



Medical Indemnity
Risk Rated
Premium 2024-2025
Frequently Asked Questions



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**VMIA is the Victorian
Government's insurer
and risk adviser**

Level 10 South
161 Collins Street
Melbourne VIC 3000

P (03) 9270 6900
contact@vmia.vic.gov.au
ABN 49 682 497 841

vmia.vic.gov.au
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Victorian Managed Insurance Authority (VMIA) acknowledges the Traditional Custodians of the land on which we do business, and we pay our respects to Elders past and present. We acknowledge the important contribution that Aboriginal and Torres Strait Islander peoples make in creating a thriving Victoria.

Introduction

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

For 2024-2025, the total medical indemnity premium for public hospitals is \$301.8 million (excluding GST and stamp duty charges), an increase of 17.4% on 2023-2024. This increase is above the expected increase of 10%. The additional percentage is mainly a result of the performance of the 'small' claims (claims with an incurred value of less than \$1.8m):

- There has been an increase in the cost of nervous shock claims over the past few years – the cost of these claims increased by 11% per year over the past three years. These nervous shock claims costs have increased due to a higher number of claims and an increase in the average claim size.
- Other types of small claims have grown by 13% per year over the last 3 years, driven primarily by an increase in the average cost of these claims.
- VMIA regularly benchmark our premiums against the commercial insurance market to ensure we are delivering value for money outcomes for our clients. We are confident our pricing reflects a significant discount to commercial insurance premiums.

Here is more information on enhancements to the RRP model, and responses to some frequently asked questions.

Frequently Asked Questions

What is the purpose of the RRP model?

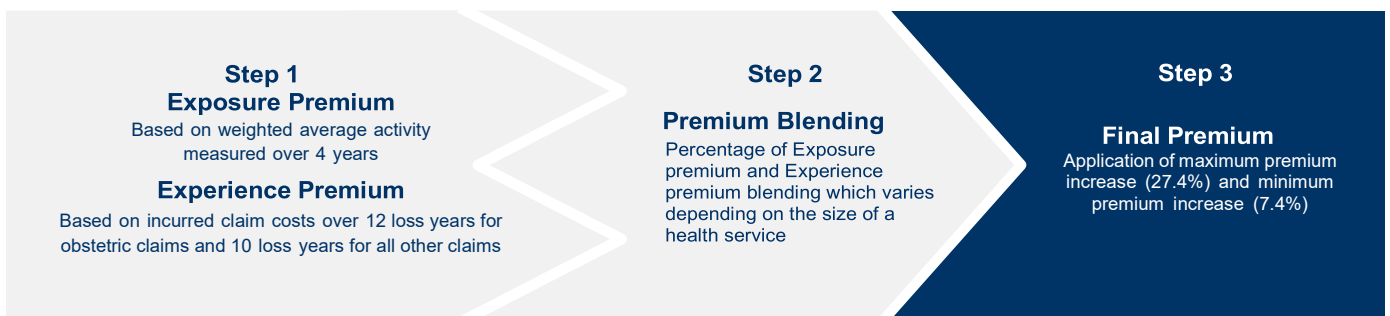
The RRP model is designed to increase awareness of medical indemnity claims. It's also designed to encourage continuous improvement of healthcare services through a focus on risk management and investment in patient safety initiatives.

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

There have been no changes to the RRP model in 2024-2025. The aim of the RRP model is to reduce premium volatility while delivering an equitable premium allocation across health services. This has resulted in most hospitals experiencing modest variations in premiums over the last six years.

How is the RRP calculated?

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



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

The RRP model uses the last 12 loss years of obstetric claims costs and the last 10 years of claims costs for all other specialties to calculate the 'experience' component of the premium allocation. This ensures that premium allocation uses a mixture of finalised claims and current claims to reflect your hospital's long-term claims experience. Your claims experience represents anywhere between 0% and 50% of your final premium, depending on the size of your health service. Specific information for your health service is provided with your premium notification letters.

How do my hospital's activities affect my premium?

To calculate the 'exposure' component of your premium, the RRP model uses 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 premium represents between 50% and 100% of your final premium, depending on the size of your health service. Specific information for your health service is provided with your premium notification letters.

What are the final premium adjustments for the year 2024-2025?

Final premium adjustments ensure that your health service's premium movement from one year to the next is kept within an agreed range. The maximum movement will vary from year-to-year depending on the premium pool movement. For 2024-2025 premiums, the maximum increase is capped at 27.4% and the minimum increase is 7.4%.

What are the 18 exposure specialties?

The 18 exposure specialties used for the calculation and allocation of the exposure component of your premium are:

Category	Specialty
1	Obstetrics
2	Oncology
3	Gynaecology
4	Neurosurgery
5	General Medicine
6	General Surgery
7	Orthopaedics
8	Neonatology
9	Paediatrics
10	Gastroenterology
11	Cardiothoracic Surgery
12	Emergency Medicine
13	Specialist non-surgical
14	Sub-acute
15	Specialist Surgical
16	Anaesthetics
17	Psychiatry
18	Intensive Care

When will we receive our premium invoice?

All Victorian public hospitals and health services will receive their medical indemnity premium notification in April 2024.

Invoices will be sent in June 2024 and are due for payment within 30 days from the date of the invoice. The invoiced amount will include GST and Stamp Duty.

Who do I talk to about my premium?

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

NWAU details and premium funding: Contact the relevant Service Performance Lead at the Department of Health.