



# *Louisiana Health Plan*

## *2003 Financial Statements*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9.1.04

**LOUISIANA HEALTH PLAN**

**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**



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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Louisiana Health Plan  
formerly d/b/a Louisiana Health Insurance Association  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the Louisiana Health Plan (a not-for-profit organization), formerly d/b/a the Louisiana Health Insurance Association, as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Health Plan, formerly d/b/a the Louisiana Health Insurance Association, as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2004, on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 22, 2004



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Louisiana Health Plan  
formerly d/b/a Louisiana Health Insurance Association  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Louisiana Health Plan (a not-for-profit organization), formerly d/b/a the Louisiana Health Insurance Association, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Plan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition (lack of segregation of duties) is described in the accompanying schedule of findings and questioned costs as item B-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that could be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not believe that the lack of segregation of duties described in the accompanying schedule of findings and questioned costs is a material weakness.

This report is intended solely for the information and use of the finance committee and management of the Louisiana Health Plan and the Commissioner of Insurance of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 22, 2004

**LOUISIANA HEALTH PLAN**  
**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2003 AND 2002**

**ASSETS**

	<u>2003</u>	<u>2002</u>
Investments	\$ 25,100,320	\$ 19,446,055
Cash and cash equivalents	101,758	114,655
Assessments receivable	-	3,296,368
Accrued interest receivable	253,810	245,847
Furniture and equipment (net of accumulated depreciation and amortization of \$89,103 and \$84,587, respectively)	16,706	15,053
<b>Total assets</b>	<b><u>\$ 25,472,594</u></b>	<b><u>\$ 23,117,978</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Outstanding checks in excess of bank balances	\$ -	\$ 58,250
Claims payable	2,203,500	3,083,498
Accounts payable	22,978	526
Payroll taxes payable	3,720	4,330
<b>Total liabilities</b>	<b><u>2,230,198</u></b>	<b><u>3,146,604</u></b>

**NET ASSETS**

**Unrestricted**

Designated by the Board of Directors for the capital and surplus requirements of Louisiana insurance laws and regulations	3,000,000	3,000,000
Undesignated	20,242,396	16,971,374
<b>Total unrestricted net assets</b>	<b><u>23,242,396</u></b>	<b><u>19,971,374</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 25,472,594</u></b>	<b><u>\$ 23,117,978</u></b>

The accompanying notes are an integral part of these financial statements.



**LOUISIANA HEALTH PLAN**  
**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b><u>REVENUES</u></b>		
State appropriations	\$ 2,014,382	\$ 2,000,000
Mandated service charges	707,936	688,515
Insurance company assessments	5,400,736	6,140,358
Premiums	8,706,948	7,222,206
Investment revenues	391,138	683,639
Net gain (loss) on sales of investments	(2,200)	7,973
	<u>17,218,940</u>	<u>16,742,691</u>
<b><u>CLAIMS EXPENSES</u></b>		
Claims administration	337,968	320,767
Claims payments	13,744,111	12,544,604
Net activity in incurred but not paid claims liability	(879,998)	783,498
	<u>13,202,081</u>	<u>13,648,869</u>
<b><u>OPERATING EXPENSES</u></b>		
Advertising	265	-
Agent commissions	30,091	10,606
Bank and trustee fees	63,947	58,030
Computer services	81,840	90,170
Consultant - actuary	19,333	69,660
Copy usage and supplies	16,260	28,677
Depreciation and amortization	5,334	8,883
Insurance	39,776	40,807
Maintenance	4,437	3,228
Miscellaneous expenses	-	243
Office supplies	11,392	19,403
Payroll taxes and benefits	24,894	28,522
Postage	19,066	11,044
Professional education	1,594	800
Professional fees	66,988	74,720
Rent	34,722	34,960
Salaries and wages	284,214	325,137
Subscriptions and dues	2,282	1,640
Telephone and utilities	16,502	18,444
Travel expenses	5,356	7,012
Uncollectible accounts (outstanding assessments)	17,544	95,398
	<u>745,837</u>	<u>927,384</u>

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**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
<b><u>CHANGE IN NET ASSETS</u></b>	\$ 3,271,022	\$ 2,166,438
Net assets - beginning of year	19,971,374	17,804,936
Net assets - end of year, including the \$3,000,000 designated by the Board of Directors for the capital and surplus requirements of Louisiana insurance laws and regulations	\$ 23,242,396	\$ 19,971,374
 <b><u>Additional disclosure of claims activity:</u></b>		
Claims payable - beginning of year	\$ 3,083,498	\$ 2,300,000
Net activity in incurred but not paid claims liability	(879,998)	783,498
Claims payable - end of year	\$ 2,203,500	\$ 3,083,498

The accompanying notes are an integral part of these financial statements.



**LOUISIANA HEALTH PLAN**  
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**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
State appropriations received	\$ 2,014,382	\$ 2,000,000
Mandated service charges received	707,936	688,515
Insurance company assessments received	8,697,104	3,110,150
Premiums received	8,706,948	7,222,206
Investment revenues received	844,156	1,077,289
Claims paid for participants and administration	(14,082,079)	(12,865,371)
Cash paid to employees and suppliers	(718,661)	(917,484)
<b>Net cash provided by operating activities</b>	<u>6,169,786</u>	<u>315,305</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of furniture and equipment	(6,987)	(4,046)
Proceeds from sales and maturities of investments	18,777,478	9,704,564
Purchases of investments	(24,894,924)	(10,105,960)
<b>Net cash used in investing activities</b>	<u>(6,124,433)</u>	<u>(405,442)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Increase in outstanding checks in excess of bank balances	(58,250)	58,250
<b>Net cash provided by (used in) financing activities</b>	<u>(58,250)</u>	<u>58,250</u>
 Net decrease in cash and cash equivalents	 (12,897)	 (31,887)
Cash and cash equivalents - beginning of year	<u>114,655</u>	<u>146,542</u>
Cash and cash equivalents - end of year	<u>\$ 101,758</u>	<u>\$ 114,655</u>

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**LOUISIANA HEALTH PLAN**  
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**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
<b><u>Reconciliation of change in net assets to net cash provided by operating activities</u></b>		
Change in net assets	\$ 3,271,022	\$ 2,166,438
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,334	8,883
Net change in unrealized (gains) losses on investments	154,136	141,815
Net loss (gain) on sales of investments	2,200	(7,973)
Net amortization of premiums and discounts	306,845	214,117
Decrease (increase) in receivables	3,288,405	(2,992,490)
Increase (decrease) in claims payable	(879,998)	783,498
Increase in accounts payable and other accruals	21,842	1,017
Net cash provided by operating activities	\$ 6,169,786	\$ 315,305

The accompanying notes are an integral part of these financial statements.



**LOUISIANA HEALTH PLAN**  
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**BATON ROUGE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

1. **Significant accounting policies**

The accounting and reporting policies of the Louisiana Health Plan, formerly d/b/a the Louisiana Health Insurance Association, (the Plan) conform to accounting principles generally accepted in the United States of America and the prevailing practices within the insurance industry. A summary of significant policies is as follows:

**Organization**

The Louisiana Health Plan, formerly d/b/a the Louisiana Health Insurance Association, is a not-for-profit organization that was originally formed under Louisiana Legislative Act No. 131 of 1990 to provide a mechanism which would insure the availability of health and accident insurance coverage to those citizens of Louisiana who, because of health conditions, could not otherwise secure insurance coverage (non-federally defined eligible individuals). The Plan's general objectives for this non-federal program are to formulate, develop, and administer a program that provides this insurance at rates between 150-200% of the rates applicable for individual standard risks.

Upon the dissolution of either the entire Plan or the non-federal program, the assets attributable to the non-federal program shall be used to satisfy all of the Plan's outstanding liabilities and obligations attributable to this program. Any excess of assets over liabilities for this program shall be transferred to the State of Louisiana upon dissolution.

Policies for the non-federal program will be issued only to the extent that the estimated losses will be covered by actuarially determined reserves without impairing net assets.

The United States Congress enacted the Health Insurance Portability and Accountability Act of 1996 (HIPAA) in an attempt to improve the portability and continuity of health insurance coverage in the group and individual markets. HIPAA delegated the primary responsibility of enforcing these protections to the individual states.

In an attempt to be in compliance with the federal requirements described in HIPAA, the State of Louisiana passed Act No. 1154 during the 1998 regular session. This Act designated the Louisiana Health Plan as the mechanism which the State of Louisiana will utilize to insure the availability of comprehensive health coverage to Louisiana citizens who lose their group health coverage and are guaranteed access to continuing coverage (federally defined eligible individuals).

While the Plan will be responsible for administering both programs, Act No. 1154 does require the Plan to maintain two separate sets of accounts (one for federally defined eligible individuals and one for non-federally defined eligible individuals).

Upon the dissolution of either the entire Plan or the federal program, the assets attributable to the federal program shall be used to satisfy all of the outstanding liabilities and obligations attributable to this program. Upon dissolution, any excess of assets over liabilities for this program shall be transferred to all of the insurers who provide health insurance to Louisiana citizens in proportion to the insurers' assessments previously paid to the Plan.



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**BATON ROUGE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

1. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

While management and its actuaries use available information in estimating the Plan's claims payable liability, changes in the filing tendencies of its participants and healthcare costs could result in further adjustments to this account. As such, it is reasonably possible that the estimated claims payable liability may change materially in the near term. The amount of the change that is reasonably possible, however, cannot be estimated.

Investments

Under Louisiana Revised Statute 39:1271, the Plan may invest its excess funds in United States bonds, treasury notes or certificates, any other federally insured investment, or mutual and trust fund institutions which are registered with the Securities and Exchange Commission and have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The Plan follows the provisions of SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under the provisions of SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, as determined by quoted market prices, in the statements of financial position. Unrealized gains and losses are recorded in the statements of activities as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income are recorded as increases in unrestricted net assets unless the use is restricted by the donor.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the investments sold, using the specific identification method. These realized gains and losses flow through the Plan's yearly activities.

Furniture and equipment

Furniture and equipment are stated at cost. Additions, renewals, and betterments that extend the life of these assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation and amortization are computed using the straight-line method over three and five year periods, the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized in the statement of activities for that period.



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**NOTES TO THE FINANCIAL STATEMENTS**

1. Significant accounting policies (continued)

Mandated service charges

In accordance with state law, the Plan charges regulated insurance companies two dollars per day service fees for each of their participants admitted to a hospital for in-patient services and one dollar service fees for each of their participants admitted to an ambulatory surgery center or a hospital for out-patient procedures. Patients who are responsible for their own charges, as well as patients who are covered by Medicare or other government subsidized programs, are exempt from these fees.

Premiums

In accordance with state law, premium rates are actuarially determined on an annual basis based on the average of the top five individual carriers doing business in Louisiana. Factors affecting the rates include the amount of coverage provided, risk experience, demographics, expenses associated with providing coverage, and the rates charged by other insurance companies in the area for comparable policies. Premiums are recognized as revenue over the period covered.

Insurance company assessments

In accordance with state law, the Plan shall recoup all verified deficit amounts attributable to federally defined eligible individuals (HIPAA) by assessing fees to all insurers who provide health insurance to Louisiana citizens. The fees are assessed in proportion to the insurers' gross premiums earned on business in Louisiana for the most recent calendar year for which information is available. The assessments are recognized as revenue during the period they are billed.

Claims expense and claims payable

Claims expense consists of both the actual claims paid during the current year and any adjustments to the estimate of claims that have been incurred but have not been paid.

The Plan establishes a claims liability based on estimates, provided by the actuarial consultants, of the ultimate cost of claims that have been incurred but have not yet been paid. These estimates are based primarily on past experience. These liabilities are necessarily based on estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. Any adjustments to these estimates are reflected in that year's statement of activity.

Uncollectible accounts

The Plan determines if assessment receivables are past-due based on their stated due dates. Management closely monitors these receivables during the year, and all accounts considered to be uncollectible are written-off when such conclusions are reached.

**LOUISIANA HEALTH PLAN**  
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**NOTES TO THE FINANCIAL STATEMENTS**

1. **Significant accounting policies** (continued)

**Income taxes**

During the year ended December 31, 1997, the Internal Revenue Service determined that the Plan is exempt from federal income taxes under Section 501(c)(26) of the Internal Revenue Code. The effective date of this ruling was January 1, 1998.

**Statements of cash flows**

For the purpose of the statements of cash flows, the Plan considers all amounts in demand deposit accounts and interest-bearing demand deposit accounts to be cash and cash equivalents.

**Basis of presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Plan is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Plan does not have any temporarily restricted or permanently restricted net assets.

2. **Investments**

The Plan's investments are uninsured and unregistered. The securities are held by a regional bank's trust department, but not in the Plan's name. The amortized costs and estimated fair values of investments held in trust as of December 31, 2003 and 2002, are as follows:

	<u>December 31, 2003</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
Money Market Funds	\$ 768,388	\$ -	\$ -	\$ 768,388
United States Treasury Notes	6,419,824	90,207	-	6,510,031
Mortgage backed securities guaranteed by U. S. Government Agencies	9,444,438	48,841	5	9,493,274
Other Government securities	<u>8,268,623</u>	<u>74,744</u>	<u>14,740</u>	<u>8,328,627</u>
	<u>\$ 24,901,273</u>	<u>\$ 213,792</u>	<u>\$ 14,745</u>	<u>\$ 25,100,320</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

2. Investments (continued)

	December 31, 2002			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Money Market Funds	\$ 743,836	\$ -	\$ -	\$ 743,836
United States Treasury Notes	12,042,991	208,700	173	12,251,518
Mortgage backed securities guaranteed by U. S. Government Agencies	2,798,740	28,207	-	2,826,947
Other Government securities	3,507,305	116,449	-	3,623,754
	<u>\$ 19,092,872</u>	<u>\$ 353,356</u>	<u>\$ 173</u>	<u>\$ 19,446,055</u>

The following schedule summarizes the investment revenues and their classification in the statement of activities for the years ended December 31, 2003 and 2002:

	2003	2002
Interest revenues, including the amortization of premiums and discounts	\$ 545,274	\$ 825,454
Change in net unrealized appreciation of investments	( 154,136)	( 141,815)
	<u>\$ 391,138</u>	<u>\$ 683,639</u>

The amortized costs and estimated fair values of debt securities at December 31, 2003, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Within one year	\$ 8,732,401	\$ 8,787,033
Greater than one but within five years	6,724,434	6,820,013
	15,456,835	15,607,046
Mortgage-backed securities	9,444,438	9,493,274
	<u>\$ 24,901,273</u>	<u>\$ 25,100,320</u>



**LOUISIANA HEALTH PLAN**  
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**NOTES TO THE FINANCIAL STATEMENTS**

3. Claims payable

The claims payable liabilities of \$2,203,500 and \$3,083,498 reported at December 31, 2003 and 2002, respectively, are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated.

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

	<u>2003</u>	<u>2002</u>
Unpaid claims and claims adjustment expenses at beginning of year	\$ <u>3,083,498</u>	\$ <u>2,300,000</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	13,916,718	13,954,113
Decrease in the provision for insured events of prior fiscal years	( <u>714,637</u> )	( <u>305,244</u> )
Total incurred claims and claim adjustment expenses	<u>13,202,081</u>	<u>13,648,869</u>
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	11,713,218	10,870,615
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	<u>2,368,861</u>	<u>1,994,756</u>
Total payments	<u>14,082,079</u>	<u>12,865,371</u>
Unpaid claims and claims adjustment expenses at end of year	\$ <u>2,203,500</u>	\$ <u>3,083,498</u>

As a result of changes in estimates of incurred events in prior years, the provision for claims and claim adjustment expenses decreased by \$714,637 and \$305,244 for the years ended December 31, 2003 and 2002, respectively. These changes were due to the lower-than-anticipated development of claims.

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**NOTES TO THE FINANCIAL STATEMENTS**

4. Lease commitments

The Plan leases its office facilities on a month-to-month basis consisting of payments of approximately \$2,900. Total rent expense on operating leases was approximately \$35,000 during both the year ended December 31, 2003 and the year ended December 31, 2002.

5. Retirement plans

During the year ended December 31, 2000, the Plan adopted the Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) for employees of the Louisiana Health Plan. This contributory plan covers all employees who meet the length of service and the number of hours worked requirements and elect to participate. The Plan matches up to 3% of the participant's base salary. Employer contributions during the years ended December 31, 2003 and 2002, totalled approximately \$6,000 per year.

6. Capital and surplus requirements

The Louisiana insurance regulations require the Plan to maintain a minimum capital and surplus level of \$3,000,000. The Board formally designated a portion of its unrestricted net assets for this purpose, and this designation is reflected on the financial statements accordingly.



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**INDEPENDENT AUDITORS' REPORT**  
**ON SUPPLEMENTAL INFORMATION**

Board of Directors  
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formerly d/b/a Louisiana Health Insurance Association  
Baton Rouge, Louisiana

Our report on the basic financial statements of the Louisiana Health Plan (a not-for-profit organization), formerly d/b/a the Louisiana Health Insurance Association, as of and for the years ended December 31, 2003 and 2002, appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules contained on pages 17 through 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information was subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 22, 2004

**LOUISIANA HEALTH PLAN**  
**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**  
**BATON ROUGE, LOUISIANA**

**HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2003 AND 2002**

**ASSETS**

	2003	2002
Investments	\$ 14,874,406	\$ 14,640,176
Cash and cash equivalents	76,340	114,655
Accrued interest receivable	158,845	181,113
Due from HIPAA pool	37,158	72,561
Furniture and equipment (net of accumulated depreciation and amortization of \$87,599 and \$83,486, respectively)	10,348	8,293
<b>Total assets</b>	<b>\$ 15,157,097</b>	<b>\$ 15,016,798</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Claims payable	\$ 621,500	\$ 960,500
Accounts payable	3,715	526
Payroll taxes payable	3,720	4,330
<b>Total liabilities</b>	<b>628,935</b>	<b>965,356</b>

**NET ASSETS**

Unrestricted

Designated by the Board of Directors for the capital and surplus requirements of Louisiana insurance laws and regulations	3,000,000	3,000,000
Undesignated	11,528,162	11,051,442
<b>Total unrestricted net assets</b>	<b>14,528,162</b>	<b>14,051,442</b>

<b>Total liabilities and net assets</b>	<b>\$ 15,157,097</b>	<b>\$ 15,016,798</b>
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**LOUISIANA HEALTH PLAN**  
**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**  
**BATON ROUGE, LOUISIANA**

**HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS)**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
<b><u>REVENUES</u></b>		
State appropriations	\$ 2,014,382	\$ 2,000,000
Mandated service charges	707,936	688,515
Premiums	2,254,372	2,397,360
Investment revenues	256,264	560,590
Net gain (loss) on sales of investments	(2,304)	590
	5,230,650	5,647,055
<b><u>CLAIMS EXPENSES</u></b>		
Claims administration	103,135	120,946
Claims payments	4,691,257	5,137,262
Net activity in incurred but not paid claims liability	(339,000)	(264,500)
	4,455,392	4,993,708
<b><u>OPERATING EXPENSES</u></b>		
Advertising	32	-
Bank and trustee fees	40,455	41,729
Computer services	40,920	44,969
Consultant - actuary	7,358	30,988
Copy usage and supplies	5,691	10,037
Depreciation and amortization	4,931	8,208
Insurance	14,308	14,618
Maintenance	2,218	1,614
Miscellaneous expenses	-	120
Office supplies	3,987	6,580
Payroll taxes and benefits	8,713	9,983
Postage	6,673	3,865
Professional education	797	400
Professional fees	35,114	37,360
Rent	17,361	17,480
Salaries and wages	100,009	114,664
Subscriptions and dues	799	574
Telephone and utilities	6,494	7,057
Travel expenses	2,678	3,386
	298,538	353,632

**LOUISIANA HEALTH PLAN**  
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**BATON ROUGE, LOUISIANA**

**HIGH RISK HEALTH POOL (NON-FEDERALLY DEFINED INDIVIDUALS)**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
<b><u>CHANGE IN NET ASSETS</u></b>	\$ 476,720	\$ 299,715
Net assets - beginning of year	14,051,442	13,751,727
Net assets - end of year, including the \$3,000,000 designated by the Board of Directors for the capital and surplus requirements of Louisiana insurance laws and regulations	\$ 14,528,162	\$ 14,051,442
 <u>Additional disclosure of claims activity:</u>		
Claims payable - beginning of year	\$ 960,500	\$ 1,225,000
Net activity in incurred but not paid claims liability	(339,000)	(264,500)
Claims payable - end of year	\$ 621,500	\$ 960,500

**LOUISIANA HEALTH PLAN**  
**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**  
**BATON ROUGE, LOUISIANA**

**HIPAA POOL (FEDERALLY DEFINED ELIGIBLE INDIVIDUALS)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2003 AND 2002**

**ASSETS**

	2003	2002
Investments	\$ 10,225,914	\$ 4,805,879
Cash and cash equivalents	25,418	-
Assessments receivable	-	3,296,368
Accrued interest receivable	94,965	64,734
Furniture and equipment (net of accumulated depreciation of \$1,504 and \$1,101, respectively)	6,358	6,760
<b>Total assets</b>	<b>\$ 10,352,655</b>	<b>\$ 8,173,741</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Outstanding checks in excess of bank balances	\$ -	\$ 58,250
Claims payable	1,582,000	2,122,998
Accounts payable	19,263	-
Due to High Risk Health Pool	37,158	72,561
<b>Total liabilities</b>	<b>1,638,421</b>	<b>2,253,809</b>

**NET ASSETS**

Unrestricted	8,714,234	5,919,932
<b>Total unrestricted net assets</b>	<b>8,714,234</b>	<b>5,919,932</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,352,655</b>	<b>\$ 8,173,741</b>

**LOUISIANA HEALTH PLAN**  
**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**  
**BATON ROUGE, LOUISIANA**

**HIPAA POOL (FEDERALLY DEFINED ELIGIBLE INDIVIDUALS)**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b><u>REVENUES</u></b>		
Insurance company assessments	\$ 5,400,736	\$ 6,140,358
Premiums	6,452,576	4,824,846
Investment revenues	134,874	123,049
Net gain (loss) on sales of investments	104	7,383
	<u>11,988,290</u>	<u>11,095,636</u>
<b><u>CLAIMS EXPENSES</u></b>		
Claims administration	234,833	199,821
Claims payments	9,052,854	7,407,342
Net activity in incurred but not paid claims liability	(540,998)	1,047,998
	<u>8,746,689</u>	<u>8,655,161</u>
<b><u>OPERATING EXPENSES</u></b>		
Advertising	233	-
Agent commissions	30,091	10,606
Bank and trustee fees	23,492	16,301
Computer services	40,920	45,201
Consultant - actuary	11,975	38,672
Copy usage and supplies	10,569	18,640
Depreciation	403	675
Insurance	25,468	26,189
Maintenance	2,219	1,614
Miscellaneous expenses	-	123
Office supplies	7,405	12,823
Payroll taxes and benefits	16,181	18,539
Postage	12,393	7,179
Professional education	797	400
Professional fees	31,874	37,360
Rent	17,361	17,480
Salaries and wages	184,205	210,473
Subscriptions and dues	1,483	1,066
Telephone and utilities	10,008	11,387
Travel expenses	2,678	3,626
Uncollectible accounts (outstanding assessments)	17,544	95,398
	<u>447,299</u>	<u>573,752</u>





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**BATON ROUGE, LOUISIANA**

**HIPAA POOL (FEDERALLY DEFINED ELIGIBLE INDIVIDUALS)**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
<b><u>CHANGE IN NET ASSETS</u></b>	\$ 2,794,302	\$ 1,866,723
Net assets - beginning of year	5,919,932	4,053,209
Net assets - end of year	\$ 8,714,234	\$ 5,919,932
 <b><u>Additional disclosure of claims activity:</u></b>		
Claims payable - beginning of year	\$ 2,122,998	\$ 1,075,000
Net activity in incurred but not paid claims liability	(540,998)	1,047,998
Claims payable - end of year	\$ 1,582,000	\$ 2,122,998

**LOUISIANA HEALTH PLAN**  
**formerly d/b/a LOUISIANA HEALTH INSURANCE ASSOCIATION**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2003**

A. Summary of audit results:

- (1) The independent auditors' report expressed an unqualified opinion on the financial statements of the Louisiana Health Plan as of and for the year ended December 31, 2003.
- (2) One reportable condition relating to the audit of the financial statements is reported at section B-1 in this schedule. This condition was also mentioned in the schedule of findings and questioned costs for the year ended December 31, 2002. This condition is not considered a material weakness.
- (3) No instances of noncompliance material to the financial statements of the Louisiana Health Plan were disclosed during the audit.

B. Reportable conditions:

- (1) Lack of segregation of duties

*Condition* - the performance of accounting procedures is limited to one person.

*Criteria* - segregation of duties is an integral part of internal controls; as such, policies and procedures should be in place that provide reasonable assurance that financial transactions are properly recorded.

*Effect* - the segregation of duties is inadequate to provide effective internal control.

*Recommendation* - no action is recommended.

*Management's response* - we concur with the finding and the recommendation. Compensating controls do exist, and the Board of Directors has decided that it would not be cost effective to increase the size of the administrative staff to achieve effective segregation of duties.