

Economic Impact Statement

LSA Document #06-32

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

The proposed rule articulates procedures and coverage limitations for health care providers that participate in the Indiana Patient's Compensation Fund ([IC 34-18](#)). In addition, the proposed rule states the surcharge to be paid by nursing homes to obtain coverage with the Indiana Patient's Compensation Fund (PCF).

Participation in the PCF is not mandatory. It is voluntary. Less than half of the nursing home population in Indiana chooses to participate in the PCF. The PCF provides \$1,000,000 of coverage for medical malpractice liability in excess of the health care provider's liability of \$250,000. It does not provide coverage for any other type of liability such as premises liability, workers compensation, or property damage.

Pursuant to [IC 34-18-5-2](#), the surcharge for coverage with the PCF shall be set by an actuary and shall be sufficient to cover the actuarial risk posed by the type of health care provider. There are 285 nursing homes covered by the PCF. Of these the IDOI has identified 61 that are potentially small businesses as defined by [IC 4-22-2.1-4](#).

Estimated Average Annual Administrative Costs that Small Businesses Will Incur:

Health care providers pay an annual surcharge to obtain coverage with the PCF. Pursuant to [IC 34-18-5](#), the surcharge shall be set by an actuary and shall be sufficient to cover the risks posed to the PCF. There are no administrative costs associated with this rule. There is a change to the surcharge amount that is due.

Estimated Total Annual Economic Impact on Small Businesses:

There is a change to the surcharge due for coverage with the PCF. Currently a nursing home is required to pay 110% of the cost for the primary layer of insurance to the PCF for the excess layer of coverage. Because the surcharge is based upon the premium charged in the market place the amounts differ. The amounts remitted vary from a low of \$25 per bed to a high of \$197 per bed. The average bed rate for the 61 nursing homes for the 2005 policy year was \$100.33 per bed. The proposed rates will be an average annual increase of \$99.47 per comprehensive bed and an average annual decrease of \$37.23 per residential care bed.

Regulatory Flexibility Analysis of Alternative Methods:

The Department retained the services of Milliman USA to perform the actuarial analysis for the surcharge rates. Milliman USA utilized the principles of actuarial practice in developing its opinion. There are no alternative methods available for determining the appropriate charges for future payments.

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