



ANNUAL REPORT

Per SCR 111 of 2007

BY

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

October 1, 2013

BOBBY JINDAL
GOVERNOR



State of Louisiana
PATIENTS' COMPENSATION FUND

DIVISION OF ADMINISTRATION

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September 27, 2013

Honorable David Heitmeier, Chairman, Senate Committee on Health and Welfare
Honorable Scott M. Simon, Chairman, House Committee on Health and Welfare
Honorable Dan Morrish, Chairman, Senate Committee on Insurance
Honorable Gregory Cromer, 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 continues to make progress in reducing 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, 2012, actuarially estimated liabilities were \$787,000,000 and assets were \$776,325,715, resulting in an unfunded liability of approximately \$10,675,000. This represents a decrease of \$95,000,000 in the unfunded liability from the prior year. As of August 31, 2013, assets were \$815,864,606.

As a result of recent legislative and actuarial reforms, many of the health care provider's rates were reduced again in 2013. The current rate reduction should still allow for further increase in 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.

The total surcharges and filing fees last fiscal year totaled \$165,992,650. Investment income earned was \$34,940,938. The total for administrative and claims expenditures was \$111,439,814, which was \$23,309,267 below budget. The administrative budget for the current fiscal year is \$4,879,146 and the claims budget is \$130,000,000. The T.O. for the agency includes 2 unclassified positions and 47 classified positions. There are 9 Board members.

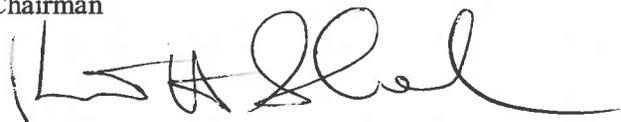
In accordance with Act 182 of the 2011 Regular Session, a copy of the report has been submitted to the David R. Poynter Legislative Research Library for distribution and record keeping. The PCF's website, doa.louisiana.gov/pcf, contains more information, including minutes from Board meetings, financial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

The Board has made a commitment to continue to manage 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. 40:1299.41 *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 have been large premium increases over the past 20 years to ensure the fiscal integrity of the PCF. From 1990 to present, there were 17 rate increases, resulting in rates going up by about 540%.

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 19,000 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.

This year the PCF has exhausted the unfunded liability. The actuary has estimated the PCF's liabilities, both claims already filed and those expected to be incurred in 2013, at approximately \$787,000,000. Currently the PCF's assets are approximately \$815,000,000. The Board's actions have resulted in a steady and impressive increase in funds and a decrease in the unfunded liability while at the same time have attempted to keep 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 encouraging health care providers to continue to practice in Louisiana and serve our citizens.

BOBBY JINDAL
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State of Louisiana
PATIENTS' COMPENSATION FUND

July 15, 2013

From: Ken Schnauder, CPCU, AIC
Executive Director

RE: New Rates for PCF effective 9/2/13

In accordance with the annual actuarial study, the PCF Oversight Board determined there was justification to lower the PCF surcharge rates for physicians, advanced practice nurses, dentists and oral surgeons except for nursing homes whose rates will remain the same as last year. Hospitals will see a very small decrease.

The actual percentage changes as of 09/02/2013 will be as follows:

Hospitals - .1%

Nursing Homes (no change)

CRNA - 7.9%

Dentist -2.7%

Advanced Practice Nurses -5.7% (Nurse Practitioner, Nurse Midwife, Physician's & Surgeon's Assistant, Clinical Nurse Specialist)

Chiropractors and Optometrists -2.2%

Physicians Class 1A -8.0%

Physicians Class 1,2,3,5,7,8 -5.7%

Physicians Class 2A, 4, 6 -3.3%

The "other" classes will remain 93% of the primary premium.

The minimum rate is still \$250.

The overall rate decrease is -3.7%.

October 1, 2013

EXHIBITS

AND

EXPLANATIONS

Exhibit 1

Unfunded Liability

Prior to August 15, 2010, the calculation of the Statutory minimum funding level found in La R.S. 40:1299.44.A.(6)(a) required a surplus of 30% of the total of the surcharges collected, expenses and reserves (estimated amount of exposures pending and occurred 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, 2012, based on actuarially calculated liabilities, the Fund has 98% of the necessary assets to cover these estimated liabilities.

The chart shows the estimated PCF liability, according to annual actuarial reports, compared to the funds and investments held at the Treasurer's office. The difference would be considered the true estimated unfunded liability. These amounts are based on calendar year data. The UAL was reduced by \$95,000,000 in 2012.

ESTIMATED LIABILITIES

(Claim & legal reserves + IBNR)

ASSETS

(Cash & investments)

Unfunded Liabilities

(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

*all figures as of December 31st of each year.

Exhibit 2a & 2b
Financial Summaries

These two exhibits are documents that are posted on the PCF website each month, along with the general minutes from each Board meeting. They show the monthly expenditures and collections, interest 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
FY 2014
September 5, 2013

REVENUE	SURCHARGE	FILING FEES
FY Gross Collection	\$26,991,385	\$56,000
FY Refunds Issued	(\$372,646)	-\$5,400
FY Net	\$26,618,739	\$50,600
Prior Year Cash Carryover		\$806,619,038
YTD Investment Income		\$2,088,520
YTD Net Surcharge Collected		\$26,618,739
YTD Net Filing Fees Collected		\$50,600
YTD Operating Expenses		-\$651,431
YTD Claim Expenses		-\$18,860,859
YTD Fund Balance		\$815,864,606
Operating Services - Budget:		\$4,879,156
Expended		-\$651,431
Balance		\$4,227,725
Claims Settlement- Budget:		\$130,000,000
Expended		-\$18,860,859
Balance		\$111,139,141
CLAIM SETTLEMENTS:		
All prior Month Approved Claims Not Paid		\$5,410,756.00
Current Month Approvals		\$10,126,488.00
Total		\$15,537,244.00

Monthly LAPCF Revenue Collections

FISCAL YEAR	FY 2012 - 2013	FY 2011 - 2012	FY 2010 - 2011
	NET SURCHARGE COLLECTIONS		
JULY	13,109,094.69	10,768,513.58	12,084,783.10
AUGUST	7,537,161.91	10,983,620.08	11,214,908.22
SEPTEMBER	6,596,046.67	6,703,394.54	3,423,893.13
OCTOBER	17,129,468.95	17,066,163.49	17,335,203.33
NOVEMBER	13,996,384.10	12,601,419.50	16,387,794.91
DECEMBER	24,193,771.31	21,750,474.85	13,605,123.44
JANUARY	34,044,813.62	35,390,892.74	37,600,108.04
FEBRUARY	21,215,182.83	21,489,452.20	30,250,143.81
MARCH	3,354,155.87	2,486,861.13	1,764,064.27
APRIL	7,083,289.13	7,701,722.65	5,855,079.63
MAY	4,631,737.44	3,907,571.80	3,751,612.60
JUNE	12,836,342.81	15,004,766.26	14,379,345.65
TOTAL	165,727,449.33	165,854,852.82	167,652,060.13
	NET FILING FEE COLLECTIONS		
JULY	23,300.00	26,200.00	23,500.00
AUGUST	22,000.00	25,500.00	22,650.00
SEPTEMBER	18,600.00	27,500.00	21,300.00
OCTOBER	25,100.00	46,500.00	22,000.00
NOVEMBER	19,000.00	25,700.00	25,750.00
DECEMBER	14,400.00	23,000.00	29,100.00
JANUARY	23,600.00	24,000.00	27,900.00
FEBRUARY	19,700.00	18,600.00	21,300.00
MARCH	22,000.00	25,100.00	32,950.00
APRIL	26,600.00	21,900.00	22,900.00
MAY	26,400.00	28,500.00	22,200.00
JUNE	24,500.00	26,800.00	26,900.00
TOTAL	265,200.00	319,300.00	298,450.00
	MONTHLY INVESTMENT INCOME		
JULY	966,335.63	861,957.28	671,944.25
AUGUST	386,179.50	548,818.50	634,635.50
SEPTEMBER	792,792.00	2,030,087.56	761,444.50
OCTOBER	1,596,686.00	1,183,326.00	512,175.00
NOVEMBER	1,477,130.08	1,104,292.00	1,250,095.00
DECEMBER	571,237.10	599,278.00	481,957.00
JANUARY	994,332.10	947,434.50	639,973.50
FEBRUARY	412,229.79	395,117.50	369,415.17
MARCH	670,249.00	1,290,201.00	1,353,190.42
APRIL	12,318,548.42	1,610,094.00	999,991.21
MAY	14,187,754.09	1,416,453.06	1,236,401.65
JUNE	567,464.33	600,634.00	594,076.00
TOTAL	34,940,938.04	12,587,693.40	9,505,299.20
Total Collections	200,933,587.37	178,761,846.22	177,455,809.33

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 prescribing 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. Hurricane Katrina also appears to have had an impact on the number of panel requests 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 2012 there were the fewest panels filed since 1994. The average panel filings over the last five years is approximately 1600 per year.

Number of Panels Filed Per Calendar Year - Past 20 Years

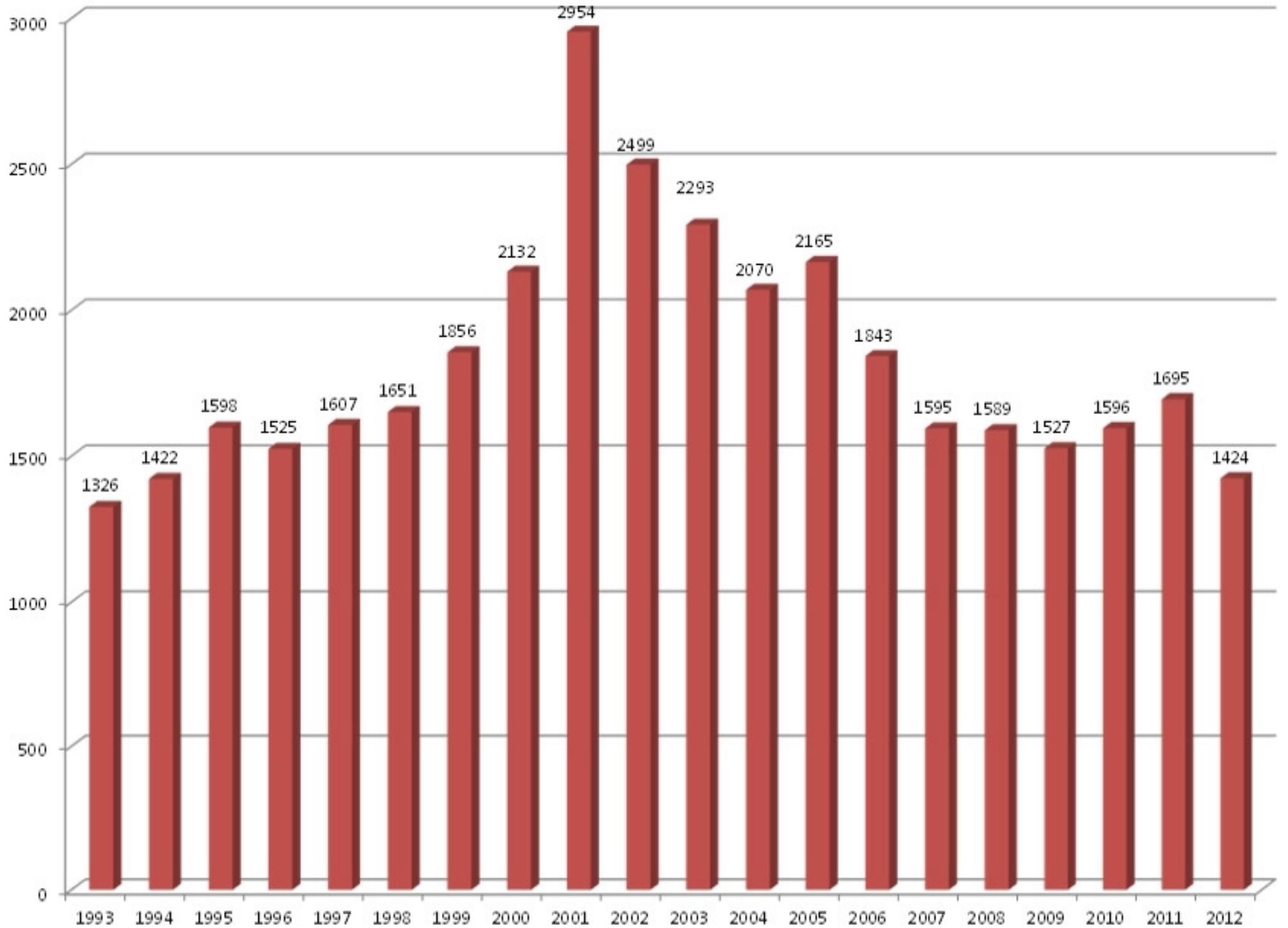


Exhibit 4

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 necessary to close older claims. Pending claims are now under 5000. 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 2013

Report Run: 9/3/13

Claims and Panels - Opened and Closed

	August	Average Month*	This Year
Panels Filed	123	115	929
Panels Closed	102	118	988
Claims Opened	117	104	884
Claims Closed	111	113	1011

Estimated Exposures

Reserve Type	Current	Past Month	EOY 2012
Future Medical	\$65,827,750	\$67,190,547	\$73,726,121
Litigation	\$5,307,399	\$5,549,436	\$5,343,208
Medical	\$142,189,651	\$144,061,017	\$143,826,494
Total	\$213,324,800	\$216,801,000	\$222,895,823

Claims Closed With Payment - 26

*Average Month based on calendar year 2012

Open Claims By Year Filed

Date Filed	Open Claims	Percentage of Total	Count at Primary Level
1989	1	0.02%	
1992	3	0.06%	
1993	3	0.06%	
1994	3	0.06%	
1995	1	0.02%	
1996	2	0.04%	
1997	5	0.10%	
1998	7	0.15%	
1999	20	0.42%	
2000	18	0.38%	
2001	26	0.54%	
2002	45	0.94%	
2003	53	1.11%	
2004	68	1.42%	
2005	96	2.01%	
2006	125	2.61%	
2007	145	3.03%	
2008	235	4.91%	
2009	384	8.02%	
2010	693	14.47%	
2011	1004	20.97%	
2012	1118	23.35%	
2013	730	15.25%	
Total Open Claims:	4788	100.0%	

Future Medical Claims By Year

Date Filed	Open Claims
1977	1
1981	1
1984	4
1985	9
1986	5
1987	5
1988	4
1989	5
1990	5
1991	10
1992	5
1993	4
1994	3
1995	9
1996	4
1997	4
1998	9
1999	9
2000	7
2001	7
2002	8
2003	9
2004	14
2005	9
2006	6
2007	6
2008	6
2009	4
2010	4
2011	2
2012	1
Total Open Future Med:	179

Litigation and Interest Payment Breakdown

	August	Current Year	Prior Year Total
Interest	\$209,105	\$4,290,277	\$2,844,311
Litigation	\$409,898	\$2,024,143	\$3,296,684

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 2012. 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

Calendar Year	Claims Settled	Claim Payments (Minus Legal)
2000	162	63,697,356
2001	176	64,581,499
2002	209	71,222,084
2003	201	76,686,165
2004	202	66,297,524
2005	199	71,989,900
2006	295	107,023,124
2007	317	103,363,305
2008	325	105,438,808
2009	343	109,619,643
2010	356	114,086,409
2011	284	106,549,917
2012	286	99,875,425

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 180 patients in the amount of approximately \$1,700,000 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 approximately \$339,000,000 in medical expenses.

10 Years of Past and Future Medical Payments

Calendar Year	Past Medical	Future Medical	Grand Total
2003	\$ 6,920,993.57	\$ 14,545,453.49	\$ 21,466,447.06
2004	\$ 10,375,379.04	\$ 12,234,595.39	\$ 22,609,974.43
2005	\$ 8,200,622.63	\$ 13,108,269.64	\$ 21,308,892.27
2006	\$ 16,879,655.99	\$ 16,599,432.25	\$ 33,479,088.24
2007	\$ 16,912,980.12	\$ 13,733,611.02	\$ 30,646,591.14
2008	\$ 26,960,700.28	\$ 16,182,093.32	\$ 43,142,793.60
2009	\$ 27,077,706.73	\$ 17,474,868.20	\$ 44,552,574.93
2010	\$ 19,729,194.46	\$ 19,257,698.37	\$ 38,986,892.83
2011	\$ 20,700,324.00	\$ 20,808,070.00	\$ 41,508,394.00
2012	\$ 23,143,778.42	\$ 18,018,970.96	\$ 41,162,749.38
10 Year Totals:	\$ 176,901,335.24	\$ 161,963,062.64	\$ 338,864,397.88

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 present have 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. The 2011 actuarial report revealed rates could be reduced further, although only an overall 4.3%. This reduction provided funds that would be applied to lower the unfunded liabilities. In 2012 the actuarial study indicated an overall increase of just 1.3% with the physician average increase being 3.6%; hospitals had a 5.6% decrease. In 2013 the rates were reduced overall 3.7%.

The Fund is now fully funded; therefore, the goal will be to 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	2013
Hospital (per bed)	\$ 591	\$ 2,843	\$ 2,833
Internist	2,261	8,164	8,017
Gen.Surg	7,856	28,294	27,787
OB/GYN	10,273	41,349	36,785

Enrolled Providers in the Louisiana Patient's Compensation Fund

	Physicians	Dentists	RN's	Nursing Homes	Hospitals	All Other	Grand Total
1985	3269	904		200	104	1918	6395
1990	7256	1563		532	6	2848	12357
2000	8728	1686		1561	98	1496	13775
2010	9624	1876		2668	297	2348	17039
2013	8959	1923		2847	259	2851	17162

Louisiana Patient's Compensation Fund

For more information please go to
www.doa.louisiana.gov/pcf

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 225-362-5262
- Mr. Clark Cossé III, J.D. PCF Board Chairman
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Louisiana Patient's Compensation Fund
Annual Report per SCR 611 of the 2007 Regular Session
October 1, 2013

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