

MINUTES

PCF OVERSIGHT BOARD

July 14, 2011

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 July 14, 2011 at the PCF's office in Baton Rouge.

The following Board Members were in attendance:

Mr. Clark Cossé

Dr. William LaCorte

Mr. James Hritz

Dr. Katharine Rathbun

Mr. Kent Guidry

Dr. Melanie Firmin

Mr. Manual DePascual

The following Board Member was absent:

Mr. Joe Donchess

Dr. Van Culotta

Others present:

Mrs. Lorraine LeBlanc

Mrs. Barbara Woodard

Mr. Ken Schnauder

Mr. Carlton Jones

Mr. Adam Thames

Ms. Annette Droddy

Mr. John Morgan

Mr. Tom McCormick

Mr. Cossé called the meeting to order and asked that the record reflect seven 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 June 2, 2011 minutes. Mr. Guidry moved for the minutes to be approved and Dr. Firmin seconded the motion. By verbal vote, the minutes were adopted with no dissenting votes.

Mr. Cossé asked for the financial and budget reports. Mrs. Woodard went over the fiscal year close out financial report with the Board. For the FY 2010-11, the surcharge collections were \$171,284,782 and the filing fee collections were \$299,050. The year to date interest earned was approximately \$9,522,262. Claim expenditures so far total \$110,514,096 with \$9,144,826 in

unpaid approved settlements. If all approved claims are paid, the total claim payments will be approximately \$119,658,922, below the \$135,000,000 budgeted for the fiscal year. Operating expenses did exceed the budgeted amounts by \$40,096, thus the total administrative costs for the fiscal year were \$3,985,830. Mr. Cossé asked if there were any questions regarding the financial reports. There were none.

Mr. Cossé asked for the claims report. Mr. Schnauder stated more claims were closed than opened and the total number of open claims remains under 5,000. Claim settlements have been slow for the past four months compared to last year. He informed those present that there was a trial in Oberlin that lasted two and a half weeks involving Acadian Ambulance. The demand was \$6 to 9 million and the verdict was \$0. It involved the loss of sight due to a gunshot wound to the head. The ER doctor had paid only \$5,000. An appeal is expected. Mr. Cossé asked if there were any questions from the public and there were none.

The actuarial report was postponed as the actuary had not arrived yet, so the Board moved to the next item on the agenda, telemedicine. Ms. LeBlanc explained there were multiple issues with this type of healthcare including venue, consent, licensure, LSBME rules and regulations, statutory provisions concerning Louisiana license versus a permit to practice telemedicine or teleradiology from other states and which State's laws would apply. There have been questions regarding whether or not physicians in other states could be covered by the PCF for this type of healthcare and the Board must determine whether or not it is advisable to do so. Mr. Guidry stated EMS entities started telemedicine mainly for off-shore situations. They have had to deal with the Federal regulations and determine whether the action occurred in Louisiana waters or federal waters, so there are issues involved with this type of practice. Dr. Rathbun stated that Louisiana was one of the few states that recognized corporate practice of medicine where a Louisiana physician can override the other physician in the corporation. An example is a Medical Director can dictate to the other employed physician in the group. The practice of radiology is basically done on the computer with the radiologist having no contact with the patient, no film and no real contact with the other physicians. So teleradiology is very similar to regular radiology in many situations. However, telemedicine does involve patient contact via a computer or TV system and is different from an actual patient visiting with a physician in person. Pharmacies in some states allow any state license to be used to prescribe medicine and some can be transferred over the phone from one state to another with no regard to the location of the physician or patient. Mr. McCormick with LAMMICO was asked if they insure physicians performing teleradiology or telemedicine services in other states. He stated they will but the physician must inform them that such services are being provided and in what states. There is a charge for such additional activities. It was determined more research was needed on this subject, such as any court cases and practices in other states.

Next, Mr. Cossé went over the status of legislation involving the PCF. He reported all bills dealing with the PCF passed. Samples of Requests for Proposals are being obtained and contact is being made with other state agencies that have investment managers and consultants. To retain an unclassified, full time person within the PCF requires the Civil Service Commission

approval. The funds will remain with the Treasury until the PCFOB decides to move the funds to increase the return on the investments. More information will be provided at the next Board meeting.

Constitutional Amendment #3 will be on the October 22, 2011 ballot for the voters to decide if the PCF's funds should be protected. Mr. Cossé stated he doubted the amendment would fail as it is not controversial, but simply protects the funds from being borrowed by the State; it clears the State from liability and states the PCF does not belong to LIGA. There are meetings with the LSMS and LHA to embark on a low key, low cost campaign across the state seeking favorable endorsements.

Due to the short time until the next regularly scheduled Board meeting, Dr. Firmin moved that the August meeting be cancelled and the next meeting be set for September 1. Dr. LaCorte seconded the motion and by unanimous verbal vote, the motion carried. The new date will be posted on the PCF website.

Mrs. LeBlanc informed the Board that their folders contained another Chase investment information packet and there was another entity that sent information and that would be emailed to each of them. Investment groups that contact the office are told they can submit an information packet and can attend a Board meeting to let the Board members know they are interested in providing investment services.

At this point, the actuary arrived and the discussion of the annual rate study and recommendations begin. Mr. Hurly reminded those present that the report is based on data as of December 31, 2010. He stated this year's study showed the losses were fairly stable across the board and in line with expectations, but were down from the prior year about \$25Million. The hospitals accounted for an increase of \$8Million; the physicians a decrease of \$30Million; CRNAs and Nursing Homes down slightly, and dentist up slightly. Payments were \$100Million in 2010 as compared with \$110Million in 2009. As to rates, there was not much change in loss costs but they are below the 4% trend with hospitals having 3.5% and physicians at .8%. This was an improvement. Rate indications, excluding the 5% deficient load added in prior years, result in a decrease in hospital rates by .9% and a decrease in physician rates by 3.7%. Mr. Cossé stated the Board is no longer in the business of reducing UAL in a hurry, but will continue to work on it and has done so even with reductions in the rates. He recommended the 5% deficient reduction load not be included this year. This would still result in some reduction in the UAL if more funds are collected than expended. Mr. Guidry asked why the oral surgeon's class shows an increase. Mr. Hurley stated the dentists, CRNAs and nursing homes were separated from the "other" class and physician rates. As a result of this, a loss cost, expense loads, loses and off-balances were developed for each of them. In the past, the off balance used for dentist and oral surgeons was the same as that used for physicians, but this was felt to be too high and was reduced by half. Also, there was an error in the rates published for Oral surgeons last year and this was corrected in the rates for this year. Mr. DePascual asked about the national trends, to which Mr. Hurley replied they were flat and it is based on frequency and costs. He also stated that the PCF was doing better than the national trend. Mr. Hritz asked about rates for different

types of hospital beds. Mr. Cossé stated there had been no requests made to the LHA to set up rates based on bed types. He felt more research was needed to see if the hospitals felt there was a need for such a change in the hospital rates. The nursing homes have now been separated from hospital experiences and expense loads and this resulted in a 17.5 % decrease being suggested. For CRNAs, the 21% suggested decrease is a reflection of the loss experience being separated from the physician class since there is now sufficient data to stand on their own. Dr. Rathbun asked about part-time rate changes. Although there were no changes suggested for this in the rate study, Mr. Guidry pointed out that such a change could be made at any time. At this point Mr. Cossé asked if there were any public comments. There were none. Dr. LaCorte moved that option 1 contained in the June 23, 2100 letter from the actuary be adopted with rates effective September 2, 2011. Dr. Firmin seconded the motion. By unanimous verbal vote, the motion carried. The changes will result in an overall decrease of 4.3%, with hospital rates decreasing .9%, nursing homes combined rate decreasing 12.9%, physicians decreasing an overall 3.7%, dentist decreasing 14.1 %, CRNAs decreasing 21.6%, other advanced practice nurses decreasing 4.3%. Oral surgeons will see a 3% increase and there will be no change in the rates for the "other" class.

Mr. Jones then administered the oath of office to Mr. Guidry since he had been reappointed for another three year term on the Oversight Board by Governor Jindal.

Mr. Cossé thanked the guests for attending the meeting.

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



Mr. Clark Cossé III, Chairman