



the NARRATIVE

The mission of the Patient's Compensation Fund is to administer, manage, operate and defend the Fund in a manner that will timely and efficiently meet the needs and interests of all Louisiana healthcare providers, those injured as a result of medical malpractice incidents and the citizens of Louisiana.

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This public document was printed in house. This document was published by the Patient's Compensation Fund, PO Box 3718, Baton Rouge, La. 70821. It was printed in accordance with the standards for Printing by State Agencies established pursuant to R.S. 43.31

Volume 1, Issue 1

January 2016

PCF Relocates to Downtown Baton Rouge

The Patient's Compensation Fund began the new fiscal year July 1, 2015 in a new office, located on the 2nd floor of the Iberville Building downtown at the corner of 4th and North streets. The move is part of an effort to do our part to help eliminate the State budget deficit. It was unexpected and not by choice but the office is spacious, extremely nice and will accommodate the needs of the agency very well.

The 2015 fiscal year was another good year for the PCF coming in under budget both on the administrative and claims expenses. Assets grew to just over \$930 million, allowing the Board to vote in July on a significant rate decrease across all enrollees effective September 2, 2015. The overall decrease is 13.9% with hospitals receiving a 3.8% decrease on the low end and CRNA's receiving a 24.6% decrease as the largest decrease. This makes the 5th year out of the last 6 with a decrease in rates; 2012 being the only year requiring an overall rate increase since 2010. The chart on the following page shows the cumulative rate changes for all clas-

ses of healthcare provider since 2010 and some are quite significant.

The Oversight Board has done a tremendous job manag-

ing the financial integrity of the Fund while keeping rates affordable and actuarially sound. Over the past 10 years the unfunded liability that plagued the Board since inception was gradually erased and the Fund is financially stable and fully funded for the first time in its 40 year history.

We hope you find this newsletter informative and will stay updated with all PCF news and information.



Clark R. Cossé III J.D.
Chairman

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Chairman

“the Fund is financially stable and fully funded for the first time in its 40 year history”

LOUISIANA PATIENT'S COMPENSATION FUND

Surcharge Rates

Rate Changes since January 2010

CLASS	15-Sep	14-Sep	13-Sep	12-Sep	11-Sep	10-Sep	10-Jan	Cumulative
Class 1A	-17.80%	-10.70%	-8.00%	1.00%	-4.30%	-18 .6%	2.00%	-45.80%
Class 1	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16 .5%	2 .0%	-40.00%
Class 2A	-15 .8%	-8.40%	-3.30%	3.60%	-1.90%	-14.40%	2.00%	-33 .8%
Class 2	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16 .5%	2.00%	-40.00%
Class 3	-17.80%	-8.40%	-5.70%	3.60%	-1.90%	-14.40%	2.00%	-37.00%
Class 4	-15.80%	-6.10%	-3.30%	3.60%	-4.30%	-14.40%	2.00%	-33.80%
Class 5	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16.50%	2.00%	-40.00%
Class 6	-15.80%	-6.10%	-3.30%	6.20%	-1.90%	-16.50%	2.00%	-32.20%
Class 7	-19.90%	-8.40%	-5.70%	3.60%	-4.30%	-16 .5%	2.00%	-41.60%
Class 8	-17.80%	-6.10%	-5.70%	3.60%	-4.30%	-16.50%	2.00%	-38 .5%
Dentist	-11 .3%	14.10%	-2.70%	3.60%	-14.10%	-16.50%	2.00%	-25.40%
Oral Surgeon	-11.30%	14.10%	-2.70%	3.60%	3.00%	-16 .5%	2 .0%	-10.50%
Physician Assistant	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16 .5%	2.00%	-40.00%
Surgical Assistant	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16 .5%	2.00%	-40.00%
Clinical Nurse Specialist	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16 .5%	2.00%	-40.00%
Nurse Practitioner	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16.50%	2.00%	-40.00%
Nurse Midwife	-17.80%	-8.40%	-5.70%	3.60%	-4.30%	-16 .5%	2 .0%	-40.00%
Chiropractor	-17.80%	-8.40%	-2.20%	0.00%	-4.30%	New	All Other	-29.50%
Pharmacist	-17.80%	-8.40%	-67.40%	0.00%	-4.30%	New	All Other	-76.50%
Optometrist	-17.80%	-8.40%	-2.20%	0.00%	-4.30%	New	All Other	-29.50%
Optometrist - Surgery	-17.80%	New						-17 .8%
CRNA	-24.60%	-10.00%	-7.90%	-8 .0%	-21.60%	-18 .6%	2.00%	-62.60%

Hospitals

Hospitals **	-3.80%	9.70%	-0.10%	-5 .6%	-0.90%	-11 .2%	5 .0%	-8.00%
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** HOSPITAL EXPOSURE

Outpatients Visits

Plus # occupied beds=EXPOSURE

BASE

4000

NURSING HOMES								
SKILLED BED	-10.20%	-1.40%	0.00%	1.20%	-17.50%	-1.40%	5.00%	-23.50%
INTERMEDIATE	-10.20%	-1.40%	0.00%	1.10%	-7.50%	-1.40%	5.00%	-14.30%
ASSISTED LIVING ONLY	-10.20%	-1.20%	0.00%	1.00%	-17.80%	New	---	-26.30%

Protection of the Injured



*Ken Schnauder,
Executive Director*

In 1975 the Fund was created to provide unlimited access to medical professional liability coverage to healthcare providers and to make certain injured claimants of medical malpractice would be compensated. There are many healthcare professionals

throughout the country practicing without professional liability insurance coverage due to the high cost, thus leaving anyone injured by a provider's malpractice either under-compensated or completely uncompensated.

There has never been a single instance in the Fund's 40 year history of a claim going unpaid. There was a time when the Fund fell within the State Budget and short delays in payment to a claimant at the end of the fiscal year may have occurred but those instances ended many years ago.

Since 1975 the Fund has paid 5,345 claims to claimants and their families for a total of \$2,129,600,979, with 92% of the total amount being paid in the last 20 years.

In addition to the \$500,000 damage CAP, the Fund is also responsible for ongoing future medical care associated with the injuries sustained in the malpractice for the life of the patient and has paid a total of \$327,039,717 in future medical care expenses. There are currently 167 future medical claims open and active which generate approximately \$24 million annual in medical expenses. These expenses include, but are not limited to, providing handicap accessible vans, custodial care, around the clock nursing services, organ transplants and motorized wheelchairs. The future medical

section of the Act is a tremendous benefit to injured claimants and the healthcare system in general. Without this benefit, the burden for these expenses would fall on the claimants themselves or more than likely the already struggling Medicare and Medicaid system.

There are always huge judgment awards in the news from across the country and arguments against damage caps. What many fail to realize are very few of those huge awards are actually collectable. Many providers carry a \$1 million insurance policy and beyond that, few providers have the assets to cover the excess award. So regardless of how large the award is, collecting it is not an easy task.

Many argue the Cap on damages is unfair; however, the Fund was created by the Legislature to ensure payments to claimants, which has worked well for over 40 years.

**Ken Schnauder,
Executive Director**

Investment Update

The goal of the Patient’s Compensation Fund Oversight Board is to ensure the longevity of the Fund by maintaining its financial stability. In order to help accomplish this, in October of 2011, a Constitutional Amendment was passed securing all Fund assets from State General Funds. Oversight of long-term investments was transferred from the State Treasurer’s Office to the Board. In compliance with our published Investment Policy, the Board retained an investment consultant, Cardinal Investment Advisors, LLC and fixed income managers, JP Morgan Chase and General Re-New England Asset Management. Both provide counsel to the Board and manage our investment performance.

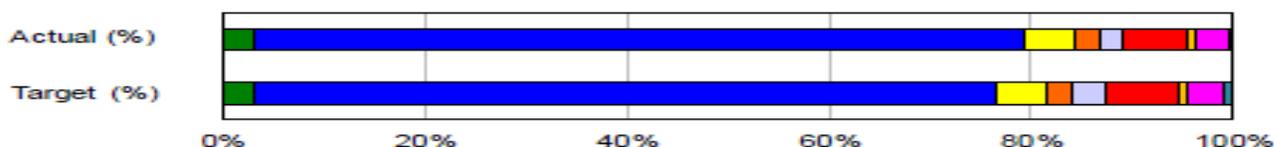
The transition of investment assets from the State Treasurer’s Office was a gradual process to avoid pitfalls of trying to time market volatility. The transition began in June 2014 and all asset allocations as outlined in our Investment Policy are now fully funded at the end of 2015. The portfolio is 73.5% fixed income and the remaining 26.5% invested in index funds and other asset classes for a diverse but conservative portfolio, as shown in the chart below.

The Fund balance has grown more than 50% in the years from 2010 to the present, furnishing assurance of sufficient resources to provide for the future medical malpractice needs of the citizens of the State of Louisiana and protection for Louisiana healthcare providers. The Fund is fully funded and actuarially sound; silencing the years of criticism for being unfunded. Based on current actuarial studies the PCF has more than adequate funds to pay all outstanding claims including those incurred but not reported.

Investment income for fiscal year 2015 ending June 30, 2015 was just over \$20,000,000. This investment income combined with several years of favorable claims experience gave the Board the opportunity to decrease surcharge rates to all healthcare providers enrolled in the Fund effective September 2, 2015. The rates are actuarial sound and are sufficient to ensure funds are available to pay all future claims.

Ken Schnauder,
Executive Director

	Actual (\$000s)	Actual (%)	Target (%)
■ Cash	27,356	2.9%	3.0%
■ Core Investment-Grade Bonds	716,678	76.4%	73.5%
■ High Yield Bank Loans	46,686	5.0%	5.0%
■ High Yield Bonds	23,328	2.5%	2.5%
■ Commodities	22,544	2.4%	3.5%
■ Domestic Equity	58,552	6.2%	7.0%
■ US Small Cap	6,164	0.7%	1.0%
■ International Equity	31,351	3.3%	3.5%
■ International Small Cap Equity	5,614	0.6%	1.0%
Total	938,274	100.0%	100.0%



Medical Review Panel Filings Continue Downward Trend



*Kurt Loup,
Claims Manager*

After peaking in 2001 with a total of 2,954 filings, the number of medical review panel requests received by the Louisiana Patient’s Compensation Fund has steadily trended downward. A quick glance at the chart below reveals the number of requests received in 2014, 1,395 fil-

ings, approached a 50% reduction in the number of filings as compared to the peak in 2001. Comparing the last 5 years’ numbers with the late 1990’s; filings are down about 8%. Filings for 2015 remained flat with just over 1450.

A benefit of reduced panel filings is the corresponding reduction in the number of claims that may ultimately be paid by the PCF. The claims section has seen approximately a 45% reduction in pending claims since 2001. Fewer claims pending litigation or settlement are expected to translate to reduced legal expenses and faster processing times. Since 2010, the average time from panel filing to claim closure has been reduced about 4 months. The average amount paid per settlement has remained relatively flat over the past 10 years. Although the costs associated with past and future medical treatment are escalating, which are not capped under the Act, the average settlement

amount per claim, which includes past and future medical care, has remained steady.

In the past 10 years the PCF has paid over \$400 million in past and future medical expenses alone and a grand total of over \$1 billion in total settlements to injured claimants during the same time period.

For the past 20 years, the number of enrolled providers has steadily increased. In 1995, 1,598 panels were filed with approximately 13,000 enrollees. In 2014, there were 1,395 panel filings with 20,387 enrollees. With an increase in the number of providers, it is not unreasonable to expect an increase in the number of filings; however, this has not been the trend. The number of claims per provider has decreased approximately 45% since 1995.

Kurt Loup,
Claims Manager

Enrolled Providers in the Louisiana Patient's Compensation Fund

Enrollments active at the start of each calendar year

	Physicians	Dentists	RN'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
2015	12125	2146	4810	293	316	3406	23096

