

THE UNIVERSITY of TEXAS SYSTEM

Nine Universities. Six Health Institutions. Unlimited Possibilities.

2008 ANNUAL REPORT



PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

SEPTEMBER 1, 2007 – AUGUST 31, 2008

Physician excellence, tort reform, claims management, and enhanced patient safety initiatives contributed to a solid 2008 fiscal year for The University of Texas Professional Medical Liability Benefit Plan (the Plan). Under the watchful eye of The University of Texas System Board of Regents and the Medical Liability Management Committee (Executive Vice Chancellor for Health Affairs Dr. Kenneth Shine, Executive Vice Chancellor for Business Affairs Dr. Scott Kelley, and Vice Chancellor and General Counsel Barry Burgdorf (the Committee)), the Plan continued its excellent performance history, despite the depressed economy and financial markets that have negatively affected investment income accruing to the Plan account, comprised of investments and operations (the Fund).

Action by the Board of Regents reduced premium rates significantly for 2008 so that the average Plan annual premium was \$3,446, with rates ranging from \$972 to \$6,672 depending on physician risk class. Plan rates continue to be significantly below those of commercial carriers whose comparable annual rates range from approximately \$12,000 to \$20,000. Decline in income due to lower rates accounts for some of the loss in Fund value but the Committee believes adequate Fund resources will continue into the foreseeable future with current premium rates.

Tort reform likely continues to contribute to a declining number of lawsuits filed against U. T. physicians. Only 26 new

lawsuits were filed in 2008 compared to 40 in 2007. Defense costs declined by 17% due to more cases being handled by the Attorney General's Office and the active management of claims by the U. T. Office of General Counsel. Settlement costs were consistent with amounts paid in 2007 at approximately \$2.1 million.

Anesthesiology and obstetrics/gynecology cases dominated settlement payments. As in 2007, one case was successfully defended in trial.

While the defense costs for litigation declined in 2008, costs relating to defending physicians before the Texas Medical Board increased significantly. In 2007, costs were \$146,523 and in 2008 costs were \$370,820, a 153% increase. The number of Medical Board matters for 2008 increased approximately 27% over 2007.

The total number of insureds covered by the Plan remained steady, although there was a 5% increase in the number of faculty insured. Medical student externships that allow medical students to pursue educational experiences in other states as a prelude to residency increased almost two-fold in 2008.

In the upcoming year, Fund management in the current economy will be critical to maintaining low premium rates while continuing to provide a vigorous defense of claims and lawsuits. Despite continuing declines in worldwide investment markets, which have affected the Fund, 2008 by any definition was a successful year.

4,174	Faculty Covered
984	Fellows Covered
2,079	Residents Covered
2,693	Medical Students Covered
120	Medical Student Externships
26	New Lawsuits
96	New Claims
265	Pending Claims and Lawsuits at August 31, 2008
1	Number of Trials (successful)
78%	Cases Closed with No Plan Payment
\$1,272,895	Administrative Costs
\$2,093,812	Defense Costs
\$2,164,318 ¹	Settlement (Indemnity) Costs
\$370,820	Texas Medical Board Defense Costs
\$3,446	Plan Average Premium Occurrence (\$500,000/\$1,500,000)
\$19,763	TMLT Average Premium Mature Claims-Made Rate (\$500,000/\$1,000,000)
\$20,003	Advocate, MD Average Premium Mature Claims-Made Rate (\$500,000/\$1,000,000)
\$12,805,029	Premiums Collected
\$108,268,879	Market Value of Professional Liability Fund

¹ This amount and the amount indicated for Claim Liability Expenses in the Income Statement on page 8 differ slightly due to timing of payments.

PREMIUM COMPARISONS

Plan premium rates are significantly lower than Texas commercial insurance carriers. The chart below compares Plan rates by risk class in Harris County with two commercial carriers, Texas Medical Liability Trust (TMLT) and Advocate, MD. Although variations in risk class structures among carriers prevent a precise comparison, the chart is demonstrative of rate differences.

Risk Class		TMLT*	Advocate MD**	UT Faculty Rates***
I	General Practice No Surgery	\$12,411	\$11,856	\$972
II	General Practice Minor Surgery	\$12,821	\$15,157	\$1,524
III	Emergency Medicine/Minor Surgery	\$18,240	\$23,755	\$2,436
IV	General Surgery	\$32,124	\$37,352	\$4,536
IV	Anesthesiology	\$15,947	\$16,739	\$4,536
V	Gynecology Minor Surgery	\$27,032	\$15,157	\$6,672

* Mature Claims-Made Rate (\$500,000 / \$1,000,000 Limits) Effective January 1, 2008

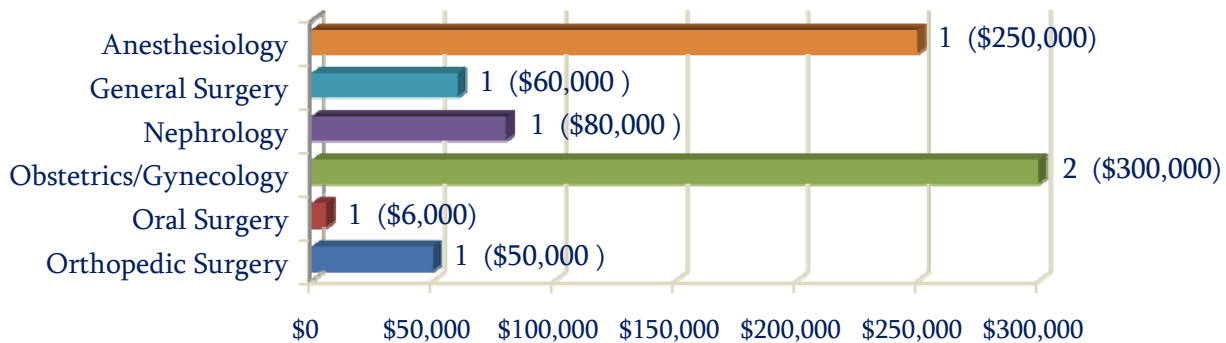
** Occurrence (\$500,000 / \$1,000,000 Limits) Effective May 2, 2006 – Present

*** Occurrence (\$500,000 / \$1,500,000 Limits) Effective September 1, 2007

INDEMNITY PAYMENTS BY SPECIALTY

All U. T. System Institutions

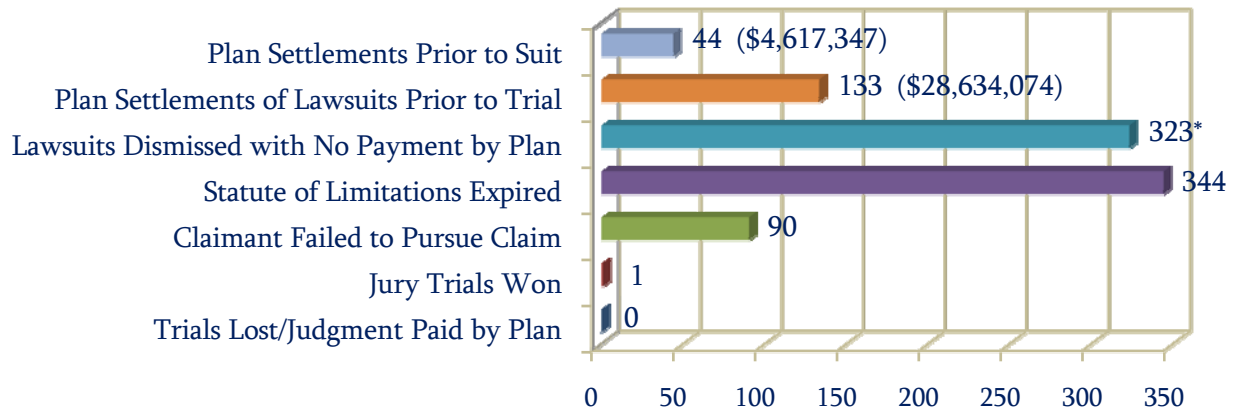
September 1, 2007 – August 31, 2008



CLOSED CASES

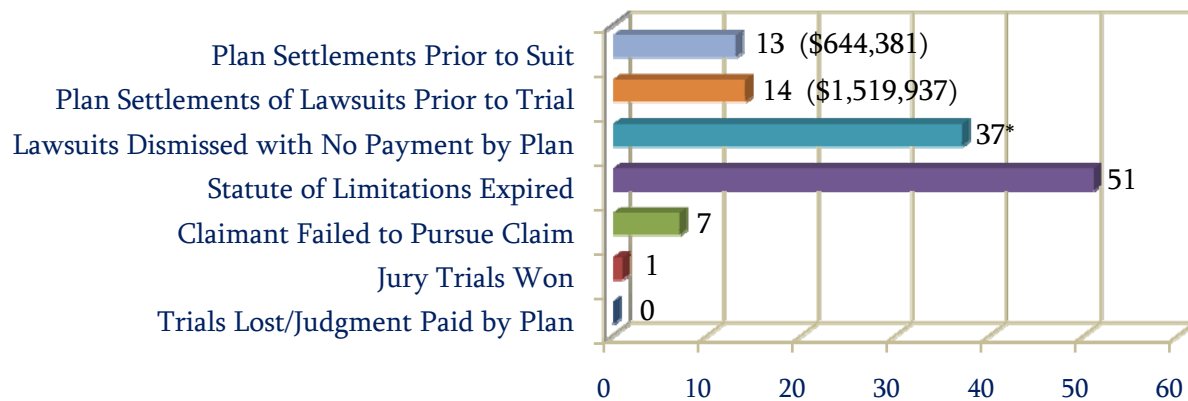
During the last five years, 940 claims and lawsuits filed against U. T. System physicians and institutions were closed with a total Plan contribution of \$33,251,421. Eighty-one percent were closed with no payment by the Plan.

All U. T. System Institutions Closed Claims & Lawsuits September 1, 2003 – August 31, 2008



In FY 2008, 78% of the cases closed required no payment by the Plan, a 6% decrease from last year.

All U. T. System Institutions Closed Claims & Lawsuits September 1, 2007 – August 31, 2008



*Includes Summary Judgments, Non-Suits, Dismissals and Settlements by Codefendants at No cost to the Plan.

The University of Texas Health Science Center at Houston
(Includes U. T. Dental Branch-Houston beginning 2004)

	2008	2007	2006	2005
Faculty	770	749	711	709
Fellows	146	139	131	138
Residents*	361	361	338	337
Open Claims & Lawsuits	56	65	73	61
New Claims	15	17	26	23
New Lawsuits	4	15	12	8
Settlements Paid	\$574,937	\$294,990	\$1,314,403	\$4,364,445

*Does not include U. T. residents on rotation at Memorial Hermann Hospital (in 2008 a total of 413)

The University of Texas Health Science Center at San Antonio

	2008	2007	2006	2005
Faculty	760	759	700	675
Fellows*	57	50	41	28
Residents*	436	440	442	450
Open Claims & Lawsuits	38	38	33	36
New Claims	19	14	15	14
New Lawsuits	1	8	2	3
Settlements Paid	\$355,500	\$532,500	\$1,166,500	\$1,687,500

*Does not include U. T. residents on rotation at V.A. Hospital (in 2008 a total of 150 U. T. residents and 24 fellows)

The University of Texas Health Science Center at Tyler

	2008	2007	2006	2005
Faculty	68	67	81	80
Fellows	1	0	0	0
Residents	24	24	24	24
Open Claims & Lawsuits	6	7	6	8
New Claims	2	4	2	0
New Lawsuits	0	0	0	0
Settlements Paid	\$1,618	\$0.00	\$0.00	\$690,000

The University of Texas M.D. Anderson Cancer Center

	2008	2007	2006	2005
Faculty	767	715	700	673
Fellows	325	296	240	211
Residents	3	3	7	8
Open Claims & Lawsuits	26	22	21	21
New Claims	15	14	16	17
New Lawsuits	2	3	0	2
Settlements Paid	\$293,497	\$490,000	\$736,250	\$400,000

The University of Texas Medical Branch at Galveston

	2008	2007	2006	2005
Faculty	651	592	603	558
Fellows	103	107	101	108
Residents	612	605	566	462
Open Claims & Lawsuits	51	49	56	76
New Claims	17	27	24	24
New Lawsuits	5	3	7	4
Settlements Paid	\$770,000	\$689,291	\$1,520,750	\$2,478,730

The University of Texas Southwestern Medical Center at Dallas

	2008	2007	2006	2005
Faculty	1125	1047	968	960
Fellows	352	320	318	296
Residents*	643	630	651	397
Open Claims & Lawsuits	87	75	60	52
New Claims	28	34	36	26
New Lawsuits	14	11	7	10
Settlements Paid	\$91,000	\$150,000	\$1,169,944	\$1,375,000

*Does not include U. T. residents on rotation at Parkland Hospital (in 2008 a total of 279)

The University of Texas at Austin

	2008	2007	2006	2005
Faculty	28	29	28	26
Fellows	0	0	0	0
Residents	0	0	0	0
Open Claims & Lawsuits	1	2	3	2
New Claims	0	0	1	1
New Lawsuits	0	0	0	0
Settlements Paid	\$77,766	\$0.00	\$0.00	\$0.00

Balance Sheet

	8/31/2008	8/31/2007
Assets		
Operating Cash	\$ 6,081,106	\$ 13,669,420
Investments	107,950,428	132,039,289
Accounts Receivable	331,808	
Total Assets	<u>114,363,342</u>	<u>145,708,709</u>
Liabilities		
Accounts Payable	141,770	27,075
IBNR	29,867,984	35,678,697
Total Liabilities	<u>30,009,754</u>	<u>35,705,772</u>
Net Assets	<u>84,353,588</u>	<u>110,002,937</u>
Total Liabilities and Net Assets	<u>\$ 114,363,342</u>	<u>\$ 145,708,709</u>

Income Statement

	8/31/2008	8/31/2007
Revenue		
Premium Income	\$ 12,805,029	\$ 20,691,975
Investment Income	4,308,023	5,125,218
Total Revenue	17,113,052	25,817,193
Less Premium Refund	(35,000,000)	(25,000,000)
Net Revenue	<u>(17,886,948)</u>	<u>817,193</u>
Expenses		
Legal Expenses	2,093,812	2,529,933
Claim Liability Expenses	2,178,579	2,232,303
Medical Board Expenses	370,820	146,523
Administrative Expenses	1,272,895	1,243,850
Other Expenses	61,404	56,400
Total Expenses	<u>5,977,510</u>	<u>6,209,009</u>
Change in IBNR	(5,810,713)	(46,619,322)
Net Expenses	<u>166,797</u>	<u>(40,410,313)</u>
Excess Revenue Over Expenses	<u>(18,053,745)</u>	<u>41,227,506</u>
Other Changes in Net Assets		
Investments Market Value Increase (Decrease)	(3,908,684)	9,526,825
Transfer to special funds	(3,686,920)	(5,000,000)
Total Other Changes	<u>(7,595,604)</u>	<u>4,526,825</u>
Change in Net Assets	<u>(25,649,349)</u>	<u>45,754,331</u>
Beginning Net Assets	110,002,937	64,248,606
Ending Net Assets	<u>\$ 84,353,588</u>	<u>\$ 110,002,937</u>