

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number SB610

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Newman

3. Committee Courts of Justice

4. Title Medical malpractice insurance.

5. Summary/Purpose:

This bill amends to July 1, 2007 the effective date of the provisions of Chapter 822 to establish the authority and requirements for the purchase of general liability or medical malpractice insurance.

6. No Fiscal Impact. See item 8, below.

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no fiscal impact on the Commonwealth.

The legislation referenced in the bill, Chapter 822 of the Acts of Assembly of 2004, was passed as SB 601. That bill however had a fiscal impact to the Commonwealth of \$2,000,000. That fiscal impact continues unchanged and will be in FY 2008.

The legislation requires the Department of the Treasury to establish a risk management program to provide medical malpractice insurance to private physicians and community hospitals. The program would require seed funding until the program is able to support itself through premiums collected from enrolled doctors and hospitals. Until such time as the program is self-sufficient, the Commonwealth would be the ultimate guarantor.

Treasury estimates the necessary seed funding for the program to be \$2 million. This includes \$89,000 for a program coordinator (\$70,000 annual salary and \$19,000 in fringe benefits), \$50,000 for office and information technology expenses, \$250,000 for the services of an insurance consultant and actuary. The balance would be allocated to legal and claims expenses. It is expected that premiums collected from participating physicians and sole community hospitals will cover the costs of any claims, and, therefore, there will be no future impact on the Commonwealth.

9. Specific agency or political subdivisions affected: Department of the Treasury and the General Assembly

10. Technical amendment necessary: No.

11. Other comments: The current Appropriation Act and the Introduced Budget Bill include a line of credit for the Department of the Treasury for the State Insurance Reserve Trust Fund in the amount of \$15 million.

Date: 01/23/06/tmw

Document: G:\2006 Session\Fiscal Impact Statements\Sb610.Doc Toni Walker

cc: Secretary of Finance