

A Year of Transition



VIRGINIA BIRTH-RELATED
NEUROLOGICAL INJURY
COMPENSATION PROGRAM

2002 Annual Report

A year of transition.



Through infancy, through childhood and throughout adult life, the Birth-Injury Program pays for medically necessary care. In 2002, the Program spent just under \$5 million on services. Among the many benefits offered is assistive technology such as computers and specialized equipment for their use.

Message From The Board Chair

2002 can be called

"a year of transition" for the Virginia Birth-Related Neurological Injury

Compensation Program.

With a substantial increase in claimants over the past few years, it was critical that the administrative infrastructure also grow to assure continued high quality service for claimants, physicians, hospitals and the citizens of the Commonwealth of Virginia. The year brought staff growth from two to seven employees as well as expansion of the office facilities and upgrades of computer and data processing systems.

After 14 years of service, the Program's first Executive Director, Elinor Pyles retired. Many thanks to Elinor for her dedication and her work with our families. Our new Executive Director, George Deebo, has brought new energy, enthusiasm and new ideas to continue to move the Birth-Related Injury Fund forward. George has integrated well with the board and the families across the state.

Governor Warner appointed three new board members. We said goodbye, and we say thank you to Dr. Barry Kirkpatrick, Stewart Hargrove and Jon McGruder. We welcomed Dr. Leo Dunn, James Ritchie and Richard Cathey.

Study Confirms Program's Successes

A major focus for this year was a Joint Legislative Audit and Review Committee study of the Program. The results of the review provided a wealth of information for both Virginia legislators and the Program. Most encouraging were two key findings—the Birth-Injury Program has been successful in providing quality care for claimant children and holding down malpractice insurance costs for Virginia physicians. The study left little doubt about these successes. However, it also pointed out some shortcomings. The Board of Directors is committed to utilizing this study to continually improve the operations of the Birth-Injury Program.



Melina Dee Perdue

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Families Gather At Regional Meetings

A new communications effort also emerged this past year with the first ever regional meetings. Held in northern Virginia, Hampton Roads, Roanoke and Richmond, these gatherings were an opportunity for claimant families to gather and talk with both staff and board members. By popular demand we will be continuing these meetings in the future. Additionally, we are striving to improve communication and interaction in all aspects with claimant families. For new families entering the Program, a contact list to speak with families already in the Program has been developed. We say a special thanks to the individuals who have volunteered to assist other families.

Long-Term Financial Needs Must Be Considered

Despite many successes throughout the year, a sobering note also was sounded. The 2002 actuarial study showed a long-term need for additional funding. It's important to note that the actuarial report states that the Program is in no immediate financial danger. In fact,

it says that with current funding levels, and the Fund's current reserves of about \$99 million, the Program is safe for up to 25 years. However, additional revenue, up to another \$90 million, is required to sustain the Program beyond that point.

The Birth-Injury Program Board of Directors has little control over income. State law sets almost all revenue levels. Any additional sources of income must be provided through the Virginia General Assembly. The Board will continue to closely communicate with state government to advocate for these additional financial needs.

Sincerely,

A handwritten signature in green ink that reads "Melina Dee Perdue".

Melina Dee Perdue, RN, MBA, CNA
Board Chair

The Program at a glance.



Transportation is a key benefit. When needed, a wheel-chair lift equipped van is provided for each family. The Program also helps with payment of the van's insurance premium. When the van is used for medically necessary travel, such as trips to physicians' offices or for therapy, the Program pays a mileage reimbursement.

Benefits & Eligibility

Admission into the Program is determined solely by the Virginia Workers' Compensation Commission based on criteria outlined in state law. Started by the Virginia General Assembly in 1987 in response to a crisis in malpractice insurance, the Program is a no-fault, exclusive remedy. As of December 31, 2002, 77 claimants had been admitted into the Program.*

Covered Services/Expenses for an Awarded Claim

- Medical
- Hospital
- Rehabilitation/Therapy
- Residential and custodial care
- Compensation for lost earnings, ages 18 to 65
- Special equipment or facilities
- Reasonable claim filing costs (including attorney's fees)
- Medically necessary travel

Expenses Not Covered

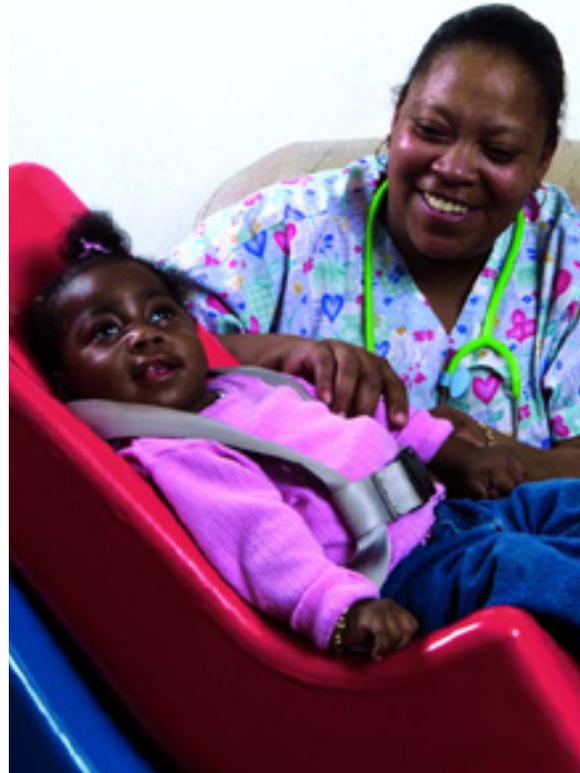
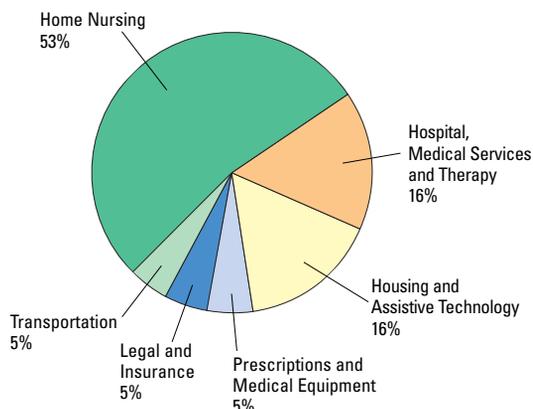
- Expenses covered by other government programs
- Expenses covered by prepaid health plans or HMOs
- Expenses covered by private insurance

Eligibility/Key Points of the Virginia Law

- Child delivered by a participating doctor or hospital
- Child who suffered a birth-related neurological injury, as defined by Virginia law
- Injury must have resulted from oxygen deprivation or mechanical injury during labor, delivery, immediate post delivery
- Child must be permanently motorically disabled and developmentally disabled or cognitively disabled
- Child must need assistance with all daily living activities

*number includes 11 deceased claimants

BENEFITS PAID TO CLAIMANTS (by categories)



In-home nursing accounted for more than 50 percent of benefit expenditures in 2002. Nursing care ranges from just a few hours per day up to 24-hour care, based on medical requirements. Among the other needs met are hospital and medical costs and housing modifications for handicapped accessibility.

History & Finances

In the mid-1980s a crisis loomed in Virginia and across the nation. The ability of citizens to obtain affordable medical care, especially from obstetricians, was severely threatened by escalating medical malpractice insurance costs for these physicians. Up to one-quarter of Virginia's obstetricians were threatened with losing their coverage due to no-fault of their own.

The Virginia General Assembly stepped-in passing legislation establishing the Virginia Birth-Related Neurological Injury Compensation Program and Fund. According to a Joint Legislative Audit and Review Committee study conducted in 2002, the Program has been largely successful in meeting its original intent.

The report states:

"The ultimate goal of the birth injury act was to alleviate the medical malpractice insurance availability crisis for obstetricians."

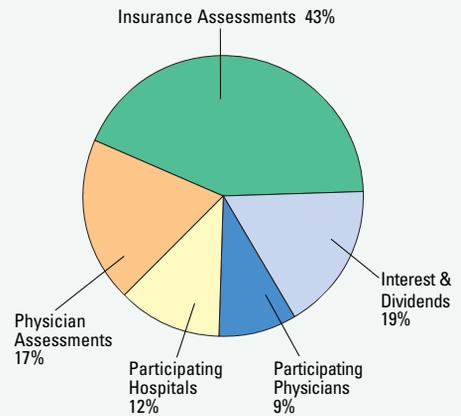
(page 4)

"... As a result, **ob/gyns in Virginia were able to obtain malpractice insurance at lower rates than their counterparts in many other states...** Although malpractice premiums have increased significantly in the past couple of years, it does not negate the fact that the malpractice cap and **the birth-injury program appears to have had a positive effect on claims costs, and subsequent malpractice premiums.**"

(page 32, *emphasis added*)

While a totally voluntary program, in 2002 nearly 350 physicians, about half of all those actively delivering babies in the Commonwealth chose to participate. Additionally, 27 hospitals participated. Together, they cover about 65 percent of the births in Virginia, and about 80 percent of all births in Northern Virginia.

INCOME



2002 INCOME

Insurance Assessments	8,048,034
Interest & Dividends	3,680,840
Physician Assessments	3,245,700
Participating Hospitals	2,256,000
Participating Physicians	1,670,590
Other	2,239
Refunds	-123,878
Total	18,779,525

RESERVE FUNDS (as of 12/31/2002) 99,121,353

2002 CLAIMANT EXPENSES

Nursing	2,597,830
Housing	761,950
Hospital	428,315
Medical	248,448
Transportation	235,836
Legal	217,897
Prescriptions/Medication	127,809
Therapy	125,546
Medical Equipment	121,316
Assistive Technology	38,758
Insurance	19,693
Total	4,923,398

2002 ADMINISTRATIVE EXPENSES

Salaries & Benefits	304,679
Investment & Fiduciary Fees	157,331
Professional Services*	127,331
Administrative (phone, mailing, etc.)	94,971
Public Education/Advertising†	54,165
Facilities	44,874
Other	12,984
Total	796,335

*computer, legal, accounting, etc

† includes required materials for physicians/hospitals

Note: All figures are unaudited at time of printing

Helping control malpractice premiums.



The Birth-Injury Program is helping control rising malpractice insurance costs for all Virginia physicians, according to the 2002 General Assembly Joint Legislative Audit and Review Committee's report.



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NEUROLOGICAL INJURY
COMPENSATION PROGRAM**

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A lifetime of help

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