



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3760 Signed by Governor on May 16, 2019
Author: Sandifer
Subject: Medical Malpractice Association
Requestor: House of Representatives
RFA Analyst(s): Miller
Impact Date: May 20, 2019

Fiscal Impact Summary

This bill will have no expenditure impact on Department of Insurance (DOI) because the department anticipates being able to manage any additional oversight responsibilities within existing appropriations.

This bill will result in a decrease of Other Funds expenditures totaling \$546,500 in FY 2019-20, and an additional decrease of \$546,500 in FY 2020-21, for a total decrease in Other Funds expenditures of \$1,093,000 beginning in FY 2020-21, because the Patients' Compensation Fund (PCF) is being merged into the Medical Malpractice Association as of January 1, 2020. Additionally, PCF is concerned that this bill may result in a non-recurring undetermined increase in General Fund expenditures due to the potential legal expenses arising from contractual issues in FY 2019-20.

This bill will result in a decrease of Other Funds revenue totaling \$546,500 in FY 2019-20, and an additional \$546,500 in FY 2020-21, for a total decrease in Other Funds revenue of \$1,093,000, beginning in FY 2020-21, because the Patients' Compensation Fund is being merged into the Medical Malpractice Association as of January 1, 2020.

Explanation of Fiscal Impact

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State Expenditure

This bill creates the Medical Malpractice Association (Association), beginning January 1, 2020. PCF will merge with the Joint Underwriting Association, to become the Medical Malpractice Association, a non-state funded association. After January 1, 2020, the PCF will cease to exist, except as required by law for purposes of winding down its affairs. The Department of Insurance (DOI) will oversee the winding down of the PCF. Additionally, the director of DOI will ex-officio on the Board of Directors of the Association and will have additional oversight duties.

Department of Insurance (DOI). This bill grants DOI additional oversight duties for the newly created Association. Currently, DOI provides few oversight duties for the Joint Underwriting Association. DOI anticipates the additional duties can be managed within existing appropriations and with existing staff. Therefore, this bill will have no expenditure impact for DOI.

Patients' Compensation Fund (PCF). This bill will merge PCF with the Joint Underwriting Association to create the Medical Malpractice Association on January 1, 2020. The Medical Malpractice Association will be responsible for collecting assessments and surcharges from its members to clear the accumulated deficits of both the PCF and the Joint Underwriting Association.

PCF operates on Other Funds totaling \$1,093,000 in the FY 2018-19 Appropriations Act. These funds will shift from PCF to the Association in the form of membership dues and other assessments and surcharges from the members. As the merger occurs on January 1, 2020, approximately 50 percent of PCF's budgeted expenditures will have occurred. Therefore, this bill will result in a decrease of Other Funds expenditures totaling \$546,500 in FY 2019-20, and an additional decrease of \$546,500 in FY 2020-21, for a total decrease in Other Funds expenditures of \$1,093,000 beginning in FY 2020-21.

Further, the bill requires that all outstanding affairs and existing contractual obligations of the PCF will contemporaneously become the responsibilities of the Association. However, PCF has expressed concern that there may be legal issues arising from the transfer of these contractual obligations. Therefore, this bill may result in a non-recurring undetermined increase in General Fund expenditures due to the potential legal expenses arising from contractual issues in FY 2019-20.

State Revenue

This bill will merge PCF with the Joint Underwriting Association to create the Medical Malpractice Association on January 1, 2020. The Medical Malpractice Association will be responsible for collecting assessments and surcharges from its members to clear the accumulated deficits of both the PCF and the Joint Underwriting Association.

PCF operates on Other Funds totaling \$1,093,000 in the FY 2018-19 Appropriations Act. These funds will shift from PCF to the Association in the form of membership dues and other assessments and surcharges from the members. As the merger occurs on January 1, 2020, approximately 50 percent of PCF's budgeted revenues will have been collected. Therefore, this bill will result in a decrease of Other Funds revenue totaling \$546,500 in FY 2019-20, and an additional \$546,500 in FY 2020-21, for a total decrease in Other Funds revenue of \$1,093,000, beginning in FY 2020-21.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director