
324	\$ -	\$ 1,500,000	\$ 500,000	\$ 2,725,000	\$ 500,000
329	\$ -	\$ 1,400,000	\$ -	\$ 500,000	\$ -
331	\$ -	\$ 800,000	\$ -	\$ -	\$ -
333	\$ 300,000	\$ -	\$ -	\$ -	\$ -
334	\$ -	\$ -	\$ 1,500,000	\$ -	\$ 1,000,000
337	\$ -	\$ -	\$ -	\$ -	\$ 500,000
338	\$ 7,875,000	\$ 3,900,000	\$ 6,700,000	\$ 875,000	\$ 3,000,000
341	\$ 800,000	\$ 1,500,000	\$ 950,000	\$ 500,000	\$ -
344	\$ -	\$ -	\$ -	\$ 500,000	\$ 350,000
346	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -
347	\$ -	\$ -	\$ -	\$ 1,800,000	\$ -
350	\$ 500,000	\$ -	\$ 500,000	\$ 500,000	\$ -
351	\$ -	\$ 2,400,000	\$ 965,000	\$ 1,500,000	\$ 500,000
355	\$ -	\$ -	\$ -	\$ -	\$ 500,000
359	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 500,000
365	\$ -	\$ -	\$ -	\$ -	\$ 1,250,000
Total	\$ 211,160,516	\$ 191,293,518	\$ 168,775,829	\$ 141,456,060	\$ 172,313,655



Pennsylvania Medical Care Availability
and Reduction of Error Fund

2022

Assessment

Rate Calculation

12%

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 2022 assessment calculation reflects the provisions prescribed by the 2014 Settlement Agreement.¹

2022 Assessment Rate

Section 712(d)(1) of the Act requires “the assessment shall be based on the prevailing primary premium (PPP) for each participating health care provider and shall, in the aggregate, produce an amount 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 in accordance with Section 713(c).
- (iv) Provide a reserve that shall be 10% of the sum of subparagraphs (i), (ii), and (iii).”

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.

Pursuant to the above-referenced subsections, the resulting amount of \$112.1 million was applied to the selected PPP of \$972 million, producing an assessment rate of 12% (see Exhibit 1), which will be used to calculate the assessment for 2022 coverage. The assessment rate is levied against the PPP based on the Pennsylvania Professional Liability Joint Underwriting Association (JUA’s) filed occurrence rates at \$500,000 per claim and reflect no increase in the primary limits.

Mcare’s 2022 year-end balance is determined by the extent that 2022 claims payments and operational expenses differ from the assessment revenue collected. This balance may be impacted by other variables including, but not limited to, any supplemental funding made available to Mcare during 2022, and the difference between the selected and actual 2022 PPP. Use of the Reserve Fund and/or supplemental funding would be required if the assessment revenue collected is insufficient to meet Mcare’s 2022 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 2022 produces an amount sufficient to reimburse the fund for the preceding year's obligations that include claims payments, 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 claim year ended August 31, 2021. Claims payments in the amount of \$141.5 million is the principal component of the 2022 assessment rate calculation.

Operating Expenses

The operating expenses for claim year ending August 31, 2021 is \$7 million. These expenses include Mcare administrative costs, as well as legal expenditures related to the defense of Section 715 claims.

Principal and Interest on Money Transferred, if Any

It was not necessary for Mcare to borrow money to meet its 2021 obligations.

Buffer Amount

The Act requires that the assessment rate calculation include a reserve amount equal to 10% of the sum of all 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, 2022 Projected Starting Balance is \$51.1 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 August 31, 2021, is \$13.9 million.

Prevailing Primary Premium (PPP)

The assessment and policy count data for policies effective in 2018, 2019, and 2020 is used to select the 2022 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
8. SC Podiatrist

County Code

The JUA assigned rating county of the exposure in one of the 67 Pennsylvania counties.

Specialty Code

The specialty code is provided in the annual JUA rating schedule.

Rate Change

The JUA made no rating changes effective January 1, 2022. Therefore, the projected 2022 PPP did not require Mcare to factor in any adjustments to the JUA class, county/territory, or specialty code.

Selected 2022 PPP

Mcare selected \$972 million as the 2022 PPP based on remittances received and processed by Mcare (See Exhibit 2). This PPP may vary from the actual 2022 PPP due to numerous factors including, but not limited to:

- Possible changes in the relative size of Pennsylvania's health care industry during 2022 relative to recent years;
- Possible changes in the specialty and/or territory of a health care provider's exposure during 2021 and 2022;
- Possible changes in the effective date of primary policies (i.e., cancel/rewrite distortions) during 2021 and 2022; and
- Additional data, such as policy adjustments, late reported assessment, and mergers and closings that will cause the assessment data to change.

2022 Assessment Rate

After applying the statutory formula, Assessment Costs total \$163.3 million. The Projected Starting Balance amount of \$51.1 million is then used to offset Assessment Costs as prescribed by the Settlement Agreement. The remaining balance of \$112.1 million is applied to the 2022 selected PPP of \$972 million, producing an Assessment Rate of 12%.

Assessment Rate Factors	2022
(1) Claim Year Ending 08/31/2021 Claims Payments	\$141,456,060
(2) Claim Year Ending 08/31/2021 Operating Expenses	\$6,956,408
(3) Principal and Interest on Money Transferred	\$0
(4) Buffer of 10% (1) + (2) + (3)	\$14,841,247
(5) 2021 Assessment Costs (1) + (2) + (3) + (4)	\$163,253,715
(6) Projected Starting Balance 01/01/2022	\$51,145,718
(7) Settlement Reserve Fund	\$0
(8) 2022 Assessment Amount (5) - (6) - (7)	\$112,107,997
(9) Selected 2022 Prevailing Primary Premium (PPP)	\$972,020,175
(10) Calculated Assessment Rate (8) ÷ (9) Rounded	12%

Exhibit 1

Prior Year Comparison

A comparison of the 2022 and 2021 assessment rate calculation is summarized below:

Assessment Rate Factors	2022	2021
(1) Claim Year Ending 08/31 Claims Payments	\$141,456,060	\$168,775,829
(2) Claim Year Ending 08/31 Operating Expenses	\$6,956,408	\$7,730,791
(3) Principal and Interest on Money Transferred	\$0	\$0
(4) Buffer of 10% (1) + (2) + (3)	\$14,841,247	\$17,650,662
(5) Assessment Costs (1) + (2) + (3) + (4)	\$163,253,715	\$194,157,282
(6) Projected Starting Balance 01/01	\$51,145,718	\$7,749,026
(7) Settlement Reserve Fund	\$0	\$0
(8) Assessment Amount (5) - (6) - (7)	\$112,107,997	\$186,408,256
(9) Selected Prevailing Primary Premium (PPP)	\$972,020,175	\$975,775,627
(10) Calculated Assessment Rate (8) ÷ (9) Rounded	12%	19%

Exhibit 2

Mcare Selected 2022

Prevailing Primary Premium (PPP)

Annual Assessment Remittances	Projected PPP
Projection Based on 2018 Assessment Remittances	\$1,022,394,531
Projection Based on 2019 Assessment Remittances	\$1,027,932,613
Projection Based on 2020 Assessment Remittances	\$ 972,020,175
<hr/>	
Mcare Selected 2022 PPP	\$ 972,020,175

* * *



Medical Care Availability and Reduction of Error Fund

2022

Hospital Experience Modification Factor Calculation

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 adjustment shall be based upon 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 active license. Closed hospitals are excluded from participating in Mcare as they are no longer recognized as a health care provider under the Act.

Once a hospital is eligible to be rated, 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 2022 HEM calculation, the following data was used in the calculation.

Claims Payments

Claims payments made in years 2016 through 2020 were used in the calculation.

Assessment Payments

Assessments received and processed as of October 18, 2021, for years 2017 through 2021 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 18, 2021, 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 applicable Band Loss Ratio to determine whether the hospital's Loss Ratio is better, the same or worse. 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% (Max Rate). Once this happens, no additional assessment may be collected from the hospital. Successive calculations limit the hospital's new HEM Factor at the maximum adjustment until the Off-Balance Target is reached. The Mcare Act requires that frequency be incorporated into the HEM calculation. 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 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 (Off Balance Only).

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

2022 HEM Breakdown

Below is a breakdown of the HEM factor calculation for the 2022 assessment year.

Count	Factor	Description
79	80.0%	Claims Free
38	86.9%	Off Balance Only
14	87.0% - 119.9%	Intermediate
58	120.0%	Max Rate
189 Rated		

Distribution of HEM Factor

Mcare emails the HEM factor to each individual hospital's contact. In addition, Mcare's contact information is provided should there be any questions regarding the 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 - Ten Most Recent Years									
Assessment Year	Rate ²	Physicians (MD/DO)	Podiatrists	Nurse Midwives	Hospitals	Nursing Homes	Primary Health Centers	Birth Centers	Medical Corporations
2013	25%	\$ 176,000,844	\$ 3,709,951	\$ 1,263,957	\$ 44,045,124	\$ 5,532,965	\$ 927,072	\$ 34,509	\$ 5,016,228
2014	23%	\$ 169,376,600	\$ 3,939,049	\$ 1,309,370	\$ 41,779,456	\$ 4,816,426	\$ 917,792	\$ 35,630	\$ 4,381,340
2015	12%	\$ 89,369,195	\$ 2,067,654	\$ 689,888	\$ 22,274,479	\$ 2,557,037	\$ 492,162	\$ 18,676	\$ 2,310,196
2016	17%	\$ 127,216,256	\$ 2,943,431	\$ 984,511	\$ 31,234,379	\$ 3,580,112	\$ 726,980	\$ 27,829	\$ 3,264,460
2017	19%	\$ 134,908,713	\$ 3,254,643	\$ 1,138,199	\$ 32,851,526	\$ 3,975,380	\$ 865,740	\$ 31,919	\$ 3,422,518
2018	19%	\$ 145,644,835	\$ 3,238,544	\$ 1,285,536	\$ 36,050,463	\$ 3,927,294	\$ 940,752	\$ 32,633	\$ 3,165,085
2019	19%	\$ 146,931,120	\$ 3,140,946	\$ 1,320,875	\$ 35,883,895	\$ 3,930,396	\$ 931,536	\$ 27,294	\$ 3,122,261
2020	19%	\$ 144,704,696	\$ 3,029,295	\$ 1,302,657	\$ 34,486,641	\$ 3,697,115	\$ 971,516	\$ 24,030	\$ 2,897,881
2021	19%	\$ 147,419,548	\$ 3,137,224	\$ 1,412,336	\$ 33,556,223	\$ 3,642,388	\$ 930,975	\$ 27,132	\$ 2,831,879
2022 ¹	12%	\$ 91,787,699	\$ 1,760,313	\$ 928,597	\$ 21,828,528	\$ 1,977,182	\$ 738,235	\$ 18,487	\$ 1,574,432

¹ Coverage for policies that incept or renew during the month of December is due to Mcare on or before March 1, 2023. Coverage for 2022 policies that have been reported and processed as of January 4, 2023, is included in the amounts and is subject to additional development.

² For years 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 - Ten Most Recent Years

Assessment Year	Assessment Rate ¹	Physicians			Podiatrists			Hospitals			Nursing Homes		
		Yearly Average ²	% Change over Prior Year ²	% Change from 2013 to 2022 ²	Yearly Average ²	% Change over Prior Year ²	% Change from 2013 to 2022 ²	Yearly Average ²	% Change over Prior Year ²	% Change from 2013 to 2022 ²	Yearly Average ²	% Change over Prior Year ²	% Change from 2013 to 2022 ²
2013	25%	\$4,112			\$3,038			\$200,205			\$7,926		
2014	23%	\$3,916			\$3,176			\$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%	\$3,061			\$2,633			\$150,695			\$5,761		
2018	19%	\$3,221			\$2,639			\$166,900			\$5,699		
2019	19%	\$3,194			\$2,566			\$173,352			\$5,721		
2020	19%	\$3,147			\$2,528			\$169,884			\$5,397		
2021	19%	\$3,162			\$2,607			\$165,301			\$5,380		
2022	12%	\$2,100	-34%	-49%	\$1,787	-31%	-41%	\$116,109	-30%	-42%	\$3,189	-41%	-60%

¹ For years 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 - Ten Most Recent Years

Insurer Code	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 ¹
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
S10	\$ 5,086,685	\$ 4,883,519	\$ 2,596,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
S12	\$ 2,119,413	\$ 2,127,826	\$ 1,071,266	\$ 1,640,799	\$ 1,878,052	\$ 441,070	\$ -	\$ -	\$ -	\$ -
S40	\$ 536,409	\$ 548,488	\$ 290,538	\$ 444,667	\$ 519,132	\$ 541,188	\$ 551,911	\$ 580,086	\$ 593,635	\$ 366,005
S41	\$ 75,056	\$ 77,831	\$ 40,570	\$ 58,952	\$ 79,101	\$ 96,066	\$ 41,916	\$ -	\$ -	\$ -
S54	\$ 480,575	\$ 455,416	\$ 260,685	\$ 410,403	\$ 478,947	\$ 475,057	\$ 479,950	\$ 463,468	\$ -	\$ -
S58	\$ 15,481	\$ 15,492	\$ 8,881	\$ 9,245	\$ 10,262	\$ 12,761	\$ 8,529	\$ 6,461	\$ 5,612	\$ 4,380
S60	\$ 545,819	\$ 538,397	\$ 307,302	\$ 185,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
S61	\$ 12,555	\$ 11,943	\$ 6,231	\$ 8,900	\$ 9,947	\$ 9,785	\$ 9,785	\$ 9,623	\$ 8,330	\$ 4,699
S63	\$ 216,346	\$ 216,499	\$ 67,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
S64	\$ 16,946	\$ 16,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
S67	\$ 11,114	\$ 10,671	\$ 8,634	\$ 24,771	\$ 28,574	\$ 28,574	\$ 28,574	\$ 28,574	\$ 28,574	\$ 18,047
S68	\$ -	\$ 1,586,947	\$ 843,000	\$ 1,128,109	\$ 1,149,585	\$ 1,183,689	\$ 632,667	\$ 105,721	\$ 96,001	\$ 69,213
S69	\$ -	\$ -	\$ -	\$ 4,165,559	\$ 4,889,933	\$ 5,030,397	\$ 5,306,127	\$ 6,082,355	\$ 6,545,632	\$ 4,389,831
001	\$ 12,712	\$ 15,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
003	\$ 16,119,315	\$ 16,346,152	\$ 8,335,034	\$ 10,760,138	\$ 10,660,824	\$ 10,106,614	\$ 9,722,996	\$ 10,075,484	\$ 9,865,468	\$ 6,374,862
011	\$ 3,290,345	\$ 3,715,982	\$ 1,591,228	\$ 2,580,532	\$ 3,222,590	\$ 2,920,397	\$ 1,946,397	\$ 1,847,337	\$ 844,474	\$ 557,266
021	\$ 87,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
023	\$ 113,314	\$ 95,281	\$ 38,811	\$ 30,345	\$ 28,636	\$ 29,011	\$ 26,296	\$ 24,452	\$ 22,462	\$ 13,993
031	\$ 19,992,698	\$ 17,418,519	\$ 8,481,896	\$ 11,764,870	\$ 12,097,191	\$ 11,516,102	\$ 10,557,782	\$ 9,717,252	\$ 9,433,782	\$ 5,984,911
032	\$ 887,543	\$ 681,267	\$ 331,629	\$ 379,835	\$ 408,819	\$ 342,835	\$ 372,321	\$ 531,856	\$ 624,392	\$ 345,775
035	\$ -	\$ -	\$ -	\$ 45,583	\$ -	\$ 3,262	\$ 308	\$ -	\$ -	\$ -
038	\$ -	\$ -	\$ 21,082	\$ 30,021	\$ 33,750	\$ 29,109	\$ 30,629	\$ 30,304	\$ 21,854	\$ 9,921
050	\$ 132,046	\$ 64,126	\$ 22,820	\$ 36,368	\$ 116,122	\$ 136,186	\$ 285,298	\$ 382,121	\$ 396,565	\$ 156,275
055	\$ -	\$ 89,425	\$ 41,805	\$ 55,682	\$ 62,238	\$ 60,227	\$ 64,201	\$ 62,776	\$ 67,654	\$ 36,178
056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,124	\$ -	\$ -
067	\$ 13,912,613	\$ 13,531,061	\$ 6,910,188	\$ 9,306,870	\$ 11,034,199	\$ 9,841,661	\$ 9,290,394	\$ 8,272,106	\$ 7,445,965	\$ 3,813,095
090	\$ 81,584	\$ 80,774	\$ 40,778	\$ 57,267	\$ 65,423	\$ 41,311	\$ -	\$ -	\$ -	\$ -
103	\$ 721,750	\$ 1,212,383	\$ 682,114	\$ 2,206,637	\$ 1,319,642	\$ 306,461	\$ 239,168	\$ 170,366	\$ 156,157	\$ 25,525
110	\$ 75,357	\$ 39,896	\$ 1,291	\$ 1,828	\$ 2,043	\$ 31,114	\$ 16,276	\$ 74,030	\$ 90,551	\$ 43,858
112	\$ 10,064	\$ 9,573	\$ 4,995	\$ 7,076	\$ 7,908	\$ 7,908	\$ 163,268	\$ 162,681	\$ 169,839	\$ 106,405
113	\$ 15,394	\$ 17,432	\$ 7,030	\$ 14,166	\$ 12,845	\$ 18,656	\$ 43,988	\$ 24,204	\$ 44,442	\$ 29,042
118	\$ 9,171	\$ 8,738	\$ 8,918	\$ 12,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
121	\$ 508,436	\$ 453,832	\$ 291,976	\$ 567,915	\$ 505,392	\$ 464,311	\$ 3,719,735	\$ 4,702,773	\$ 4,993,416	\$ 3,080,225
124	\$ 830,071	\$ 783,419	\$ 375,219	\$ 503,243	\$ 1,769,309	\$ 1,926,942	\$ 1,776,384	\$ 1,668,467	\$ 1,675,762	\$ 826,623
127	\$ 246,670	\$ 541,574	\$ 611,060	\$ 939,628	\$ 999,787	\$ 889,655	\$ 1,118,611	\$ 1,772,802	\$ 1,734,171	\$ 979,898
129	\$ 3,054,480	\$ 4,458,579	\$ 2,199,986	\$ 2,827,020	\$ 3,173,850	\$ 3,346,188	\$ 238,298	\$ 626,860	\$ 6,394	\$ 2,416
130	\$ 74,714	\$ 43,833	\$ 6,160	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
137	\$ 114,141	\$ 277,059	\$ 145,743	\$ 206,289	\$ 48,100	\$ 37,632	\$ 33,538	\$ 26,967	\$ 26,572	\$ 16,783
138	\$ 850,570	\$ 934,882	\$ 499,036	\$ 745,370	\$ 1,045,122	\$ 1,081,823	\$ 1,086,571	\$ 1,095,360	\$ 1,146,803	\$ 445,988
144	\$ 23,529,330	\$ 22,370,815	\$ 11,610,202	\$ 17,156,773	\$ 8,576,732	\$ 20,219,128	\$ 20,564,047	\$ 19,589,352	\$ 20,036,185	\$ 15,863,284
145	\$ 5,422,499	\$ 5,133,275	\$ 2,770,722	\$ 2,945,947	\$ 2,412,948	\$ 3,311,554	\$ 2,799,244	\$ 1,887,716	\$ 1,598,001	\$ 428,047
155	\$ 15,929,213	\$ 15,399,833	\$ 8,127,065	\$ 11,681,500	\$ 14,886,076	\$ 15,190,018	\$ 16,238,345	\$ 17,176,381	\$ 17,552,476	\$ 11,427,159
156	\$ 8,659,189	\$ 7,590,570	\$ 5,166,860	\$ 5,513,846	\$ 6,255,865	\$ 6,129,220	\$ 6,105,475	\$ 6,523,769	\$ 6,748,459	\$ 4,415,503
162	\$ 120,527	\$ 118,044	\$ 80,415	\$ 178,877	\$ 195,235	\$ 504,935	\$ 395,931	\$ 381,123	\$ 376,589	\$ 221,091
165	\$ 272,371	\$ 76,134	\$ 70,766	\$ 87,281	\$ 103,888	\$ 92,699	\$ 49,501	\$ 22,417	\$ 22,799	\$ 15,710
173	\$ 1,242	\$ -	\$ -	\$ 405,704	\$ 503,423	\$ 457,670	\$ 515,495	\$ 244,861	\$ 260,223	\$ 154,341
179	\$ 35,955	\$ 36,917	\$ 19,318	\$ 24,830	\$ 51,423	\$ 67,154	\$ 70,579	\$ 38,718	\$ 22,652	\$ 8,446
186	\$ 22,421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
194	\$ 11,573	\$ 10,750	\$ 6,430	\$ 7,001	\$ 8,058	\$ 2,673	\$ 2,305	\$ 321	\$ 8,015	\$ 85,858
196	\$ 1,038,084	\$ 898,586	\$ 425,636	\$ 543,060	\$ 629,943	\$ 400,840	\$ 258,817	\$ 257,036	\$ 21,894	\$ -
197	\$ 6,872,008	\$ 5,961,345	\$ 2,983,701	\$ 4,003,266	\$ 4,410,037	\$ 4,275,519	\$ 4,221,062	\$ 4,118,229	\$ 3,285,687	\$ 2,149,230
198	\$ 118,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
199	\$ 5,392,324	\$ 5,329,903	\$ 2,901,373	\$ 4,271,121	\$ 5,027,183	\$ 5,242,478	\$ 5,494,778	\$ 5,563,833	\$ 5,733,367	\$ 4,181,543
202	\$ 7,749,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
203	\$ 1,745,055	\$ 1,794,847	\$ 932,436	\$ 1,416,924	\$ 1,934,620	\$ 2,429,903	\$ 2,720,648	\$ 2,857,765	\$ 3,097,939	\$ -
206	\$ -	\$ -	\$ -	\$ -	\$ 124,441	\$ 131,544	\$ 94,225	\$ 71,025	\$ 38,752	\$ 31,428
207	\$ 15,991,743	\$ 15,263,721	\$ 6,651,781	\$ 9,649,099	\$ 10,942,758	\$ 11,209,480	\$ 11,844,668	\$ 12,049,019	\$ 12,551,999	\$ 13,485,059
208	\$ 2,125,544	\$ 2,033,025	\$ 1,045,518	\$ 1,387,829	\$ 286,584	\$ 12,624	\$ 4,356	\$ 3,733	\$ 3,019	\$ 2,357
210	\$ 901,685	\$ 892,463	\$ 444,621	\$ 128,062	\$ 732	\$ 2,576	\$ -	\$ -	\$ -	\$ -
211	\$ 8,661,328	\$ 7,357,292	\$ 1,548,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
212	\$ 392,620	\$ 649,370	\$ 427,633	\$ 769,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
216	\$ 6,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
217	\$ 378,859	\$ 289,646	\$ 145,666	\$ 246,912	\$ 353,284	\$ 217,192	\$ 199,049	\$ 196,089	\$ 163,194	\$ 106,767

Pennsylvania Insurance Department

Mcare Fund

Assessment Remitted by Self-Insurer and Primary Insurer - Ten Most Recent Years

Insurer Code	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 ¹
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
218	\$ 385,246	\$ 376,913	\$ 213,513	\$ 325,227	\$ 420,094	\$ 436,101	\$ 450,312	\$ 450,578	\$ 396,046	\$ 250,132
219	\$ 4,236,273	\$ 3,809,186	\$ 2,013,599	\$ 2,739,925	\$ 3,046,379	\$ 2,836,663	\$ 2,717,772	\$ 2,756,147	\$ 2,548,193	\$ 1,481,786
220	\$ 1,874,510	\$ 1,367,918	\$ 449,037	\$ 626,915	\$ 571,862	\$ 617,846	\$ 694,868	\$ 758,155	\$ 2,007,775	\$ 1,582,245
221	\$ 4,344,956	\$ 4,468,210	\$ 2,417,018	\$ 2,216,260	\$ 1,348,271	\$ 1,138,019	\$ 494,164	\$ -	\$ -	\$ -
222	\$ 4,552,699	\$ 4,716,792	\$ 2,597,229	\$ 4,013,352	\$ 5,096,548	\$ 5,330,007	\$ 5,455,262	\$ 5,983,594	\$ 6,079,767	\$ 4,267,878
223	\$ 3,790,754	\$ 3,742,316	\$ 2,104,535	\$ 3,150,343	\$ 4,092,167	\$ 4,760,666	\$ 5,066,420	\$ 5,691,841	\$ 6,075,476	\$ 428,257
224	\$ 2,296,212	\$ 2,548,582	\$ 1,498,596	\$ 2,330,169	\$ 2,856,033	\$ 2,892,251	\$ 2,879,755	\$ 2,977,581	\$ 3,761,013	\$ 2,545,993
225	\$ 80,901	\$ 77,034	\$ 40,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
226	\$ 77,175	\$ 75,123	\$ 39,308	\$ 1,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
228	\$ 1,052,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
232	\$ 136,670	\$ 174,369	\$ 154,431	\$ 193,866	\$ 245,750	\$ 184,143	\$ 99,047	\$ 96,200	\$ 112,445	\$ 93,789
234	\$ 217,077	\$ 226,605	\$ 128,959	\$ 171,953	\$ 177,735	\$ 193,055	\$ 214,939	\$ 162,702	\$ -	\$ -
235	\$ 81,258	\$ 76,906	\$ 39,742	\$ 57,102	\$ 65,495	\$ 69,533	\$ 68,563	\$ 66,875	\$ 58,933	\$ 35,813
236	\$ 36,456	\$ 58,055	\$ 28,097	\$ 17,643	\$ 14,270	\$ 14,503	\$ 16,945	\$ 16,945	\$ 16,945	\$ 9,159
237	\$ 21,057	\$ 18,694	\$ 10,590	\$ 17,505	\$ 23,638	\$ 26,570	\$ 24,505	\$ 15,163	\$ 13,135	\$ 8,465
239	\$ 2,282,363	\$ 2,321,204	\$ 1,440,787	\$ 2,083,762	\$ 2,408,588	\$ 2,161,565	\$ 2,623,136	\$ 3,370,271	\$ 2,951,294	\$ 1,717,212
241	\$ 973,243	\$ 974,321	\$ 484,333	\$ 768,631	\$ 885,717	\$ 874,363	\$ 892,341	\$ 921,985	\$ 1,052,393	\$ 693,962
242	\$ 41,922	\$ 39,879	\$ 20,806	\$ 29,476	\$ 32,944	\$ 27,162	\$ 27,162	\$ 26,874	\$ 26,874	\$ 16,973
243	\$ 26,343	\$ 26,156	\$ 13,873	\$ 21,605	\$ 21,723	\$ 20,877	\$ 26,028	\$ 27,812	\$ 21,402	\$ 14,883
244	\$ 56,156	\$ 67,363	\$ 34,033	\$ 5,652	\$ 6,318	\$ 6,842	\$ 6,318	\$ 11,010	\$ -	\$ -
245	\$ 7,878,415	\$ 7,923,153	\$ 4,526,535	\$ 7,064,405	\$ 8,341,353	\$ 9,267,371	\$ 9,783,277	\$ 9,404,137	\$ 9,802,452	\$ 6,639,555
246	\$ 1,960,678	\$ 610,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
247	\$ 108,459	\$ 56,479	\$ 36,329	\$ 68,260	\$ 79,262	\$ 80,431	\$ 62,703	\$ 48,311	\$ 37,879	\$ 36,290
248	\$ 443,530	\$ 405,018	\$ 209,820	\$ 82,171	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
249	\$ 22,767	\$ 6,897	\$ 4,692	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,471
252	\$ 58,348	\$ 20,063	\$ 10,632	\$ 14,341	\$ 18,017	\$ 19,158	\$ 22,340	\$ 22,607	\$ 21,460	\$ 11,616
253	\$ 4,783,029	\$ 4,568,471	\$ 2,265,702	\$ 3,254,773	\$ 2,235,165	\$ -	\$ -	\$ -	\$ -	\$ -
256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,749	\$ 2,537	\$ 11,951
258	\$ 1,780,720	\$ 1,493,302	\$ 767,745	\$ 935,301	\$ 951,349	\$ 877,381	\$ 529,558	\$ -	\$ -	\$ -
261	\$ 981,276	\$ 851,200	\$ 451,974	\$ 680,371	\$ 672,122	\$ 728,490	\$ 699,919	\$ 852,211	\$ 189,761	\$ 628,875
262	\$ 68,834	\$ 59,482	\$ 25,075	\$ 28,238	\$ 38,403	\$ 39,998	\$ 36,276	\$ 36,230	\$ 33,186	\$ 19,889
264	\$ 1,308	\$ 1,207	\$ 630	\$ 892	\$ 997	\$ 997	\$ 997	\$ 997	\$ 1,994	\$ -
265	\$ 146,164	\$ 138,607	\$ 70,567	\$ 122,108	\$ 125,178	\$ 144,308	\$ 230,530	\$ 266,263	\$ 265,448	\$ 168,545
266	\$ 46,564	\$ 44,295	\$ 1,675	\$ 2,374	\$ 28,808	\$ 33,213	\$ 40,122	\$ 37,780	\$ -	\$ -
267	\$ 807	\$ 741	\$ 387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,329	\$ 41,120	\$ -	\$ -
270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,637	\$ 43,954	\$ 189,935	\$ 49,316
271	\$ 2,506,832	\$ 4,079,942	\$ 2,583,294	\$ 3,285,807	\$ 4,328,740	\$ 4,912,702	\$ 4,100,392	\$ 2,294,323	\$ 2,499,126	\$ 897,790
274	\$ 193,020	\$ 167,227	\$ 83,804	\$ 112,520	\$ 121,652	\$ 120,635	\$ 117,221	\$ 109,859	\$ 104,140	\$ 61,297
275	\$ 18,100	\$ 21,501	\$ 33,860	\$ 25,686	\$ 26,007	\$ 32,139	\$ 5,454	\$ 4,293	\$ 3,724	\$ 4,835
276	\$ 597,451	\$ 563,886	\$ 290,947	\$ 368,373	\$ 287,662	\$ 272,926	\$ 268,383	\$ 270,216	\$ 281,217	\$ 133,046
277	\$ 89,378	\$ 138,806	\$ 90,233	\$ 36,433	\$ 33,147	\$ -	\$ -	\$ -	\$ -	\$ -
279	\$ 563,997	\$ 136,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 673,926	\$ 658,654	\$ 391,498
280	\$ -	\$ -	\$ -	\$ -	\$ 2,797	\$ 4,427	\$ 4,427	\$ -	\$ -	\$ -
286	\$ 120,817	\$ 124,559	\$ 80,914	\$ 115,655	\$ 161,621	\$ 212,812	\$ 303,011	\$ 396,098	\$ 664,129	\$ 171,167
289	\$ 74,358	\$ 55,548	\$ 31,937	\$ 68,495	\$ 39,688	\$ 37,435	\$ 49,748	\$ 182,007	\$ 333,175	\$ 239,480
290	\$ 76,356	\$ 74,558	\$ 39,054	\$ 55,670	\$ 59,283	\$ 59,116	\$ 59,006	\$ 57,451	\$ 42,710	\$ 23,252
291	\$ 5,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
292	\$ 7,992	\$ 19,965	\$ 4,999	\$ 5,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
293	\$ 21,814	\$ 17,178	\$ 7,260	\$ 843	\$ 942	\$ -	\$ -	\$ -	\$ -	\$ -
294	\$ 1,813	\$ 3,472	\$ 4,032	\$ 4,814	\$ 7,436	\$ 8,678	\$ 18,225	\$ 15,357	\$ 93,758	\$ 22,032
296	\$ 3,324	\$ 3,449	\$ 1,799	\$ 2,549	\$ 2,849	\$ -	\$ -	\$ -	\$ -	\$ -
298	\$ 32,910	\$ 32,527	\$ 18,997	\$ 26,913	\$ 30,080	\$ 30,080	\$ 22,511	\$ 64,465	\$ 65,236	\$ 40,507
300	\$ -	\$ -	\$ -	\$ -	\$ 881	\$ 2,254	\$ 4,751	\$ 9,979	\$ 16,795	\$ 2,218
303	\$ 40,121	\$ 48,304	\$ 27,066	\$ 33,720	\$ 40,418	\$ 47,724	\$ 40,783	\$ 43,424	\$ 47,209	\$ 27,159
305	\$ 39,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
307	\$ 3,155	\$ 7,208	\$ 4,005	\$ 5,429	\$ 5,256	\$ 2,820	\$ 1,626	\$ 2,120	\$ 1,626	\$ 1,027
308	\$ 1,082,547	\$ 525,385	\$ 581,522	\$ 94,101	\$ 62,101	\$ 7,793	\$ 29,919	\$ 12,472	\$ 29,465	\$ 19,959
309	\$ -	\$ 4,675	\$ 2,439	\$ 111,880	\$ 137,793	\$ 161,914	\$ 50,369	\$ 28,404	\$ 158,795	\$ 160,604
310	\$ 5,724,359	\$ 5,392,049	\$ 3,049,220	\$ 4,433,843	\$ 4,904,963	\$ 5,034,341	\$ 5,196,866	\$ 5,265,796	\$ 5,412,123	\$ -
311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,149	\$ 1,149	\$ -
312	\$ 20,797	\$ 25,161	\$ 32,280	\$ 25,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Pennsylvania Insurance Department

Mcare Fund

Assessment Remitted by Self-Insurer and Primary Insurer - Ten Most Recent Years

Insurer Code	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 ¹
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
313	\$ 1,242	\$ 1,140	\$ 595	\$ 208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
314	\$ 121,335	\$ 218,223	\$ 112,271	\$ 129,076	\$ 19,279	\$ -	\$ -	\$ -	\$ -	\$ -
315	\$ 52,256	\$ 43,491	\$ 8,309	\$ 21,250	\$ 34,926	\$ 39,773	\$ 4,776	\$ 514	\$ -	\$ -
318	\$ -	\$ 85	\$ -	\$ -	\$ -	\$ -	\$ 7,548	\$ 10,917	\$ 5,014	\$ 68,226
320	\$ 298,395	\$ 1,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
321	\$ 36,484	\$ 29,869	\$ 19,247	\$ 20,428	\$ 13,241	\$ 7,548	\$ 6,558	\$ 5,551	\$ 7,808	\$ 4,126
322	\$ 45,687	\$ 22,317	\$ 8,879	\$ 80,208	\$ 74,993	\$ 85,490	\$ -	\$ -	\$ 107,252	\$ 50,720
323	\$ 64,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 836,143	\$ 477,844
324	\$ 32,452	\$ 29,512	\$ 99,378	\$ 1,491,413	\$ 1,967,565	\$ 2,347,208	\$ 1,895,690	\$ 792,253	\$ 401,079	\$ 173,199
325	\$ 31,562	\$ 47,118	\$ 36,088	\$ 52,979	\$ 17,810	\$ -	\$ -	\$ -	\$ -	\$ -
326	\$ 54,700	\$ 71,589	\$ 50,683	\$ 71,882	\$ 16,402	\$ 14,598	\$ 15,575	\$ 19,543	\$ 27,950	\$ 13,911
327	\$ 179,962	\$ 47,961	\$ 22,241	\$ 33,635	\$ 35,094	\$ 37,289	\$ 51,159	\$ 55,871	\$ 85,602	\$ 43,412
328	\$ 597,682	\$ 508,387	\$ 271,285	\$ 401,874	\$ 456,884	\$ 442,674	\$ 324,722	\$ 298,270	\$ 290,582	\$ 174,623
329	\$ 128,861	\$ 164,064	\$ 172,773	\$ 93,865	\$ 329,834	\$ 321,787	\$ 339,444	\$ 59,527	\$ -	\$ -
330	\$ 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	\$ -	\$ 4,940	\$ 3	\$ 4,183	\$ 6,814	\$ 11,352	\$ 22,731	\$ 32,090	\$ 52,411	\$ 38,311
333	\$ 213,686	\$ 597,201	\$ 267,156	\$ 48,673	\$ 149,137	\$ 187,024	\$ 261,745	\$ 264,604	\$ 246,153	\$ 119,308
334	\$ 229,182	\$ 601,491	\$ 300,028	\$ 274,788	\$ 279,322	\$ 290,964	\$ 202,790	\$ 132,732	\$ 155,910	\$ 145,667
335	\$ -	\$ -	\$ 2,245	\$ 10,222	\$ 11,424	\$ 16,791	\$ 58,657	\$ 62,061	\$ 42,907	\$ 16,865
336	\$ 3,747	\$ 3,564	\$ 1,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
337	\$ -	\$ -	\$ -	\$ -	\$ 919	\$ 3,378	\$ 5,755	\$ 16,933	\$ 12,599	\$ 4,746
338	\$ 1,695,310	\$ 6,794,582	\$ 4,263,837	\$ 6,216,823	\$ 6,956,614	\$ 7,105,840	\$ 7,205,198	\$ 7,692,120	\$ 7,933,408	\$ 5,209,160
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	\$ 1,304,547	\$ 1,348,387	\$ 858,594
342	\$ -	\$ 2,391	\$ 5,095	\$ 7,217	\$ 8,067	\$ 5,984	\$ 3,483	\$ 3,447	\$ 8,120	\$ 5,111
343	\$ -	\$ 14,795	\$ 9,012	\$ 12,767	\$ 4,668	\$ 9,810	\$ 48,172	\$ 65,784	\$ 78,372	\$ 32,989
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	\$ 9,237
346	\$ -	\$ -	\$ 26,462	\$ 57,467	\$ 56,044	\$ 100,826	\$ 128,676	\$ 109,462	\$ 126,692	\$ 34,215
347	\$ -	\$ -	\$ 15,377	\$ 124,740	\$ 299,034	\$ 335,557	\$ 222,492	\$ 159,473	\$ 165,888	\$ 82,412
348	\$ -	\$ -	\$ 3,233	\$ 8,317	\$ 100,593	\$ 108,477	\$ 117,666	\$ 131,034	\$ 41,747	\$ 19,314
349	\$ -	\$ 836	\$ 56,984	\$ 33,506	\$ 31,896	\$ 48,375	\$ 88,741	\$ 17,603	\$ 20,093	\$ -
350	\$ -	\$ -	\$ 18,350	\$ 365,131	\$ 524,577	\$ 636,652	\$ 909,375	\$ 986,857	\$ 885,443	\$ 456,335
351	\$ -	\$ -	\$ 2,489,481	\$ 5,350,272	\$ 5,643,898	\$ 4,592,897	\$ 5,040,951	\$ 4,740,777	\$ 4,725,933	\$ 2,555,632
353	\$ -	\$ -	\$ -	\$ 30,991	\$ -	\$ 25,503	\$ 12,657	\$ 9,422	\$ 8,852	\$ -
354	\$ -	\$ -	\$ -	\$ 219,523	\$ 350,542	\$ 350,767	\$ 341,864	\$ 330,282	\$ 328,247	\$ 201,170
355	\$ -	\$ -	\$ -	\$ 1,972,111	\$ 2,417,153	\$ 2,443,919	\$ 2,876,583	\$ 2,366,534	\$ 2,131,810	\$ 1,341,529
357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ -
358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,858	\$ 4,926	\$ 2,755
359	\$ -	\$ -	\$ -	\$ -	\$ 1,043,963	\$ 1,009,675	\$ 275,675	\$ 231,219	\$ 186,309	\$ 111,148
360	\$ -	\$ -	\$ -	\$ 19,663	\$ 70,807	\$ 65,522	\$ 59,501	\$ -	\$ -	\$ -
361	\$ -	\$ -	\$ -	\$ -	\$ 151,350	\$ 178,268	\$ 276,880	\$ 281,703	\$ 196,508	\$ 55,196
362	\$ -	\$ -	\$ -	\$ 3,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
363	\$ -	\$ -	\$ -	\$ -	\$ 6,699	\$ 8,025	\$ 8,774	\$ 8,774	\$ 6,780	\$ -
364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,824	\$ 378,026	\$ 388,773	\$ 460,433	\$ 289,384
365	\$ -	\$ -	\$ -	\$ -	\$ 1,249,766	\$ 3,253,743	\$ 4,303,466	\$ 4,023,779	\$ 3,651,618	\$ 2,270,068
367	\$ -	\$ -	\$ -	\$ -	\$ 28,433	\$ 21,067	\$ 14,783	\$ 23,250	\$ 33,127	\$ 9,583
368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,544,749	\$ 2,607,905	\$ -	\$ -	\$ -
369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 787,285	\$ 264,586	\$ 218,047	\$ 288,029
370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,637	\$ 12,525	\$ 154,684	\$ 138,388	\$ 90,006
371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,467	\$ 16,670	\$ -	\$ -	\$ -
372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,219	\$ 618,963	\$ 428,292	\$ 278,176
373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,748	\$ 20,397	\$ 12,445	\$ 9,001
374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,418,678	\$ 1,266,078	\$ 1,251,512	\$ -
375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,819	\$ -	\$ 11,712	\$ 7,398
376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,294	\$ 73,584	\$ 119,539	\$ -
377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,834	\$ 108,864	\$ 96,494	\$ 125,140
378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,233	\$ 13,020	\$ 18,295
379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 862,305	\$ 925,875	\$ 583,220
380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,053	\$ 4,364	\$ 1,844
381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,765	\$ -

Pennsylvania Insurance Department

Mcare Fund

Assessment Remitted by Self-Insurer and Primary Insurer - Ten Most Recent Years

Insurer Code	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 ¹
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 452,242	\$ 351,884
383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,354	\$ 1,101
385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,363	\$ 56,021
386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,354	\$ 65,304
387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 677,411	\$ 525,106
388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,065	\$ -
389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,660	\$ -
393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,614
394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,581
900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ 236,530,650	\$ 226,555,663	\$ 119,779,287	\$ 169,977,958	\$ 180,448,638	\$ 194,285,142	\$ 195,288,323	\$ 191,113,831	\$ 192,957,705	\$ 120,613,473

¹ The Amount is based on the gross rated undiscounted assessment remitted and processed as of January 4, 2023 and is subject to additional development.

Pennsylvania Department of Insurance
Mcare Fund

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

Ten Most Recent Years

Assessment Year	Physicians (MD/DO)	Podiatrists	Nurse Midwives	Hospitals	Nursing Homes	Primary Health Centers	Birth Centers	Total Annual Count ^{1, 2, 3}
2013	42,796	1,221	314	220	698	5	5	45,259
2014	43,249	1,240	316	223	692	5	5	45,730
2015	43,659	1,231	322	221	692	5	6	46,136
2016	44,065	1,220	335	220	691	5	6	46,542
2017	44,062	1,236	352	218	690	4	6	46,568
2018	45,208	1,227	366	216	689	4	5	47,715
2019	45,998	1,224	393	207	687	3	5	48,517
2020	45,971	1,198	385	203	685	3	5	48,450
2021	46,613	1,203	397	203	677	3	5	49,101
2022	43,694	985	396	188	620	3	5	45,891

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 2022 is due to Mcare on or before March 1, 2023. Coverage for 2022 policies that have been reported and processed as of January 4, 2023, is included in the counts and subject to additional development.

³ Applying an experience based development factor of 1.08% to the current 2022 health care provider count results in a projected 2022 health care provider count of 49,719.



PENNSYLVANIA MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND

Unfunded Liability Analysis as of December 31, 2021

Rollforward Analysis to June 30, 2022 (based on actual loss activity)

Deloitte Consulting LLP
July 13, 2022



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July 13, 2022

Ms. Tawny Mummah
Executive Director – Mcare Fund
Capitol Associates Building
901 North 7th Street, 3rd Floor
Harrisburg, PA 17102

Dear Ms. Mummah:

Deloitte Consulting LLP is pleased to submit the actuarial report regarding our analysis of the Pennsylvania Insurance Department (“Department”) unfunded liability associated with the Medical Care Availability and Reduction of Error Fund as of June 30, 2022. This report is based on our independent actuarial analysis of data evaluated through December 31, 2021, including a rollforward to June 30, 2022 based on actual loss payments and claims emergence from January 1, 2022 to June 30, 2022. The report details our findings and conclusions and presents the detailed calculations underlying these findings.

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 the 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 (“Department”) to provide an independent actuarial analysis of the Department’s unfunded liability of the Medical Care Availability and Reduction of Error Fund (“Mcare” or “the Fund”) as of June 30, 2022. This report has been created to support and document the analysis.

This report discusses our approach and presents the results of our December 31, 2021 review, which was also rolled forward to June 30, 2022. Our unfunded liability estimates are presented on an undiscounted basis. All information presented in this report is as of December 31, 2021 and June 30, 2022, and 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 (at varying historical limits) to 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.

Summary of Historical and Future Occurrence / Aggregate Limits (000's)				
Policy Year	Hospital Primary	Physician Primary	Mcare Fund Excess	Section 605/715
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 2021 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

¹ <https://www.insurance.pa.gov/SpecialFunds/MCARE/Pages/2021.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").

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.

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 the Pennsylvania Insurance Department under an agreement between the Department and Deloitte Consulting. Our role under such engagement is to provide an actuarial analysis of the Mcare's unfunded liability as of December 31, 2021 and June 30, 2022.

The scope of work is to provide the following:

- An estimate of the Department's unfunded liability as of December 31, 2021 for covered claims from January 1, 1976 through December 31, 2021.
- Considerations impacting the unfunded liability and future calendar year payment projections, including but not limited to the principal drivers of 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, 2021 to June 30, 2022, calculated by adding the projected cost of newly covered claims minus actual claim commitments for 6 months of 2022 to the estimated unfunded liability as of December 31, 2021.

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 that supports the findings expressed 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, ACAS, MAAA performed a peer review of this work. Greg Chrin and Michael Green meet the qualification standards promulgated by the American Academy of Actuaries and are appropriately qualified to perform this analysis. Greg Chrin and Michael Green have attested compliance with the Casualty Actuarial Society's Continuing Education Policy as of December 31, 2021 to perform actuarial services in 2022. These organizations have professional standards that, among other provisions, require an actuary perform only assignments for which he or she is qualified.

The estimates contained in this report provide for loss 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 unfunded liability estimates provided in this report are intended to represent “actuarial central estimates”. “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 unfunded liability estimates as of December 31, 2021 and June 30, 2022. 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 also 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 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, 2021 is displayed in the table below. We have included a 0.8% 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, 2021	
<u>Coverage</u>	<u>Undiscounted Estimates</u>
Excess Claims	\$939,270
Section 715 Claims (First Dollar Coverage)	\$11,365
Section 715 Claims (Excess Coverage)	\$129,056
Total Excluding DD & PJI	\$1,079,691
DD & PJI Load	0.8%
Total Including DD & PJI	\$1,088,328

Furthermore, a summary of our estimated unfunded liability excluding breast implant and pedicle screw exposure derived from data valued as of December 31, 2021 and rolled forward to June 30, 2022 using actual loss emergence from January 1, 2022 through June 30, 2022 is displayed in the table below.

Summary of Unfunded Liability (000's) as of June 30, 2022	
<u>Coverage</u>	<u>Undiscounted Estimates</u>
Excess Claims	\$945,890
Section 715 Claims (First Dollar Coverage)	\$9,530
Section 715 Claims (Excess Coverage)	\$131,088
Total Excluding DD & PJI (Using Projected Claim Commitments)	\$1,086,507
Estimated Claim Commitments (1/1/22 - 6/30/22)	\$100,520
Actual Claim Commitments (1/1/22 - 6/30/22)	\$82,717
Total Excluding DD & PJI (Based on Actual Claim Commitments)	\$1,104,311
DD & PJI Load	0.8%
Total Including DD & PJI	\$1,113,145

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 unfunded liability 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 the 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 0.8% 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) 12/31/2020 - 12/31/2021			
<u>Line of Business</u>	<u>Expected Emergence</u>	<u>Actual Emergence</u>	<u>Actual vs. Expected</u>
Excess Claims SW excl. Philadelphia	122,509	95,590	(26,919)
Excess Claims Philadelphia	50,377	42,219	(8,157)
Section 715 Claims SW excl. Philadelphia (First Dollar)	4,048	3,230	(818)
Section 715 Claims Philadelphia (First Dollar)	966	300	(666)
Section 715 Claims SW excl. Philadelphia (Excess)	7,784	0	(7,784)
Section 715 Claims Philadelphia (Excess)	3,469	0	(3,469)
Total	\$189,153	\$141,339	\$(47,813)

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 Department'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, 2020 valuation. Details on changes in our ultimate loss selections are displayed in the table below:

Summary of Change in Ultimate Loss (000's)	
<u>Line of Business</u>	Ultimate Change
Excess Claims SW excl. Philadelphia	(19,222)
Excess Claims Philadelphia	(1,904)
Section 715 Claims SW excl. Philadelphia (First Dollar)	(709)
Section 715 Claims Philadelphia (First Dollar)	(706)
Section 715 Claims SW excl. Philadelphia (Excess)	(6,617)
Section 715 Claims Philadelphia (Excess)	(2,605)
Total	\$(31,763)

As displayed above in the “Actual versus Expected Development” section, the overall favorable emergence is primarily driven by the continued lower level of payment activity over the last calendar year relative to historical experience, potentially as the court proceedings in Pennsylvania were 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 (at least in part) just be a delay in payments 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 2020 and 2021, which also applies to 2022 (refer to: Section I, Exhibits I and II, Sheet 4, Column 2 of the supporting analysis exhibits). The Statewide excluding Philadelphia (“SW excl. Philadelphia”) base premium decreased from \$706 million to \$686 million, while the Philadelphia base premium increased from \$274 million to \$294 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

\$20 million of base premium drives a slight favorable impact in 2020 and 2021. Note that the change in ultimate selections noted above by segment incorporate the impact of 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, 2021 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.
- 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 the base premium exposure. An on-level loss rate is selected and then unadjusted to each appropriate year. The selected unadjusted loss rates are then multiplied by the base premium exposure 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 the 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 (2006 and subsequent accident years) excluding breast implant and pedicle screw exposure (Section III of the analysis exhibits), we have relied upon 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 LOSS AND UNPAID LOSS CALCULATION

The estimates of ultimate loss for the direct business by accident year are selected based on the indications of the methods described above. More weight is applied to the Bornhuetter-Ferguson and Frequency-Severity methods in more recent periods and the loss development methods in older periods. We calculated unpaid loss by subtracting paid loss 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, 2021. Therefore, in order to compute the estimated unfunded liability as of June 30, 2022, we had calculated a projection in June based on estimated claim commitments. We have now revisited our analysis and made certain adjustments for the actual loss payments and claims emergence from January 1, 2022 to June 30, 2022, as described below.

To estimate the unfunded liability as of June 30, 2022, we added a provision for new occurrences from January 1, 2022 to June 30, 2022 by adding the pro-rated portion of the estimated ultimate loss exposed during this time period and subtracted actual claim commitments from January 1, 2022 to June 30, 2022.

Our estimated claim commitments from January 1, 2022 to June 30, 2022 are approx. \$100.5 million for all segments combined. The actual claim commitments for the same period and all segments combined are provided to be \$82.7 million which compare favorably 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 currently uncertain claims environment, we have held our ultimate loss selections and subtracted actual claim commitments of \$82.7 million which results in a slightly higher estimate of the unfunded liability as of June 30, 2022.

REINSURANCE COLLECTABILITY

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 estimates 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 our unfunded liability estimates. We do not expect this uncertainty to materially impact our estimates.

VI. DISCLOSURES

The following disclosures are applicable to our analysis of the Department's unfunded liability as of December 31, 2021 and June 30, 2022.

ASOP 43

Actuarial Standard of Practice No. 43: *"Property/Casualty Unpaid Claim Estimates"* requires certain disclosures to accompany actuarial estimates of unpaid claims.

- **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 the 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, 2021 were based on data evaluated as of December 31, 2021, 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 Department’s historical experience, and these assumptions in some cases have changed since our last evaluation of the unpaid claims as of June 30, 2021.

- **Documentation:** This report, along with the accompanying exhibits, provides documentation supporting our unpaid claim estimates as of December 31, 2021 and June 30, 2022.

ASOP 56

Actuarial Standard of Practice No. 56: *“Modeling”* requires disclosure of certain information regarding the actuary’s use of models. For this valuation, the unpaid claims 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 12/31/2021
(000)'s**

Summary Exhibit

	Selected Ultimate Loss @ 12/31/2021 (1)	Paid Loss @ 12/31/2021 (2)	Indicated Unpaid Loss @ 12/31/2021 (3)
Excess Claims (1992 - 2021)			
SW excl. Philadelphia	3,345,628	2,624,889	720,739
Philadelphia	2,207,008	1,988,476	218,531
Excess Claims (1991 & Prior)	2,083,930	2,083,930	0
Sub-Total (A)	7,636,565	6,697,295	939,270
Section 715 Claims (First Dollar Coverage: 2005 & Prior)			
SW excl. Philadelphia	604,643	595,035	9,608
Philadelphia	432,174	430,418	1,757
Sub-Total (B)	1,036,817	1,025,453	11,365
Section 715 Claims (Excess Coverage: 2006 - 2021)			
SW excl. Philadelphia	111,591	13,915	97,676
Philadelphia	34,850	3,470	31,380
Sub-Total (C)	146,441	17,385	129,056
Total (D = A + B + C)	8,819,823	7,740,132	1,079,691
DD & PJI Load (E)			0.8%
Total incl. DD & PJI (D * (1+E))			1,088,328

Footnotes:

- (1) Deloitte Selected Ultimate Loss @ 12/31/2021
- (2) Provided by Entity @ 12/31/2021
- (3) Deloitte Indicated Unpaid Loss @ 12/31/2021

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 06/30/2022
(000)'s**

Summary Exhibit

	Selected Ultimate Loss @ 06/30/2022 (1)	Paid Loss @ 06/30/2022 (2)	Indicated Unpaid Loss @ 06/30/2022 (3)
Excess Claims (1992 - 2022)			
SW excl. Philadelphia	3,496,411	2,691,377	729,642
Philadelphia	2,254,506	2,014,509	216,247
Excess Claims (1991 & Prior)	2,083,930	2,083,930	0
Sub-Total (A)	7,834,846	6,789,816	945,890
Section 715 Claims (First Dollar Coverage: 2005 & Prior)			
SW excl. Philadelphia	604,643	596,535	8,108
Philadelphia	432,174	430,752	1,422
Sub-Total (B)	1,036,817	1,027,287	9,530
Section 715 Claims (Excess Coverage: 2006 - 2022)			
SW excl. Philadelphia	124,304	18,274	99,674
Philadelphia	38,529	5,276	31,414
Sub-Total (C)	162,833	23,549	131,088
Total (D = A + B + C)	9,034,497	7,840,653	1,086,507
Expected Claim Commitments 1/1/2022 - 6/30/2022 (E)			100,520
Actual Claim Commitments 1/1/2022 - 6/30/2022 (F)			82,717
Total (G = D + E - F)			1,104,311
DD & PJI Load (H)			0.8%
Total incl. DD & PJI (G * (1+H))			1,113,145

Footnotes:

- (1) Deloitte Selected Ultimate Loss @ 06/30/2022
- (2) Provided by Entity @ 12/31/2021 + "Projected - Actual" Claim Commitments through 06/30/2022
- (3) Deloitte Indicated Unpaid Loss @ 06/30/2022; Latest Year Adjusted for Partial Period



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End of Report