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MINUTES

PCF OVERSIGHT BOARD

November 4, 2010

WOMAN'S HOSPITAL
BATON ROUGE, LA.

Mr. Clark Cossé Chairman convened the meeting of the Patient's Compensation Fund Oversight Board, at 6:30 PM on Thursday November 4, 2010, at the Woman's Hospital Corporate Board Room in Baton Rouge.

The following Board Members were in attendance:
Mr. Clark Cossé
Dr. William LaCorte
Dr. Katharine Rathbun
Mr. Kent Guidry
Mr. Jim Hritz
Dr. Melanie Firmin
Mr. Joe Donchess
Mr. Manual DePascual

The following Board Members were absent:
Dr. Van Culotta

Others present:

Mrs. Lorraine LeBlanc	Mrs. Barbara Woodard
Mr. Ken Schnauder	Mr. Dave Woolridge
Mr. Adam Thames	Mrs. Lori Pierce
Mr. John Broussard	Mr. John Morgan
Mr. Kenneth McMullen	Mr. Ira Feld
Mr. Jeff Dunbar	Mrs. Lynn Duszynski
Mr. Paul Richmond	

Mr. Cossé called the meeting to order and asked that the record reflect eight Board Members were in attendance and a quorum was present. Mr. Cossé welcomed the guests to the meeting and asked all present to introduce themselves.

Mr. Cossé asked for public comments. No public comments were made.

Mr. Cossé called for the approval of the October 7, 2010 minutes. Dr. Firmin moved for the minutes to be approved and Dr. Rathbun seconded the motion. By verbal vote, the minutes were adopted with no dissenting votes.

Dr. Rathbun made a request that item seven on the agenda be moved to the next item of business. Mr. Cossé asked the representatives from the State Treasury Office for their presentation.

Mrs. Lori Pierce and Mr. John Broussard stated they have been managing the PCFOBs portfolio for several years. Mr. Broussard stated that the investment goal of the State Treasury is to earn the highest returns in a fixed income market, utilizing the highest quality investment vehicles available while maintaining a low risk profile. The Federal Reserve is considering new ways to pump money back into the U.S. economy in a bid to accelerate growth but is running out of tools to do this. While the stock market is showing a moderate growth, interest rates continue to be low and there is no reason to expect that the rates will rise appreciably over the next six to twelve months. The economy is not growing as personal income and spending is low and unemployment is remaining steady at 9-10%. The PCF Performance Review handout was explained by Mrs. Pierce. The average duration of long term investments is 4.66 years with an average yield of 2.78% with $360,677,774 invested. Mrs. Pierce informed the Board that the portfolio was not losing any money and was performing very well, but that it was earning less interest than in past years. Mr. Donchess asked if the PCF was allowed to invest in inflation protected securities. Mr. Broussard stated it was permissible but at present this type of security was showing negative returns. Mr. Hritz asked if the PCFOB was fully invested and Mr. Broussard stated that his office had increased the investments as directed by the Board, but the PCF must have liquidity available because of how the PCF is structured. Dr. Firmin asked if the entire amount that the Board approved had been invested. Mrs. Pierce stated that on September 30th the market value was $360,677,000 and this represented an increase in invested dollars of $206,000,000; approximately a 2.3% increase. In October 2010, there was a $22,000,000 in net purchases leaving roughly an additional $80,000,000 to invest in order to reach the goal of $450,000,000 invested. Mrs. Pierce referred to the pie chart on page 7 of the handout that described the allocations by security type. Dr. LaCorte asked if a 10 year treasury note was a good plan because interest rates were sure to increase during the next 10 years. Mr. Broussard stated that although the interest rate might increase during that time, the PCFOBs portfolio was performing great now. Mrs. Pierce stated that there was no proof that interest rates will increase that fast, and that the true winners will be the portfolios that invest with the high quality, low risk investments. Mrs. Pierce informed the Board that the investments were split evenly between treasury notes and corporate bonds that could be liquidated quickly if needed. Money not invested was in a state money market account earning .42% interest. She explained the statutes limit state agencies to CDs from state banks only, which are generally community banks whose rates are not better than corporate bond rates. Dr. Firmin asked if there were any worries on the mortgage related securities and Mr. Broussard stated that as long as Freddie Mac and Fannie Mae were being run by the US Government, the investment was safe and less of a risk. Dr. LaCorte asked if a 3 to 5 year CD was insured by the government and Mr. Broussard stated that it was a state statue requirement of a CD for the Treasurer to invest in and that during his experience banks that issue a high percentage on a CD is a higher risk because they need more capitol to operate. Mr. DePascual stated that Louisiana Municipal Bonds were paying 6-7%. Mr. Broussard informed the Board that such bonds were an option and the yield is high but the viability is not there and by law, it must be a Louisiana municipal bond. Mrs. Pierce commented that an individual investor would benefit more from this than the PCFOB. She informed the Board that the PCFOB has nothing to worry about as the portfolio has done very well. She

stated that the State Treasury Office has access to good quality bonds and the PCFOBs portfolio is staggered in term with different percentage rates and had an overall positive long term outlook. Mr. Cossé asked if she would provide a chart with what investments would mature and when. Mrs. Pierce said that she would provide this information to Mrs. LeBlanc as soon as possible. Mr. Hritz asked if additional cash should be invested beyond the current authority and should the PCFOB lean toward treasury bonds. Mrs. Pierce stated it was felt it would be best to leave it in the money market account for now because the interest rate is rising. Mr. Cossé asked if there were any further questions for the State Treasury representatives. There were none. Mr. Cossé asked the State Treasury Office to provide quarterly reports to the Board and to attend the meetings every quarter with updates. Mr. Broussard stated that this would be arranged starting with the March 2011 meeting.

Mr. Cossé asked for the financial reports. Mrs. LeBlanc went over the financial sheet that was distributed to the members and those in attendance. The operating expenses were in line with expected expenditures. The net collections to date were approximately $43,973,011 and claim expenditures to date were approximately $38,255,261. The fund balance was shown as $616,845,317. Mr. Guidry asked if the refunds due from the rate decrease had been implemented and if the enrollee had to specifically ask for the refund. Mrs. LeBlanc stated as the office is receiving payments they are reviewed and if a refund is owed it is processed. This is slowing down the process. Fortunately, few providers pay in advance, but the staff will run a report to determine if refunds are owed. Providers that call have been asked to request a refund if they know they are due one so that these can be processed ahead of others that must be found from a report. Mr. Cossé asked if there were any other questions regarding the financial reports. There were none. Mr. Hritz motioned for the Board to accept the financial report and Mr. Guidry seconded the motion. Verbal vote was unanimous and the financial reports were approved.

Mr. Cossé called for the claims manager report. Mr. Schnauder reported that during the month of October the claims section had opened 97 claim files and closed 155, with 33 closed with payments. The total pending claims is now 4,856, which is 38 less than last month. Mr. Schnauder reported that there are 176 future medical cases. There are 26 claims being presented for approval at this meeting totaling $5,444,254. Mr. Schnauder reported litigation expenses to date are $2,600,000, down from $3,700,000 the same time last year. Mr. Schnauder stated panels filed were still down and as of today, there were a total of 1,217 filed. Mr. Schnauder explained that usually at this time of the FY, he would be asking for additional funds to pay claim settlements, but this FY the claim payments are well within the budget. Mr. Cossé asked if there were any other questions regarding the claim manager report. There were none. Dr. Rathbun commented that Mr. Schnauder and his staff were doing an amazing job. Dr. Rathbun then made the motion to accept the claim report and Mr. Hritz seconded the motion.

The next item on the agenda concerned the experience rating process. Mrs. LeBlanc stated there was a question raised by a provider regarding the experience rating calculations. The actual question dealt with one owner, but multiple locations and types of facilities. For experience calculations the hospital and the nursing home were considered two separate providers by the PCF. Mr. Cossé asked what is done with the hospitals that have multiple clinics or locations.

Mrs. LeBlanc informed the Board that if they had separate addresses and listed each facility separately on a certificate of insurance or application, they were billed individually and experienced rated as separate entities. Mr. Hritz asked if a motion was needed for the Board to render an opinion. Mrs. LeBlanc stated at this time, clarification was all that was needed and such would be included in the rules and rate manual. Mrs. LeBlanc and Mr. Woolridge have been reviewing all the rules for needed revisions and the method for calculating experience rating charges could be included. Mr. Cossé stated that for the time being, the PCFOB will render an opinion to avoid delays. Dr. Rathbun made a motion to direct the PCF staff that an institution should be classified, rated and experience rated individually with licensure and location considered. Dr. LaCorte seconded the motion. It was explained that individual health care providers in a group are individually rated and experience rated based on their own specialty and claims history. Mr. Schnauder asked the Board for direction on the consequences if the institution refused to pay the additional surcharge. It was stated and supported by all Board members that the PCF should return the money and not issue a certificate of enrollment.

Mr. Cossé asked if there were any comments from the public and hearing none so he thanked the guests for attending the meeting and the General Session was adjourned.

Dr. Firmin motioned for the Board to move into the Executive Session and Mr. Guidry seconded the motion. The vote was unanimous and the Board moved into Executive Session to discuss matters of litigation.

Mr. Clark R. Cossé III, Chairman