



ANNUAL REPORT

Per SCR 111 of 2007

BY

**LOUISIANA PATIENT'S
COMPENSATION FUND**

October 1, 2011

BOBBY JINDAL
GOVERNOR



State of Louisiana
PATIENTS' COMPENSATION FUND

DIVISION OF ADMINISTRATION

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September 27, 2011

Honorable Willie L. Mount, Chairman, Senate Committee on Health and Welfare
Honorable Kay Katz, Chairman, House Committee on Health and Welfare
Honorable Don Morrish, Chairman, Senate Committee on Insurance
Honorable Charles Kleckley, 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

Overall, the Fund 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, 2010, actuarially estimated liabilities were \$771,400,000 and assets were \$633,745,844, resulting in an unfunded liability of approximately \$137,654,156. This represents a decrease of almost \$60,000,000 in the unfunded liability from the prior year. As of August 31, 2011, assets were \$678,237,150.

As a result of last year's legislative and actuarial reforms, the health care provider's rates were reduced again in 2011. The current rate reduction should still allow for further reduction of the PCF's unfunded liability by an estimated \$20,000,000 to \$25,000,000.

This year, the legislature authorized the Fund more authority to increase its income, which if successful, will ease even more rate pressure. If the voters approve Constitutional Amendment No. 3 will clarify that the PCF is not state general fund and the state is not responsible for its losses.

The total surcharges and filing fees last fiscal year totaled \$171,583,782, interest \$9,522,262. The total for administrative and claims expenditures was \$121,237, was \$17,707,901 below budget. The administrative budget for the current fiscal year is \$4,276,785 and the claims budget is \$135,000,000. The T.O. for the agency includes 10 unclassified positions and 43 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. We have a strong commitment to continue to manage them as efficiently as we possibly can.

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 you need any other information you feel would be helpful or any questions, please do not hesitate to call.

Sincerely,



Clark R. Cossé III
Chairman



Lorraine LeBlanc
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

LOUISIANA PATIENT'S COMPENSATION 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) to provide coverage to private health care providers in Louisiana. The Act was created to ensure that a stable and affordable market existed for malpractice insurance and thereby keeping practitioners in the state. Second, it 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 reduces the payments that were being made or could have been made by Medicare and Medicaid, which lessens the burden to these 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 are from 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 over the past 20 years to ensure the fiscal integrity of the PCF. From 1990 to present, there were 17 rate increases, resulting 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. With the payment of the proper surcharge to the PCF coverage is provided for the second layer of \$400,000 plus all related medical expenses. Participation in the PCF is not mandatory. There are over 17,000 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 PCF now substantially exceeds the mandated statutory minimum of assets to liabilities. The actuary has estimated the PCF's liabilities, both claims already filed and those expected to be incurred in 2011, at approximately \$773,400,000. Currently the PCF's assets are approximately \$678,000,000. 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 attempting 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 encourages 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, 2011

From: Lorraine LeBlanc
Executive Director

RE: New Rates for PCF effective 9/2/11

In accordance with the annual actuarial study, the PCF Oversight Board again determined there was justification to lower the PCF surcharge rates for almost all classes of providers. Although the reductions for many are small, it was felt any relief would be welcomed by the health care providers. The reduction still allows the PCF to continue to be a stable and financially sound source of coverage for Louisiana health care providers.

The actual percentages that will be incorporated as of 9/2/11 are as follows:

Hospitals	- .9%
Nursing Homes	-17.5% for Skilled beds - 7.5% for Intermediate beds
Assisted Living	-17.8%
CRNA	-21.6%
Dentist	-14.1%
Advanced Practice Nurses	- 4.3% (Nurse Practitioner, Nurse Midwife, Physician's & Surgeon's Assistant, and Clinical Nurse Specialist)
Physicians Class 1,1A,2,4,5,7,8	- 4.3%
Physicians Class 2A,3,6	- 1.9%
Physicians Class 8A	Moved to Class 7
Oral Surgeon	+ 3%

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

The minimum rate is still \$250.

The overall rate decrease is -4.3%.

October 1, 2011

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, 2010, based on actuarially calculated liabilities, the Fund has 83% 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 almost \$60,000,000 in 2010.

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

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

As of 7/1/11 assets totaled over \$ 678,000,000, showing a further reduction in the UAL

Exhibit 2a & 2b Financial Summaries

These two exhibits are documents that are put on the Board's 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, are on the Board's website as our part of being a transparent state agency.

**FINANCIAL DATA FOR BOARD
FY 2011 - 2012**

September 1, 2011

REVENUE	SURCHARGE	FILING FEES
FY Gross Collection	20,614,002\$	\$58,150
FY Refunds Issued	-\$239,646	-\$7,150
FY Net	20,374,356\$	\$51,000
Prior Year Cash Carryover		\$669,576,202
YTD Interest Earned		\$1,310,776
YTD Net Surcharge Collected		\$20,374,356
YTD Net Filing Fees Collected		\$51,000
YTD Operating Expenses		-\$650,718
YTD Claim Expenses		-\$12,424,466
YTD Fund Balance		\$678,237,150
Operating Services - Budget:		\$4,276,785
Expended		-\$650,718
Balance	Salaries/Benefits	3,626,067
Claims Settlement- Budget:		\$135,000,000
Expended		-\$12,424,466
Balance		\$122,575,534
CLAIM SETTLEMENTS:		
All prior Month Approved Claims Not Paid		\$3,758,052
Current Month Claims For Approval		\$10,438,545
Total		\$14,196,597

Net Monthly Surcharge Collections

	FY 2010-2011	FY 2009-2010	FY 2008-2009	FY 2007-2008
July	12,084,783.10	13,359,268.43	8,708,055.90	4,897,730.35
August	11,214,908.22	8,272,904.31	7,732,402.00	14,998,728.68
September	3,423,893.13	7,895,761.34	10,530,231.79	7,572,363.00
October	17,335,203.33	18,096,458.97	14,774,427.42	14,630,900.01
November	16,387,794.91	12,498,979.06	12,490,822.54	11,164,784.04
December	13,605,123.44	30,866,340.29	17,872,292.44	13,022,474.73
January	37,600,108.04	37,556,810.90	42,322,316.61	46,953,282.99
February	30,250,143.81	24,441,404.14	31,149,740.87	19,100,563.51
March	1,764,064.27	6,652,337.80	3,976,374.92	6,288,866.15
April	5,855,079.63	5,132,470.48	7,249,248.11	5,235,213.32
May	3,751,612.60	5,049,177.07	4,189,660.70	3,853,640.65
June	14,379,345.65	16,951,293.97	13,297,962.86	16,166,587.64
Total	167,652,060.13	186,773,206.76	174,293,536.16	163,885,135.07

Net Monthly Filing Fee Collections

	FY 2010-2011	FY 2009-2010	FY 2008-2009	FY 2007-2008
July	23,500.00	26,300.00	62,778.00	26,500.00
August	22,650.00	26,000.00	(17,078.00)	23,700.00
September	21,300.00	19,800.00	24,150.00	19,800.00
October	22,000.00	23,900.00	23,800.00	22,000.00
November	25,750.00	21,400.00	20,050.00	21,100.00
December	29,100.00	23,200.00	26,700.00	24,200.00
January	27,900.00	27,350.00	24,450.00	19,300.00
February	21,300.00	21,300.00	19,050.00	26,600.00
March	32,950.00	25,200.00	21,500.00	23,400.00
April	22,900.00	26,050.00	21,400.00	28,300.00
May	22,200.00	27,300.00	22,300.00	27,700.00
June	26,900.00	21,250.00	22,800.00	24,200.00
Total	298,450.00	289,050.00	271,900.00	286,800.00

Monthly Interest Earnings

	FY 2010-2011	FY 2009-2010	FY 2008-2009	FY 2007-2008
July	671,944.25	481,795.00	1,125,831.00	1,705,472.00
August	634,635.50	804,606.92	1,169,761.58	1,700,904.00
September	761,444.50	546,745.05	1,149,359.53	1,647,402.00
October	512,175.00	542,812.00	824,459.00	1,564,886.00
November	1,250,095.00	431,587.11	1,261,836.00	1,842,348.44
December	481,957.00	608,275.19	1,508,471.00	2,005,551.20
January	639,973.50	504,322.67	1,482,709.75	1,856,096.66
February	369,415.17	863,065.50	723,538.00	1,378,837.64
March	1,353,190.42	608,317.50	856,360.94	1,485,253.80
April	999,991.21	393,699.16	894,993.69	1,233,743.00
May	1,236,401.65	853,779.00	878,890.00	1,222,254.00
June	594,076.00	815,258.00	629,095.00	1,430,762.00
Total	9,505,299.20	7,454,263.10	12,505,305.49	19,073,510.74
Total Collections	177,455,809.33	194,516,519.86	187,070,741.65	183,245,445.81

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 filing 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. For each of the last four years approximately 1600 requests for panels have been filed.

Number of Panels Filed Per Calendar Year - Past 20 Years

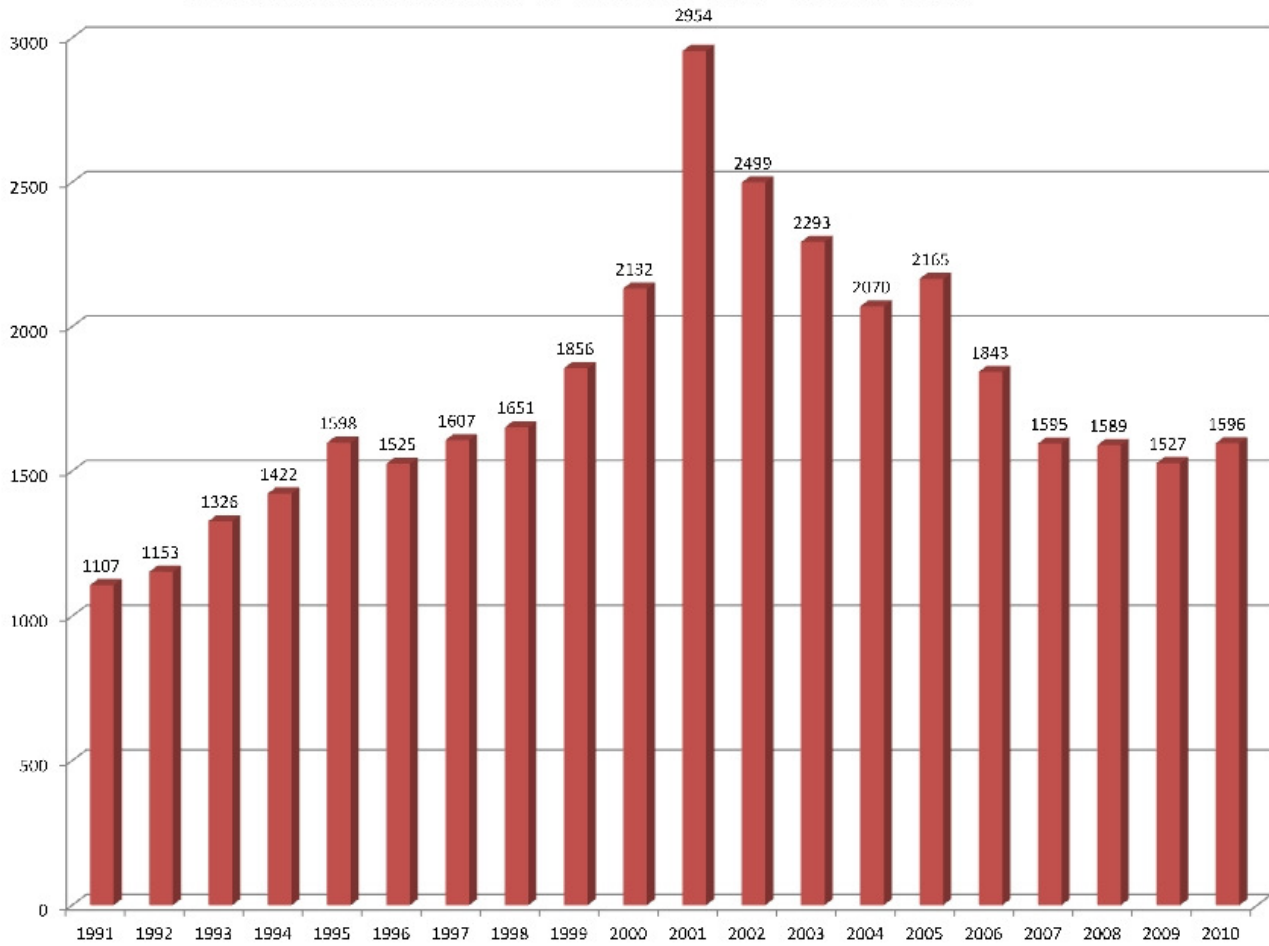


Exhibit 4

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 1% 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 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 started pushing harder to obtain the information necessary to close older claims. Often the claims had been closed for years, but none of the parties involved notified the PCF. Pending claims now stay 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 2011

Report Run: 9/1/2011

		Claims and Panels - Opened and Closed		Estimated Exposures				
		Past month	Average Month*	This year	Reserve Type	Current	Past Month	EOY 2010
Panels Filed	102	155		1077	Future Medical	\$74,411,792	\$77,017,537	\$78,497,885
Panels Closed	122	134		956	Litigation	\$5,669,442	\$5,637,395	\$5,465,686
Claims Opened	115	125		1010	Medical	\$163,357,639	\$163,788,994	\$164,584,925
Claims Closed	130	150		1091	Total	\$243,438,873	\$246,443,926	\$248,548,496

*Claims Closed With Payment - 15

		Litigation and Interest Payment Breakdown	
		Current Year	Prior Year Total
Interest	\$0	\$2,907,875	\$2,234,563
Litigation	\$291,381	\$2,201,378	\$3,060,045

Open Claims By Year Filed

Date Filed	Claims Open	Percentage of Total	Future Medical Claims By Year Date Filed	Open Claims
1988	1	0.0%	1977	1
1989	1	0.0%	1981	1
1990	1	0.0%	1982	1
1992	4	0.1%	1984	4
1993	2	0.0%	1985	10
1994	5	0.1%	1986	5
1995	8	0.2%	1987	7
1996	9	0.2%	1988	4
1997	6	0.1%	1989	6
1998	16	0.3%	1990	5
1999	28	0.6%	1991	11
2000	41	0.8%	1992	5
2001	66	1.4%	1993	4
2002	79	1.6%	1994	4
2003	110	2.3%	1995	8
2004	138	2.8%	1996	6
2005	211	4.3%	1997	4
2006	282	5.8%	1998	9
2007	293	6.0%	1999	10
2008	530	10.8%	2000	8
2009	881	18.0%	2001	7
2010	1294	26.5% *Average Month based on calendar year 2010	2002	9
2011	882	18.0%	2003	10
Total Open Claims	4888	100.0%	2004	11
			2005	12
			2006	5
			2007	7
			2008	5
			2009	2
			2010	181

Total Open Future Med

Exhibit 5

Claim Payments

The following chart show the payments made for the calendar years indicated. As shown, the number of claims paid and the total amount paid has increased.

Delays in resolving claims by the primary parties (plaintiff attorneys, defense attorneys and insurance companies) often results in the PCF paying a substantial amount in interest, and 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)
1999	164	81,000,453
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

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 181 patients in the amount of approximately \$1,605,000 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.

10 Years of Past and Future Medical Payments

Calendar Year	Past Medical	Future Medical	Grand Total
2001	\$ 6,504,706.36	\$ 12,271,297.44	\$ 18,776,003.80
2002	\$ 7,184,104.87	\$ 13,123,532.39	\$ 20,307,637.26
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
10 Year Totals:	\$ 146,746,044.05	\$ 148,530,851.51	\$ 283,863,810.54

Exhibit 7a & 7b
Rates & Enrollments

The Oversight Board assumed management of the PCF in late 1990. The results of the annual actuary studies have been done since that time resulted 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 still 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 still provided funds that would be applied to lower the unfunded liabilities.

It should be noted that 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 providers were included in the totals.

Sample Rates Over the Years (for PCF Layer only) Occurrence Coverage

Specialty	1990	2007	2012
Hospital (per bed)	\$ 591	\$ 2,843	\$ 3,004
Internist	2,261	8,164	8,003
Gen.Surg	7,856	28,294	27,057
OB/GYN	10,273	41,349	37,671

Enrolled Providers in the Louisiana Patient's Compensation Fund

	Physicians	Hospitals	Nursing Homes	Dentists	RN's	All Other	Grand Total
1985	3269	104	0	904	200	1918	9419
1990	7256	152	6	1563	532	2848	11445
2000	8728	206	98	1686	1561	1496	12781
2010	9624	226	297	1876	2668	2348	16591

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:

- Lorraine LeBlanc, Executive Director
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Phone 225-362-5263
- Mr. Clark Cossé, PCF Board Chairman
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Louisiana Patient's Compensation Fund
Annual Report per SCR 611 of the 2007 Regular Session
October 1, 2011

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