



ANNUAL REPORT
Per SCR 111 of 2007

BY

**LOUISIANA PATIENT'S
COMPENSATION FUND
OVERSIGHT BOARD**

October 1, 2017

John Bel Edwards
GOVERNOR



State of Louisiana
PATIENTS' COMPENSATION FUND

DIVISION OF ADMINISTRATION

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September 26, 2017

Honorable Fred Mills, Chairman, Senate Committee on Health and Welfare
Honorable Frank A. Hoffmann, Chairman, House Committee on Health and Welfare
Honorable John Smith, Chairman, Senate Committee on Insurance
Honorable Kirk Talbot, Chairman, House Committee on Insurance

RE: Senate Concurrent Resolution No. 111
Regular Session, 2007

Dear Honorable Chairmen:

In accordance with SCR 111 of 2007, the Louisiana Patient's Compensation Fund Oversight Board (PCF) submits the attached annual report on the status of the PCF. The Resolution mandates a report that contains actuarial data showing growth rates, increases/decreases in exposures and assets, actuarial analysis of the financial health of the fund and the prediction of the unfunded liability be provided to the Legislature by October 1st each year.

The Fund Oversight Board has eliminated the unfunded liability. The current indications show the PCF's level of assets to liabilities far exceeds the statutorily required minimum level. As of December 31, 2016, actuarially estimated liabilities were \$765,200,000 and assets were \$1,023,440,104 resulting in a surplus of assets exceeding liabilities of approximately \$258,240,104.

All health care providers' rates were reduced again in 2017 and no provider had an increase. The current rate reduction should still allow for further increasing of assets and maintaining a fully funded balance sheet.

An investment consultant has been retained to advise the Board on increasing investment income to help keep rates lower for the health care providers and to further solidify the financial integrity of the Fund. Investments have been allocated into a conservative portfolio which is monitored daily.

The total surcharges and filing fees last fiscal year totaled \$149,178,705. Investment income earned was \$18,236,055. The total for administrative and claims expenditures was \$120,520,000 which was \$16,488,649 below budget. The administrative budget for the current fiscal year is \$7,134,761 and the claims budget is \$130,000,000 for a total agency budget of \$137,134,761. The T.O. for the agency includes 2 unclassified positions and 52 classified positions. There are 9 Board members.

In accordance with Act 182 of the 2011 Regular Session, a copy of the report has been submitted to the David R. Poynter Legislative Research Library for distribution and record keeping. The PCF's website, <http://www.doa.la.gov/Pages/pcf/Index.aspx>, contains more information, including minutes from Board meetings, financial information and rate information.

The Board has made a commitment to continue managing the PCF as efficiently as possible and to meet all statutory obligations relative to medical malpractice claims. Should there be any other information you feel would be helpful or any questions you may have, please do not hesitate to call.

Sincerely,



Clark R. Cossé III, J.D.
Chairman



Ken Schnauder, CPCU, AIC
Executive Director

c: Members of Senate Committee on Health and Welfare
 Members of House Committee on Health and Welfare
 Members of Senate Committee on Insurance
 Members of House Committee on Insurance
 Members of Senate Committee on Judiciary A
 Members of House Committee on Civil Law and Procedure

LOUISIANA PATIENT'S COMPENSATION FUND PCF

During the 1975 legislative session, **Act 817** (R.S. 40:1231.1 *et seq*) was passed which created the Louisiana Patient's Compensation Fund (PCF). The Act was created to provide coverage to private health care providers in Louisiana, ensuring that a stable and affordable market existed for malpractice insurance and thereby keeping practitioners in the state. Second, the Act was to create a viable fund for compensating claimants. The original Act provided a statutory cap on total liability of \$500,000. It also provided for the Medical Review Panel process which is the first step in pursuing a claim against a health care provider.

In 1984, the statute was amended to allow for the payment of all related medical expenses. This change allowed those patients with more severe injuries to have medical expenses paid by the PCF on an ongoing basis. This provision also reduced the payments that were being made or could have been made by Medicare and Medicaid, lessening the burden to those programs.

In the 1990 legislative session, the statute was revised to create the Patient's Compensation Fund Oversight Board (Board). The creation of the Board gave providers greater input, and also greater responsibility, in the operation of the PCF since members represent the provider groups that pay into the PCF.

The financial status of the PCF has significantly improved since 1990 under the leadership of the Board. There were large premium increases from 1990 to 2010 to ensure the fiscal integrity of the PCF, resulting in rates going up by about 540%. Since 2010 rates have stabilized and been reduced by almost 50%.

Health care providers who choose to enroll in the PCF remain responsible for the first \$100,000 of each claim, either through an insurance company or as a self-insured provider. Coverage is provided for the second layer of \$400,000 plus all related medical expenses with the payment of the proper surcharge to the PCF. Participation in the PCF is not mandatory. There are over 20,000 private health care providers enrolled in the PCF.

An annual actuarial study is done to determine the adequacy of rates compared to current and expected liabilities. The recommendations of the actuary are utilized by the Board to establish the rates necessary to cover estimated liabilities for the upcoming year and to ensure the statutory asset level is maintained.

The actuary has estimated the PCF's liabilities, both claims already filed and those expected to be incurred in 2017, at approximately \$765,200,000. Currently the PCF's assets as of August 31, 2017, are approximately \$1,054,000,000. The Board's actions have resulted in a steady and impressive increase in funds and an elimination of the unfunded liability while at the same time have kept surcharge rates at predictable and affordable levels for private health care providers. This effort is vital to this State as the Board continues to guarantee a source of medical malpractice coverage that is reasonable and thus encourages health care providers to continue to practice in Louisiana and serve our citizens.

John Bel Edwards
GOVERNOR



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State of Louisiana
PATIENTS' COMPENSATION FUND

August 2, 2017

From: Ken Schnauder, CPCU, AIC
Executive Director

RE: New Rates for the PCF effective 9/2/17

In accordance with the annual actuarial study, the PCF Oversight Board determined there was justification for the following rate changes for all healthcare providers enrolled as stated below. The actual percentage changes as of 09/02/2017 will be as follows:

Hospitals	-1.6%
Nursing Homes	-7.9%
CRNA	- 16.5%
Dentists and Oral Surgeons	- 11.0%
Advanced Practice Nurses	-11.9%
(Nurse Practitioner, Nurse Midwife, Physician's & Surgeon's Assistant, Clinical Nurse Specialist)	
Chiropractors and Optometrists	-11.9%
Physicians Class 1A, 1, 2, 3, 5, 8	-11.9%
Physicians Class 2A, 4, 6	-9.7%
Physicians Class 7	- 14.1%

The "all other" classes will have an 11.6% decrease to .68% of the primary premium.

The minimum rate is still \$250.

The overall rate decrease is -9.0%

October 1, 2017

EXHIBITS

AND

EXPLANATIONS

Exhibit 1
Liability Funding

Prior to August 15, 2010, the calculation of the Statutory minimum funding level found in La R.S. 40:1231.1 required a surplus of 30% of the total of the surcharges collected, expenses and reserves (estimated amount of exposures pending and incurred but not reported). The Fund met this requirement for the last several years. This formula treated revenue as a liability and thus the UAL was felt to be exaggerated.

The statute now requires the PCF to maintain assets sufficient to provide at least 30% of the actuarially calculated liabilities and eliminated the treatment of revenue as a liability. As of December 31, 2016, based on actuarially calculated liabilities, the Fund has over 135% of the necessary assets to cover these estimated liabilities as shown by the following chart.

<u>ESTIMATED LIABILITIES</u>	<u>ASSETS</u>	<u>Unfunded Liabilities</u>
(Claim & legal reserves + IBNR)	(Cash & investments)	(Difference)
12/2000: \$383,600,000	\$84,880,890	(\$298,719,110)
12/2005: \$675,300,000	\$253,275,810	(\$422,024,190)
12/2006: \$737,500,000	\$364,752,401	(\$372,747,599)
12/2007: \$756,200,000	\$431,217,706	(\$324,982,294)
12/2008: \$738,000,000	\$494,585,500	(\$243,414,500)
12/2009: \$773,400,000	\$576,373,243	(\$197,026,757)
12/2010: \$771,400,000	\$633,745,844	(\$137,654,156)
12/2011: \$777,000,000	\$669,576,202	(\$107,423,798)
12/2012: \$787,000,000	\$776,325,715	(\$10,674,285)
12/2013: \$788,500,000	\$833,108,462	\$44,608,462
12/2014: \$756,000,000	\$900,285,387	\$144,285,387
12/2015: \$765,500,000	\$972,841,069	\$207,341,069
12/2016: \$765,200,000	\$1,023,440,104	\$258,240,104

*all figures as of December 31st of each year

Exhibit 2a & 2b
Financial Summaries

These two exhibits are documents posted on the PCF website each month, along with the general minutes from each Board meeting. They show the monthly expenditures and collections, investment income earned, and fund balance at the end of the month. These items as well as other information can be found on the PCF website as our part of being a transparent state agency.

FINANCIAL DATA FOR BOARD
Current FY Year 2017-2018
August 31, 2017

REVENUE	SURCHARGE	FILING FEES
FY Gross Collection	\$19,021,725	\$55,600
FY Refunds Issued	-\$571,348	-\$3,600
FY Net	\$18,450,377	\$52,000
Prior Year Cash Carryover		\$1,051,315,801
YTD Investment Income		\$2,136,195
YTD Net Surcharge Collected		\$18,450,377
YTD Net Filing Fees Collected		\$52,000
YTD Operating Expenses		-\$907,840
YTD Claim Expenses		-\$17,237,292
YTD Fund Balance		\$1,053,809,241
Operating Services - Budget:		\$7,134,761
Expended		-\$907,840
Balance		\$6,226,921
Claims Settlement- Budget:		\$130,000,000
Expended		-\$17,237,292
Balance		\$112,762,708
CLAIM SETTLEMENTS:		
All prior Month Approved Claims Not Paid		\$925,000.00
Current Month Approvals		\$9,798,953.00
Total		\$10,723,953.00

Monthly LAPCF Revenue Collections

FISCAL YEAR	FY 2016-2017	FY 2015-2016
	NET SURCHARGE COLLECTIONS	
JULY	12,804,299.39	13,493,800.11
AUGUST	6,576,215.96	7,992,373.17
SEPTEMBER	8,313,522.74	9,390,765.85
OCTOBER	14,145,881.43	14,661,110.12
NOVEMBER	12,502,937.55	10,933,409.16
DECEMBER	19,985,959.07	18,984,693.48
JANUARY	24,287,652.32	24,644,487.70
FEBRUARY	20,473,006.22	21,468,054.74
MARCH	4,267,672.64	3,212,490.70
APRIL	5,727,750.24	4,232,834.90
MAY	6,096,972.62	5,935,248.00
JUNE	13,709,035.15	13,017,837.27
TOTAL	148,890,905.33	147,967,105.20
	NET FILING FEE COLLECTIONS	
JULY	22,600.00	25,600.00
AUGUST	18,000.00	29,600.00
SEPTEMBER	27,300.00	28,000.00
OCTOBER	24,700.00	29,060.00
NOVEMBER	26,100.00	25,940.00
DECEMBER	20,500.00	23,600.00
JANUARY	25,100.00	24,400.00
FEBRUARY	20,100.00	22,900.00
MARCH	28,830.00	34,500.00
APRIL	22,170.00	20,605.00
MAY	20,200.00	30,395.00
JUNE	32,200.00	26,500.00
TOTAL	287,800.00	321,100.00
	MONTHLY INVESTMENT INCOME	
JULY	-4,636,897.00	1,544,613.00
AUGUST	2,100,756.00	1,659,888.00
SEPTEMBER	2,179,835.00	2,773,223.00
OCTOBER	1,333,957.00	1,299,487.00
NOVEMBER	1,926,138.00	2,464,507.00
DECEMBER	4,065,995.00	3,321,804.00
JANUARY	1,346,978.00	1,596,523.00
FEBRUARY	1,828,161.00	2,441,710.00
MARCH	2,081,475.00	-60,470.00
APRIL	1,166,332.00	371,486.00
MAY	2,649,500.00	2,215,729.00
JUNE	2,196,706.00	3,051,602.12
TOTAL	18,238,936.00	22,680,102.12
Total Collections	167,417,641.33	170,968,307.32

Exhibit 3

Medical Review Panels

The number of requests for medical review panels received by the PCF during each calendar year is shown in this exhibit. As you will note, the numbers steadily increased from 1977 through 2000, then in 2001 there was a spike. This was the result of 750 filings dealing with the prescribing of a drug and all were dismissed within a year without payments by the PCF. In August 2003, a filing fee was instituted. Since that time there has been a decrease in panels filed. Overall, the number of requests filed and the number of individual providers named in requests have decreased during the past five years. Frequency seems to have leveled out at this time. In 2014 there were the fewest panels filed since 1994.

The average annual panels filed over the last five years, is approximately 1425 per year.

Number of Panels Filed Per Calendar Year Past 20 Years

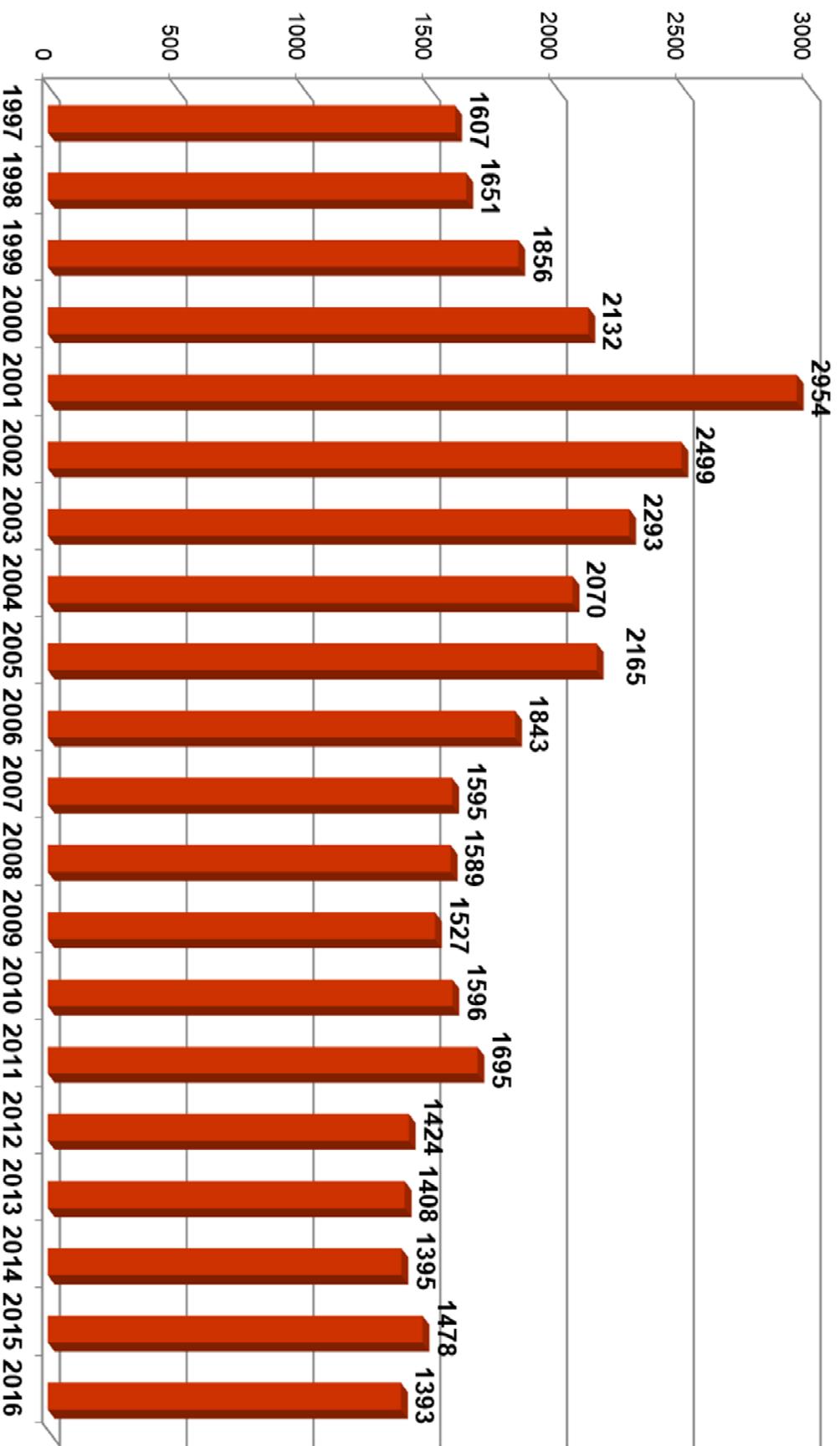


Exhibit 4

Claims

The PCF claims staff is limited in what they can do relative to a complaint since the PCF is not involved in the initial litigation. The PCF only becomes involved if there is a settlement in which additional monies are demanded from the PCF or when a judgment exceeds the primary layer of \$100,000. Defense attorneys are only assigned when an adjuster is unable to reach a settlement with the plaintiff or when litigation or discovery through the court is necessary. Less than 5% of the PCF claims incur any defense costs. The working relationship between all parties helps to reduce legal costs associated with claims and often reduces the time necessary to complete the process and compensate the injured parties.

The claims report shows the number of claims open, closed, closed without payment, pending by year and future medical claims pending by year. It also shows the amount spent in legal defense costs and judicial interest. Updated reports are put on the PCF's website following the monthly Board meeting.

The pending claims in January 2004 totaled almost 12,000. Since then, the PCF has been proactive in obtaining the information and cooperation from involved parties to close claims. Pending claims are now under 4600. It generally takes about 2 years for a claim to complete the medical review panel process and an additional 2 to 3 years for a final conclusion of the claim. The PCF's goal is to shorten the timeframe by at least a year through increased communication and cooperation between the other parties and the PCF.

Panel and Claim Report through August 2017

Report Run: 9/1/2017

Claims and Panels - Opened and Closed			
	August	Average Month*	This Year
Panels Filed	82	115	877
Panels Closed	128	108	879
Claims Opened	91	107	832
Claims Closed	121	105	862

Claims Closed With Payment - 26
 *Average Month based on calendar year 2016

Estimated Exposures			
Reserve Type	Current	Past Month	EOY 2016
Future Medical	\$54,331,798	\$54,565,561	\$55,698,566
Litigation	\$4,063,983	\$4,218,572	\$4,680,717
General Damages	\$137,741,016	\$138,016,239	\$118,874,373
Total	\$196,136,797	\$196,800,372	\$179,253,656

Litigation and Interest Payment Breakdown			
	August	Current Year	Prior Year Total
Interest	\$67,874	\$654,891	\$1,072,473
Litigation	\$235,882	\$2,593,419	\$2,611,066

For the month of
 September
 30 claims are presented
 for approval at a total of:
 \$9,798,953

Open Claims By Year Filed		
Date Filed	Open Claims	Percentage of
1995	1	0.02%
1996	1	0.02%
1997	1	0.02%
1998	1	0.02%
1999	3	0.07%
2000	6	0.13%
2001	4	0.09%
2002	8	0.18%
2003	12	0.26%
2004	12	0.26%
2005	22	0.48%
2006	26	0.57%
2007	34	0.75%
2008	51	1.12%
2009	60	1.32%
2010	111	2.44%
2011	187	4.10%
2012	247	5.42%
2013	385	8.45%
2014	583	12.79%
2015	960	21.07%
2016	1108	24.31%
2017	730	16.02%
Total Open Claims:	4557	100.0%

Future Medical Claims By Year		
Date Filed	Open Claims	Future
1977	1	
1981	1	
1984	2	
1985	8	
1986	5	
1987	5	
1988	3	
1989	4	
1990	4	
1991	10	
1992	3	
1993	3	
1994	3	
1995	7	
1996	4	
1997	3	
1998	8	
1999	8	
2000	6	
2001	7	
2002	7	
2003	8	
2004	13	
2005	7	
2006	6	
2007	7	
2008	6	
2009	5	
2010	6	
2011	3	
2012	5	
2013	1	
2014	1	
2015	3	
Total Open Future	173	

Exhibit 5

Claim Payments

The following chart shows the payments made for the calendar years indicated. As shown, the number of claims paid and the total amount paid peaked in 2010 and showed a significant decline in 2011 and have leveled off since then. Delays in resolving claims by the primary parties (plaintiff attorneys, defense attorneys and insurance companies) often result in the PCF paying a substantial amount in judicial interest, and also unnecessarily delays compensation to the injured party. To avoid such increased costs, the PCF encourages mediations and joint settlements as a means of resolving claims expeditiously and reducing costs.

Settlements and Judgments Over the Years

Year	Claims Settled	Claim Payments (Minus Legal)	Average Per Claim
2000	162	63,697,356	393194
2001	176	64,581,499	366940
2002	209	71,222,084	340776
2003	201	76,686,165	381523
2004	202	66,297,524	328206
2005	199	71,989,900	361758
2006	295	107,023,124	362790
2007	317	103,363,305	326067
2008	325	105,438,808	324427
2009	343	109,619,643	319591
2010	356	114,086,409	320467
2011	284	106,549,917	375176
2012	286	99,875,425	349215
2013	276	101,828,300	368943
2014	288	93,028,105	323014
2015	328	81,612,364	248818
2016	268	74,346,073	277411

Exhibit 6

Future Medicals

The Act was amended in 1984 to “uncap” related medical expenses and benefits.

Currently the PCF pays ongoing medical expenses on 173 patients in the amount of approximately \$2,000,000 per month.

The PCF began using a fee schedule in November 2001 which has resulted in significant savings to the PCF at no cost to the patients or their families. The reductions by the PCF are born by the health care providers that are providing the services.

Medical expenses include not only physician visits, prescriptions and hospitalizations but also handicapped-equipped vehicles, specialized wheelchairs, adaptive computer equipment, home modifications and payments to family members and others for providing care in the home.

Since the addition of unlimited Future Medical expenses, the PCF has paid in excess of \$500,000,000 in medical expenses.

10 Years of Past and Future Medical Payments

Calendar Year	Past Medical	Future Medical	Grand Total
2007	\$16,912,980	\$13,733,611	\$30,646,591
2008	\$26,960,700	\$16,182,093	\$43,142,793
2009	\$27,077,707	\$17,474,868	\$44,552,575
2010	\$19,729,194	\$19,257,698	\$38,986,892
2011	\$20,700,324	\$20,808,070	\$41,508,394
2012	\$23,143,778	\$18,018,971	\$41,162,749
2013	\$31,191,636	\$22,525,600	\$53,717,236
2014	\$30,022,848	\$26,165,950	\$56,188,798
2015	\$18,648,276	\$19,925,109	\$38,573,385
2016	\$20,437,267	\$29,322,042	\$49,759,309

Exhibit 7a & 7b

Rates & Enrollments

The Oversight Board assumed management of the PCF in late 1990. The recommendations of the annual actuary studies have been implemented since that time resulting in significant increases in rates. Rate changes from 1989 to 2010 resulted in huge increases amounting to an increase of 540% in what private health care providers must pay for coverage. In 2010 the annual actuarial study revealed rates could be reduced for the first time; the decrease would provide additional funds to further reduce the unfunded liabilities. The overall rate reduction for all classes of providers combined was 13% in 2010. Since then there has been an overall rate reduction every year for all providers.

The cumulative effect has been reductions of a minimum of 13.8% for hospitals and as much as 78% for CRNA's with the average being just over 40% reduction in rates since 2009.

The Fund is now fully funded; therefore, the goal will be to maintain current rate levels and reduce rates whenever actuarially sound to do so.

It should be noted the number of enrolled providers shown in the chart does not include medical support staff such as nurses or lab & x-ray techs or individual providers if they are included in a group that work part-time, such as emergency physician groups. The actual number of health care providers covered by the PCF would be substantially larger if these individual providers were included in the totals.

Sample Rates Over The Years (for PCF Layer Only)

Occurrence Coverage

Specialty	1990	2007	2017
Hospital (Per Bed)	\$591	\$2,843	\$2,942
Internist	\$2,261	\$8,164	\$5,523
General Surgery	\$7,856	\$28,294	\$19,838
OB/GYN	\$10,273	\$41,349	\$26,021

Enrolled Providers in the Louisiana Patient's Compensation Fund

Based on Fiscal Year

	Physicians	Dentists	APRN's	Nursing Homes	Hospitals	All Others	Total
1985	3269	904	200	0	104	1918	6395
1990	7256	1563	532	6	152	2948	12457
2000	8728	1686	1561	98	206	1496	13775
2010	9624	1876	2668	297	226	2348	17039
2014	10848	1894	3816	260	229	3340	20387
2016	10883	1881	4614	279	232	3317	21206

Louisiana Patient's Compensation Fund

For more information please go to

<http://www.doa.la.gov/Pages/pcf/Index.aspx>

The PCF web site will contain the report to the legislature as mandated by SCR 111

For more information, you can also contact:

- Ken Schnauder, CPCU, AIC, Executive Director ken.schnauder@la.gov
Phone 225-342-5312
- Mr. Clark Cossé III, J.D. PCF Board Chairman crciii@bellsouth.net
Phone 225-588-7005

Louisiana Patient's Compensation Fund
Annual Report per SCR 611 of the 2007 Regular Session
October 1, 2017

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