

VIRGINIA BIRTH-RELATED NEUROLOGICAL INJURY COMPENSATION PROGRAM

Making a *difference*

2004 Annual Review





\$5.7 million *for benefits in 2004*

Message From The Board Chair

It's always nice to relate good news, and noting a more than \$30 million reduction in the Program's long-term actuarial deficit certainly qualifies. This improvement resulted primarily from three events. First, the 2004 session of the Virginia General Assembly agreed to delete a provision passed in the prior year allowing legal fees to be paid even if a claimant was not admitted into the Birth-Injury Program. The repeal of this provision alone resulted in an immediate deficit reduction of about \$28 million.

Also helping to slim down the actuarial deficit were strong returns on the Program's reserve funds and modestly increased fees and assessments. At the end of 2004 those funds stood at \$141 million. It's also important to emphasize that the Program is considered by actuaries to be financially sound for many years to come.

However, the Board continues to work towards eliminating the total deficit and took an important new step in 2004. The overall investment strategy has been improved through hiring an independent investment consultant to provide ongoing advice. Engaged for this effort was CapGroup of Richmond, Virginia. With this added independent expertise, the Board believes that the Program's ability to obtain the maximum, yet safe levels of investment, will be improved in upcoming years.

Another valuable step was the appointment by the Governor of three new board members helping to round out the composition of the Board. Appointed were:

- Edward Mazur, CPA, recently retired as the Vice President for Administration and Finance at Virginia State University and a former comptroller for the Commonwealth of Virginia;
- Jennifer Ogburn, an educator and the parent of a child with special needs;
- Lynn Chapman, Esq., Managing Claims Consultant for Nationwide Insurance with a specialty in customer service.

However, we also say thank you to three members who completed their terms of service, Richard Cathy, Cynthia Berry and James Ritchie. These volunteers contributed dozens of

hours of time and traveled countless miles to serve Program claimants and the citizens of Virginia.

As you will see from other pages in this annual review, the Birth-Injury Program continues to provide millions of dollars, thousands of hours and more importantly, daily assistance and hope to each of the individuals and families it covers.

Whether paying for medical services and nursing, making therapies available, providing for transportation or other benefits, the bottom line is that the medical needs of those involved are met. It's the desire of Board of Directors that the Program always be in a position to assist with providing each legislatively prescribed benefit.

The year also provided some of the highest levels of physician and hospital participation in recent history. Of the approximately 850 physicians in Virginia who regularly deliver babies, more than 500 of them signed-on. Additionally the Program ended the year with 32 participating hospitals.

Certainly challenges abound for the Program staff and board. However, both groups are dedicated to seeking ongoing growth and improvement to provide the best possible outcomes for all stakeholders of the Virginia Birth-Related Neurological Injury Compensation Program.

Sincerely,



Melina Dee Perdue, RN, MBA, CNA,
Board Chair





130,000 hours *of nursing care*

130,000* hours of nursing care

Virtually every hour of every day, nurses throughout the Commonwealth are providing in-home care for participants in the Virginia Birth-Injury Program. Ranging from a couple hours per day to 24-hour care, nursing is a key and critical benefit. In fact, in 2004 more than 130,000 hours of care were financed by the Birth-Injury Program at a cost of about \$4 million. Each child's daily nursing care is based on his or her physician's order and is provided by the appropriate level of caregiver.

More than 1,200* therapy sessions

For children with birth-injuries, almost all suffering from cerebral palsy, physical therapy is a weekly need. However, most corporate or individual health insurance policies only provide 30, 60 maybe 90 visits per year. That's when the Birth-Injury Program steps-in to assure participants receive the ongoing therapy they require. In 2004, more than 1,200 therapy sessions were paid for by the Program either totally or in part.

More than 600,000* miles

One of the greatest challenges for many families having a child with special needs is transportation. When a family member is in a wheelchair you can't just get in the car and go - unless you have a wheelchair accessible vehicle. That's why the Birth-Injury Program pays for a wheelchair accessible van for every admitted claimant utilizing a wheelchair - keeping the family on the go. Every year, families travel well over 600,000 miles in their Birth-Injury Program supplied vans.

Housing

A new rental housing policy became effective in 2004 allowing families that rent their homes to also receive assistance in obtaining handicapped accessible space. When a family moves from one rental property to another that provides handicapped accessible space for the child, the Program will provide a monthly stipend towards the rental fee. The stipend is based on the amount of space allowed when the Program funds a home addition for homeowners, thus assuring equity in the benefit for both homeowners and home renters.

**Estimate based on average cost and usage*

In 2004, 17 petitions seeking entry into the Birth-Injury Program were filed with the Virginia Workers' Compensation Commission. By statute, the Workers' Compensation Commission has sole authority to admit claimants. The Birth-Injury Program is a no-fault, exclusive remedy. As of December 31, 2004, 99 claimants had been admitted since the Program's establishment in 1987.

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

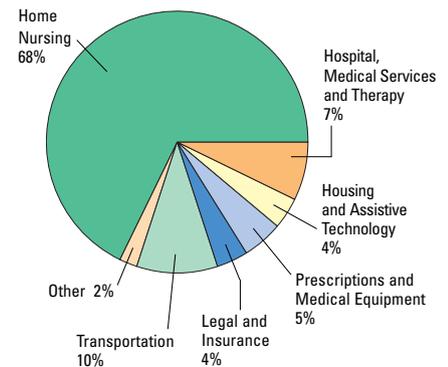
Expenses Not Covered

- 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, resuscitation
- Child must be permanently motorically disabled and developmentally disabled or cognitively disabled
- Child must need assistance with all daily living activities

Benefits Paid To Claimants
(by categories)





Over 500 physicians, midwives and hospitals

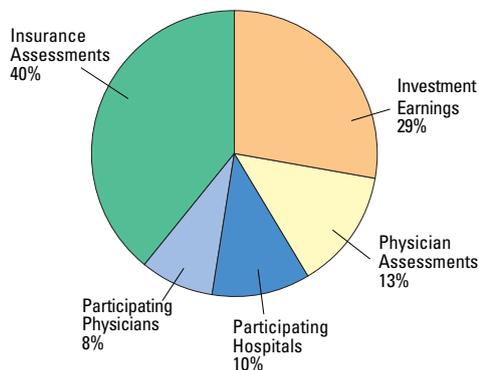
Physicians and hospitals across Virginia continue to discover that participation in the Virginia Birth-Related Neurological Injury Program is a reassuring move for them, and even more so for their patients. A qualifying birth injury can occur despite the heroic efforts of everyone involved. When it does happen, entry into the Birth-Injury Program is important to both families and health services providers.

Along with the coverage benefits of participation, physicians also receive a reduction or credit in their malpractice insurance premiums. While these reductions vary by insurance company, often the difference will cover the participation costs. In 2004, over 500 physicians and midwives made the decision to participate. These health professionals provide delivery services in most localities throughout the Commonwealth of Virginia. Hospitals also receive the same assurance. During 2004, 32 Virginia hospitals enrolled in the Program.

Key Facts

- Established in 1987 by the Virginia General Assembly
- Alleviated the immediate malpractice insurance crisis and possible obstetric services shortage
- By law, all obstetricians, whether participating or non-participating, must inform patients whether they participate or not
- According to studies, the Birth-Injury Program helps control rising medical malpractice insurance rates

Income by Source



Financials For the Year Ended December 31, 2004:

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from hospitals	2,519,709
Receipts from participating physicians	2,057,253
Mandated physician fee receipts	3,397,988
Receipts from insurance companies	10,210,363
Other receipts	100
Payments on behalf of claimants	(5,746,164)
Payments to suppliers of goods and services	(348,210)
Payments to employees	(323,111)
Net cash provided by operating activities	11,768,203

FINANCIAL RESERVES VALUE

Market Value Dec. 31, 2003	121,118,000
Net Contributions	12,895,000
Investment Earnings (Net)	7,312,000
Market Value Dec. 31, 2004	141,325,000

ESTIMATED TOTAL ACTUARIAL DEFICIT

As of Dec. 31, 2004	102,500,000
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This information is intended solely for general informational purposes. To see the latest annual audit or actuarial study please see the Program's website at www.vabirthinjury.com.



**VIRGINIA BIRTH-RELATED
NEUROLOGICAL INJURY
COMPENSATION PROGRAM**

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A lifetime of help

Board Members

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Roanoke, Virginia

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Colonial Heights, Virginia

Terms ending in 2004:

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Great Falls, Virginia

Richard A. Cathey

Insurance Industry Representative

Midlothian, Virginia

James A. Ritchie

Citizen Representative

Roanoke, Virginia

In accordance with applicable statutes, all Birth-Injury Program board members are appointed by the Governor of Virginia.