

Risk Rated Premium 2020-21 Frequently Asked Questions



The Risk Rated Premium (RRP) model has been developed by the Department of Health and Human Services (DHHS) and VMIA. The model allocates a share of the State-wide medical indemnity insurance premium to individual hospitals and health services.

For 2020-21, the total medical indemnity premium for public hospitals is \$193.5 million (excluding GST and stamp duty charges), representing an increase of 5.1% from 2019-20. This increase is less than the expected increase of 9.1% due to improvements in the State wide claims experience that have resulted in a 4% reduction in the premium pool.

Answers to FAQs and an update on any enhancements to the model are provided below.

What is the purpose of the RRP model?

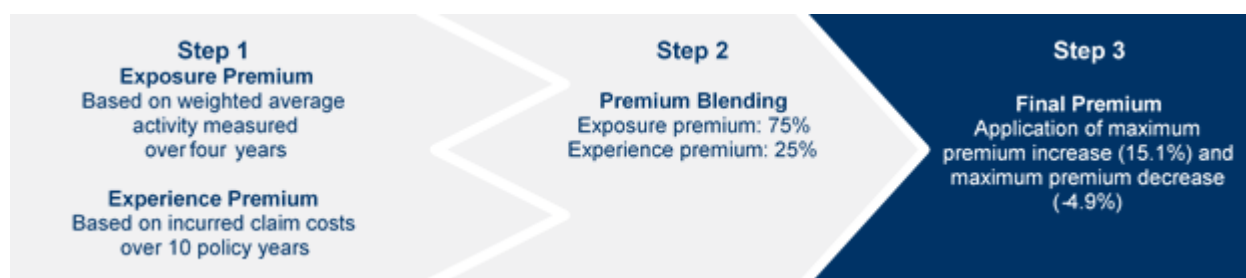
The RRP model is designed to increase awareness of medical indemnity liabilities. It also aims to encourage continuous improvement in the delivery of healthcare services through risk management and patient safety initiatives.

What changes have been made to the RRP model this year?

There are no changes to the RRP model in 2020-21. The RRP model enhancements introduced in 2014-15 included a weighting of the exposure and experience premiums and premium blending and capping to reduce premium volatility and deliver a more equitable premium allocation across health services. The implementation of this methodology has reduced volatility and created greater equity with most hospitals experiencing modest variations in premium.

How is the RRP calculated?

There are a number of factors and steps involved in calculating RRP for hospitals and health services. Below are the steps and a summary of the methodology used to allocate premiums.



How does my hospital's claims experience affect my premium?

The model utilises the last 10 years of claims information to calculate the 'experience' component of the premium allocation. This is to ensure that premium allocation is based on more developed claims. Your claims experience represents 25% of your final premium.

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How do my hospital's activities affect my premium?

To calculate the 'exposure' component of the premium, the model utilises the weighted average of four years of your activities. This reduces the premium volatility caused by significant changes to activities from one year to the next. Your exposure represents 75% of your final premium.

What are the final premium adjustments for the year 2020-21?

The application of the final premium adjustment is to ensure that the individual health service's premium movement from one year to the next is kept within an acceptable range. The maximum movement will vary from year to year depending on the premium pool movement. For the year 2020-21, the maximum premium increase is capped to 15.1% and the maximum decrease is -4.9% of the 2019-20 premium.

What are the eight risk groups?

In general, the top 15 specialties represent more than 95% of the premium. The top specialties have been categorised into eight risk groups based on their level of impact on claims costs. This reduces the complexities within the RRP model without compromising premium allocation.

Risk Group	Specialties
Group 1	Obstetrics
Group 2	Oncology, Radiology
Group 3	Neurosurgery, Gynaecology
Group 4	General Medicine
Group 5	General Surgery
Group 6	Cardio-thoracic, Gastroenterology, Neonatology, Orthopaedics, Paediatrics
Group 7	Emergency Medicine
Group 8	Psychiatry, Anaesthetics, Intensive Care and all other specialties

When will we receive our premium invoice?

All Victorian public hospitals and health services are receiving their Medical Indemnity premium notification in April 2020 to assist with budgeting processes.

Invoices will be sent in June 2020 and are due for payment within 30 days from the date of the invoice. The invoiced amount will include 10% GST and 10% stamp duty on the notified premium amount.

Who do I talk to if I have a query about my premium?

RRP enquiries: Phone 9270 6900 or email contact@vmia.vic.gov.au

WIES details & premium funding: Contact the relevant Service Performance Lead at the Department of Health.