

INSURANCE: PROFESSIONAL MEDICAL AND HOSPITAL LIABILITY PROGRAM

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INSURANCE: PROFESSIONAL MEDICAL AND HOSPITAL LIABILITY PROGRAM

I. INTRODUCTION

This chapter presents the accounting procedures for the Professional Medical and Hospital Liability Program (PMHL). A professional medical and hospital liability trust, established by The Regents in 1983, serves as a funding mechanism for the PMHL Program. The trust provides funding for claims up to specified limits; excess liability insurance is purchased to fund claims above those limits.

II. COVERAGE

The PMHL Program covers campus medical schools, student health centers, teaching hospitals, and neuropsychiatric institutes, as outlined in Business and Finance Bulletin BUS 9, Professional Medical and Hospital Liability Self-Insurance Program. Monthly charges are made to the campuses to cover the costs of the PMHL Program.

III. FUNDING

Following review by outside actuaries, the Office of Risk Management (Risk Management) and the Budget Office, Office of the President, determine the amount required for the annual assessment to campuses for the subsequent fiscal year. The campuses are notified of this amount each year in May. Risk Management also authorizes and initiates periodic payments from the PMHL Program's trustee, for excess liability insurance, the Program's third party administrator, and other related miscellaneous expenses (i.e., actuarial fees and claim audit fees).

IV. ACCOUNTING PROCEDURES

A. MONTHLY PROCEDURES

1. Program Cost Allocations

a. Risk Management

At the beginning of the month, Risk Management prepares a financial journal for

IV. ACCOUNTING PROCEDURES (Cont.)

A. MONTHLY PROCEDURES(Cont.)

1. Program Cost Allocations (Cont.)

one-twelfth of the annual PMHL Program assessment, debiting Campus Financial Control accounts and crediting the PMHL--Campus Assessments account (J-115471-001XX).

b. Campuses

The campus accounting officer prepares a responding journal entry in the same month, charging the assessment to the expenditure account(s) of the campus operating units and crediting the campus financial control.

Following is a list of the operating units to be charged and the funds established for the Program:

<u>Operating Unit</u>	<u>Fund Number</u>
Medical School	001 <u>0</u> X
Student Health Center	001 <u>1</u> X <sup>1</sup>
Teaching Hospital	001 <u>2</u> X
Neuropsychiatric Institute	001 <u>3</u> X

The second-to-last digit of the fund number (underscored above) represents the operating unit; the last digit represents the campus location, e.g., the last digit for the Berkeley campus is 1, for the San Francisco campus, 2, and so forth.

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The Student Health Center on the Berkeley campus is an exception. The expenditure account (1-688117-20000-3-7200) is directly charged by Risk Management.

2. Transfers to the Trust Account

Risk Management prepares a wire transfer to the trustee, based on the required monthly assessment. The charge is made to account J-115472, Medical Malpractice Insurance Program--Payments to Trustee.

3. Transfers from the Trust Account

Transfers will be made to the third party administrator for the payment of claims. Actuarial fees or miscellaneous expenses are paid as they are incurred.

B. QUARTERLY PROCEDURES

1. Transfers from the Trust Account

Risk Management requests the trustee to make payments via wire transfer to the third party administrator for expenses related to the administration of claims and to the trust administrator for the investment of the trust fund.

2. Short-Term Investment Pool Income

If Short-Term Investment Pool income is earned on PMHL Program funds, the earnings are credited quarterly to account J-115471-00145, Medical Malpractice Insurance Program--STIP Income.

C. ANNUAL PAYMENT FOR PURCHASED INSURANCE COVERAGE

In accordance with the provisions of the Trust Agreement, Risk Management instructs the trustee to transfer funds via wire for payment of the Excess Liability Insurance Premium.

D. FISCAL YEAR-END PROCEDURES

1. Closing Accounts

A financial journal is prepared by the Corporate Accounting Office (CAO) to close out the balances in account J-115471 to account J-115472.

IV. ACCOUNTING PROCEDURES (Cont.)

C. FISCAL YEAR END (Cont.)

2. Recording of Contributions Held by the Trustee

a. By July 30th each year, the following statements are sent by Risk Management to the CAO:

(1) an annual statement from the trustee, which contains information for the fiscal year on the amount received from the University, the interest earned on the amount received, the amount paid to the third party administrator, and the balance held in trust as of June 30; and

(2) a statement from the consulting (independent) actuaries, which contains the estimated net present value of claim reserves as of June 30.

b. In the June 30 general ledger, the total value of the trust portfolio is recorded by the CAO, via a type entry 14 financial journal, as an asset in account J-114315, Medical Malpractice Insurance Program--Assets Held by Trustee.

This entry is offset by an equal liability in account J-115473, Medical Malpractice Insurance Program--Funded Liability.

V. RESPONSIBILITIES

A. OFFICE OF RISK MANAGEMENT

It is the responsibility of Risk Management to assess campuses for the approved funding of the PMHL Program, transfer funds to the trustee account based on campus assessments, and process approved expenses related to the PMHL Program, in accordance with procedures established by the Treasurer's Office.

B. GENERAL ACCOUNTING

It is the responsibility of the CAO to process the monthly financial journals prepared by Risk Management and to follow the year-end closing procedures, in

accordance with the procedures set forth in this chapter.

C. TREASURER OF THE REGENTS

It is the responsibility of the Treasurer's Office to establish procedures with the trust administrator for the transfer of funds to and from the PMHL Program trust account.

D. CAMPUS ACCOUNTING OFFICE

It is the responsibility of each campus accounting office to prepare a responding journal for the monthly assessment and to charge the assessment to the appropriate expenditure account(s).

V. REFERENCES

Actuarial Review of the Allocation of Premium for the Professional Medical and Hospital Liability Program of the University of California

President David S. Saxon, Item for Action addressed to the Committee on Finance of The Regents on the Establishment of Professional Medical and Hospital Liability Trust. February 9, 1983.

The Regents, Minutes authorizing the establishment of a professional medical and hospital liability trust to serve as a funding mechanism for the Medical Malpractice Insurance Program, February 18, 1983.

Business and Finance Bulletin BUS 9, Professional Medical and Hospital Liability Self-Insurance Program.

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