

EISNERAMPER

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2024, AND 2023



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INDEPENDENT AUDITORS' REPORT

To the Board of the
Louisiana Patient's Compensation Fund Oversight Board
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion on the Financial Statements

We have audited the financial statements of Louisiana Patient's Compensation Fund Oversight Board (the Board) as of and for the year ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2024 and 2023 and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion on the Financial Statements

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's proportionate share of net pension liability, schedule of employer's contributions and schedule of changes in total other post-employment liability and related ratios on pages 4 through 8 and pages 41 through 44, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other supplementary information, which includes the Schedule of Per Diem Paid to Board Members and the Schedule of Compensation, Benefits and Other Payments to the Executive Director on pages 45 and 46 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



EISNERAMPER LLP
Baton Rouge, Louisiana
December 2, 2024



LOUISIANA PATIENT'S COMPENSATION

FUND OVERSIGHT BOARD

Management's Discussion and Analysis

JUNE 30, 2024 (UNAUDITED)

The Louisiana Patient's Compensation Fund Oversight Board (the Board) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 40:1231.1 – 40:1231.10 and is domiciled in East Baton Rouge Parish. The Board is comprised of nine members representing different classes of health care providers and insurance industry representatives in Louisiana.

The purpose of the Board is to provide affordable medical malpractice coverage to all private health care providers and to provide a certain, stable source of compensation for legitimate injured parties of medical malpractice in the State of Louisiana. The Board levies surcharges on private sector health care providers enrolled with the Board to provide just compensation to patients and healthcare recipients suffering losses, damages, or expenses as a result of professional malpractice by health care providers in the State of Louisiana and the Board's administrative expenses.

Management's Discussion and Analysis of the Louisiana Patient's Compensation Fund Oversight Board financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2024. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with prior years' information. Please read this document in conjunction with the additional information contained in the Board's financial statements.

FINANCIAL HIGHLIGHTS

The Board's assets consist primarily of cash and investments in fixed income and equity backed securities. The Board's liabilities are comprised primarily of estimated loss reserves for medical malpractice benefits for covered healthcare providers.

- The Board's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2024 by \$399,806,553, a net decrease of \$7,277,165 during the fiscal year. The Board's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2023 by \$407,083,718, a net increase of \$44,353,408 during the fiscal year. The 2022 fiscal year end reflected a net position of \$362,730,310.
- The Board's primary source of operating revenues is from surcharge assessments of enrolled participants, which decreased 4.36% during the fiscal year ended June 30, 2024. Surcharge assessments of enrolled participants totaled \$153,133,162, \$160,108,212, and \$158,223,801 for the years ended June 30, 2024, 2023, and 2022, respectively. The Board approved an overall 1.3% increase in rates effective for September 2, 2023 renewals. Subsequent to year end, the Board also approved an overall 2.2% increase in rates effective for September 2, 2024 renewals.
- Net investment income for the 2024 and 2023 fiscal years was \$75,265,019 and \$26,090,438, respectively. The 2022 fiscal year had a net investment loss of \$86,752,213. Net investment income (loss) related to the Board's investment portfolio which included changes in the market values of the fixed income investment portfolio. The Board's assets are invested in accordance with an investment policy which is comprised of a professionally managed investment portfolio of fixed income and equity securities.

LOUISIANA PATIENT'S COMPENSATION

FUND OVERSIGHT BOARD

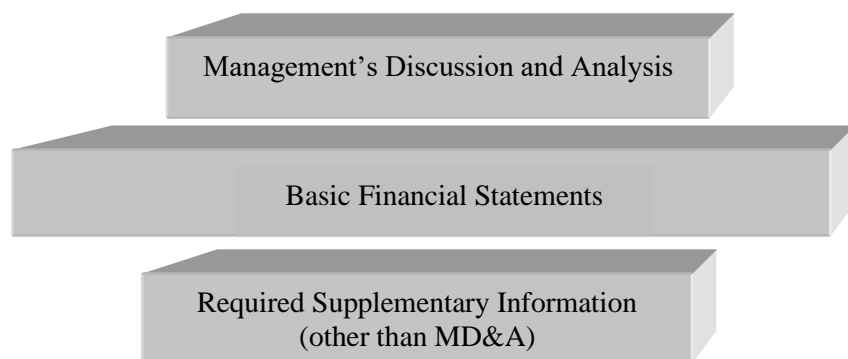
Management's Discussion and Analysis

JUNE 30, 2024 (UNAUDITED)

- Operating expenses consist primarily of incurred claims and claims adjustment expenses. The Board's claims expense during the current fiscal year increased by approximately 69.5% compared to an increase of 3.2% in the prior year. The Board experienced a \$15.7 million increase in new claims incurred between fiscal years 2023 and 2024 compared to a \$6.6 million increase in new claims incurred between fiscal years 2022 and 2023. The increase in claims expense includes reserve strengthening for revised estimates of prior year loss reserves which included unfavorable development recognized of approximately \$74.4 million emerging during the current year from re-estimation of reserves associated with losses incurred during prior years. By comparison, the Board experienced favorable development during the 2023 and 2022 fiscal years of approximately \$4.1 and \$1.7 million, respectively, for reserve releases.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (MD&A; this section), the Basic Financial Statements (including the notes to the financial statements) and Required Supplementary Information (other than MD&A).

Basic Financial Statements

The basic financial statements present information for the Board as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Board is improving or deteriorating.

LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD
Management's Discussion and Analysis
JUNE 30, 2024 (UNAUDITED)

The Statements of Revenues, Expenses, and Changes in Net Position presents information showing how the Board's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Cash Flows presents information showing how the Board's cash changed as a result of current year operations. The cash flow statements are prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

**Condensed Statements of Net Position
as of June 30, 2024, 2023, and 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash and invested assets	\$ 1,382,183,000	\$ 1,312,449,000	\$ 1,266,078,000
Other assets	17,109,000	17,333,000	13,413,000
Total assets	<u>1,399,292,000</u>	<u>1,329,782,000</u>	<u>1,279,491,000</u>
Deferred outflows	<u>2,544,000</u>	<u>3,734,000</u>	<u>3,039,000</u>
Claims payable	904,562,000	829,477,000	823,341,000
Other liabilities	<u>95,656,000</u>	<u>94,674,000</u>	<u>94,260,000</u>
Total liabilities	<u>1,000,218,000</u>	<u>924,151,000</u>	<u>917,601,000</u>
Deferred inflows	<u>1,812,000</u>	<u>2,281,000</u>	<u>2,199,000</u>
Net position	<u>\$ 399,806,000</u>	<u>\$ 407,084,000</u>	<u>\$ 362,730,000</u>

The Board maintains an investment policy consisting of a diversified investment portfolio of fixed income, equity securities, and private real estate investments. The Board's primary liability represents reserve liabilities for covered claims which are estimated each year using widely accepted actuarial valuation methodologies. The nature of the Board's covered claims often requires extended periods to adjudicate and make loss and benefit payments.

The Board's operations resulted in a decrease in net position of \$7,277,165 during the fiscal year ended June 30, 2024 compared to an increase in net position of \$44,353,408 during the fiscal year ended June 30, 2023. The unfavorable change in net position during the 2024 fiscal year is primarily attributed to claims expense increasing by \$94.1 million due to reserve strengthening. Net investment income increased by \$49.2 million due primarily to favorable market value which partially offset the loss development.

LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD
Management's Discussion and Analysis
JUNE 30, 2024 (UNAUDITED)

The Board recognized total net incurred claims of approximately \$229,591,000, \$135,479,000 and \$131,229,000 for the years ended June 30, 2024 and 2023 and 2022, respectively, which included new claims incurred each year as well as changes in the status and estimates of claims incurred in prior years. The Board incurred estimated new claim losses of approximately \$155,196,000, \$139,545,000 and \$132,932,000 for the years ended June 30, 2024, 2023, and 2022, respectively. Fiscal year 2024 had unfavorable development related to re-estimation of reserves associated with losses incurred in prior years of approximately \$74,395,000 while favorable development of approximately \$4,066,000 and \$1,703,000 was reported during the 2023 and 2022 fiscal years, respectively.

**Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position
for the years ended June 30, 2024, 2023, and 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 153,411,000	\$ 160,380,000	\$ 158,432,000
Operating expenses	<u>235,953,000</u>	<u>142,117,000</u>	<u>137,063,000</u>
Operating income	(82,542,000)	18,263,000	21,369,000
Non-operating investment income (loss)	<u>75,265,000</u>	<u>26,090,000</u>	<u>(86,752,000)</u>
Net (decrease) increase in net position	<u>\$ (7,277,000)</u>	<u>\$ 44,353,000</u>	<u>\$ (65,383,000)</u>

The Board's primary source of operating revenues is from surcharge assessments of enrolled participants, which decreased slightly during the fiscal year ended June 30, 2024. The Board approved an overall 1.3% increase in rates effective for September 2, 2023 renewals. Subsequent to year end, the Board also approved an overall 2.2% increase in rates effective for September 2, 2024 renewals.

Operating expenses consist primarily of claims related expenses. Claims related expenses increased during the years ended June 30, 2024 and 2023, due to the number of new claims increasing. The Board's claims expense incurred during fiscal year 2024 increased to 149.9% of surcharge revenues earned compared to 84.6% and 82.9% during 2023 and 2022, respectively. The loss ratio variance was impacted by the changes in loss reserve development estimates described previously.

Net investment income increased \$49,174,581 during the year ended June 30, 2024, as compared to an increase of \$112,842,651 during the year ended June 20, 2023, primarily due to favorable changes in the fair values of the Board's investment portfolio during each year. The Board's investment portfolio experienced overall increases in fair value consistent with overall financial market conditions. Changes in estimated fair values of investments each year are included in net investment income, and result from changes in overall interest rate and credit market conditions.

Debt and Long-Term Liabilities

The Board had no bonds and notes outstanding at June 30, 2024 or 2023.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**
Management's Discussion and Analysis
JUNE 30, 2024 (UNAUDITED)

The Board has established estimated reserve liabilities for claims and judgments of \$904,562,000 at June 30, 2024 compared with \$829,477,000 and \$823,341,000 at June 30, 2023 and 2022, respectively. These reserve obligations are actuarially estimated using the best information available and are subject to revisions to those estimates and underlying assumptions. The Board expects these obligations to become due and paid in amounts consistent with payout patterns for recent years. During the fiscal years ended June 30, 2024, 2023 and 2022, the Board paid \$154,506,000, \$129,343,000 and \$117,746,000, respectively, of payments of its covered claims obligations. The loss reserves are recognized on a discounted basis which considers the long-tailed payout patterns of the loss reserves.

Other long-term obligations include accrued compensated absences, other post-employment benefits, and net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees:

- Annual actuarial report recommending rates
- Prior year budget and actual results
- Anticipated changes in authorized benefit costs

At its July 2024 meeting, the Board voted to increase overall surcharge rates by 2.2%, which is effective September 2, 2024.

The Board's investment portfolio is comprised primarily of investments in fixed income and equity securities. The investment portfolio is subject to fluctuations in value due to market and economic conditions which are outside of management's control. The fair value of the Board's investments can be particularly sensitive to changes in overall market interest rates and economic uncertainties associated with the pandemic. While the fair value of the Board's investment portfolio are subject to overall financial market valuation volatility, the Board's fixed income investment practices are primarily to hold securities for long-term and does not engage in active trading practices.

**CONTACTING THE LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD
MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Louisiana Patient's Compensation Fund Oversight Board, Post Office Box 3718, Baton Rouge, Louisiana, 70821.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**STATEMENTS OF NET POSITION
JUNE 30, 2024, AND 2023**

	<u>2024</u>	<u>2023</u>
Assets and Deferred Outflows		
Cash and cash equivalents (note 2)	\$ 68,135,238	\$ 51,664,765
Investments (note 3)	1,313,869,431	1,260,629,107
Investments, restricted (note 12)	178,347	155,134
Total cash and invested assets	<u>1,382,183,016</u>	<u>1,312,449,006</u>
Receivables (note 4)	17,101,956	17,327,782
Capital assets, net of depreciation	7,081	5,289
Total other assets	<u>17,109,037</u>	<u>17,333,071</u>
Deferred outflows of resources – Pension (note 6)	1,632,522	2,591,359
Deferred outflows of resources – OPEB (note 7)	911,370	1,142,637
Total deferred outflows of resources	<u>2,543,892</u>	<u>3,733,996</u>
Total assets and deferred outflows	<u>\$ 1,401,835,945</u>	<u>\$ 1,333,516,073</u>
Liabilities and Deferred Inflows		
Claims payable (note 5)	\$ 904,562,000	\$ 829,477,000
Unearned revenues (note 10)	73,761,332	74,146,332
Refunds payable (note 10)	2,551,815	2,666,596
Accounts payable and accrued expenses (note 9)	3,932,849	1,217,677
OPEB payable (note 7)	5,831,238	5,665,342
Net pension liability (note 6)	9,578,305	10,978,106
Total liabilities	<u>1,000,217,539</u>	<u>924,151,053</u>
Deferred inflows of resources – Pension (note 6)	72,003	34,113
Deferred inflows of resources – OPEB (note 7)	1,739,850	2,247,189
Total deferred inflows of resources	<u>1,811,853</u>	<u>2,281,302</u>
Net Position		
Net investment in capital assets	7,081	5,289
Restricted net position (note 12)	178,347	155,134
Unrestricted net position	399,621,125	406,923,295
Total net position	<u>399,806,553</u>	<u>407,083,718</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,401,835,945</u>	<u>\$ 1,333,516,073</u>

See accompanying notes to these financial statements.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024, AND 2023**

	<u>2024</u>	<u>2023</u>
Operating revenues		
Surcharges	\$ 153,133,162	\$ 160,108,212
Filing fees	278,057	271,323
Total operating revenues	<u>153,411,219</u>	<u>160,379,535</u>
Operating expenses		
Claims and claims adjustment expenses (note 5)	229,591,473	135,479,445
Personnel expenses	5,058,485	5,412,264
Operating services	777,955	785,218
Professional services	404,275	343,158
Supplies	22,448	32,441
Travel	29,942	33,413
Capital outlay	65,072	26,523
Depreciation	3,753	4,103
Total operating expenses	<u>235,953,403</u>	<u>142,116,565</u>
Operating (loss) income	<u>(82,542,184)</u>	<u>18,262,970</u>
Non-operating income		
Investment income, net	75,265,019	26,090,438
Total non-operating income	<u>75,265,019</u>	<u>26,090,438</u>
Change in net position	<u>(7,277,165)</u>	<u>44,353,408</u>
Net position, beginning of year	<u>407,083,718</u>	<u>362,730,310</u>
Net position, end of year	<u>\$ 399,806,553</u>	<u>\$ 407,083,718</u>

See accompanying notes to these financial statements.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024, AND 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from covered enrollees and customers	\$ 153,880,536	\$ 159,391,450
Cash paid for benefit of claimants and service providers	(154,506,473)	(129,343,445)
Cash paid to suppliers for goods and services	(1,388,559)	(993,570)
Cash paid to employees for services	(5,558,351)	(5,301,327)
Net cash (used in) provided by operating activities	<u>(7,572,847)</u>	<u>23,753,108</u>
Cash flows from investing activities		
Purchases of investment securities	(137,019,276)	(260,931,456)
Proceeds from sale/redemption of investment securities	111,994,357	177,411,258
Interest and dividends earned on investment securities, net	49,073,784	36,454,071
Net cash provided by (used in) investing activities	<u>24,048,865</u>	<u>(47,066,127)</u>
Cash flows from capital and related financial activities		
Purchases of capital assets	(5,545)	-
Net cash used in capital and related financial activities	<u>(5,545)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	16,470,473	(23,313,019)
Cash and cash equivalents, beginning of year	<u>51,664,765</u>	<u>74,977,784</u>
Cash and cash equivalents, end of year	<u>\$ 68,135,238</u>	<u>\$ 51,664,765</u>

See accompanying notes to these financial statements.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating (loss) income	\$ (82,542,184)	\$ 18,262,970
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities		
Depreciation	3,753	4,103
Decrease (increase) in accounts receivable	969,098	(2,403,298)
Decrease (increase) in deferred outflows or resources	1,190,104	(694,711)
(Increase) decrease in accounts payable and accrued expenses	(88,867)	227,183
Increase in accrued payroll and related benefits	(1,736)	(151,206)
(Decrease) increase in unearned revenue	(385,000)	1,044,151
Increase in accrued compensated absences	15,120	17,636
(Decrease) increase in refunds payable	(114,781)	371,062
Increase (decrease) in OPEB payable	165,896	(2,401,848)
(Decrease) increase in net pension liability	(1,399,801)	3,258,725
(Decrease) increase in deferred inflows of resources	(469,449)	82,341
Increase in liability for claims reserve	<u>75,085,000</u>	<u>6,136,000</u>
Net cash (used in) provided by operating activities	<u>\$ (7,572,847)</u>	<u>\$ 23,753,108</u>

See accompanying notes to these financial statements.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Entity

The Louisiana Patient's Compensation Fund Oversight Board (the Board) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 40:1231.1 – 40:1231.10, and is domiciled in East Baton Rouge Parish. The Board is governed by a board of nine members representing different classes of health care providers and insurance industry representatives in Louisiana.

The purpose of the Board is to provide affordable medical malpractice coverage to all private health care providers and to provide a certain, stable source of compensation for legitimate injured parties of medical malpractice in the State of Louisiana. The Board levies surcharges on private sector health care providers enrolled with the Board to provide just compensation to patients and healthcare recipients suffering losses, damages, or expenses as a result of professional malpractice by health care providers in the State of Louisiana and the Board's administrative expenses.

In October 2011, a Louisiana constitutional amendment was passed by the voters of Louisiana which, among other things, provided that the funds of the Board are to be private custodial funds which cannot be appropriated by the Louisiana Legislature for purposes other than administering and paying claims of the Board. This law also explicitly provides that the State of Louisiana does not back the Board with its full faith and credit and it is not responsible for any financial obligations of the Board. In the event the Board is liquidated or dissolved, any remaining funds after the payment of all claims and obligations are to inure to benefit of the State of Louisiana.

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and financial reporting standards.

Reporting Entity

GASB Statement 14, as amended by Statement 61, establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Board is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 61, fiscally independent means that the Board may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Board also has no *component units*, defined by the standards as other legally separate organizations for which the elected Board members are financially accountable. There are no other primary governments with which the Board has a significant relationship. The Board is not considered a component unit of any other entity.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement (GASB) 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

The Board is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Since the business of the Board is essentially that of an insurance enterprise having a business cycle greater than one year, the statements of net position are not presented in a classified format.

Net Position

The Board applies GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

Restricted net position is when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is the balance of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

Operating / Non-Operating Revenues and Expenses

Operating revenues consist of member surcharges and fees charged as these revenues are generated from the Board's operations and are needed to carry out its purpose. All expenses incurred for that purpose are classified as operating expenses. Investment income and other revenues and expenses, which are ancillary to the Board's statutory purpose, are classified as non-operating.

The Board assesses a surcharge to enrolled health care providers based on rates actuarially estimated for the anticipated covered claims and defense costs of the Board to provide coverage to health care providers. The surcharge rate is evaluated on an annual basis and adjusted based on the approval of the Board. Surcharges are recognized as revenue over the term of the coverage agreement as they are earned. Any adjustments to a covered provider's annual surcharge are considered to be changes in estimates and are recognized in the period they become known. The Board incurs insignificant acquisition costs which are expensed as incurred.

The Board also collects filing fees for medical review panels and other services which are recognized as revenues as they are collected.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

Cash includes petty cash, demand deposits and short term certificates of deposit. The Board's investment policy provides that the Board may invest in securities including United States Treasury obligations, United States government agency obligations, direct security repurchase agreements, corporate debt securities, and certain asset-backed securities, or in eligible mutual funds that invest in these types of securities. The Board may also invest no more than twenty percent of its investment portfolio in equity securities subject to certain other limitations. Investments are recorded at the estimated fair value of the respective securities in the statements of net position, except for short-term and money market investments with a maturity of one year or less at time of purchase, which are reported at cost. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value as described in Note 3. Realized gains and losses and changes in unrealized gains and losses on investments recorded at fair value are included in investment income.

Capital Assets

Capital assets are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair value, if available, or at estimated fair value or cost to construct at the date of the contribution. Furniture and equipment includes all items valued over \$5,000. Assets are depreciated using the straight-line method over the useful lives of the assets which vary from 5 to 10 years.

Compensated Absences

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. Compensated absences are computed in accordance with GASB Codification Section C60, and are recognized as an expense and liability in the financial statements when incurred over the employee service period.

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned. Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer. Compensatory leave is computed in accordance with GASB Codification Section C60.105, and is recognized as an expense and liability in the financial statements when incurred.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unpaid Claims Liability

The Board provides medical malpractice excess coverage for claims incurred during the period of coverage provided to participants. Coverage can be obtained from the Board on a claims-made or occurrence basis and to cover tail obligations. The Board establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and for estimates of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved and the nature and severity of the claimed loss and damages asserted. Because ultimate claims costs depend on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount, particularly for coverage such as medical malpractice liability. Claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed on actual historical data that reflects past inflation, trends in the commercial medical malpractice insurance industry, and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claims liability estimates are charged or credited to claims expense in the periods in which additional information becomes available and are considered changes in estimates. The carrying amount of estimated liabilities for claims losses and claims expense are discounted to present value in the financial statements.

Income Taxes

The Board believes its activities are exempt from federal income taxes since the Board was created to carry out essential functions for the State of Louisiana. During 2014, the Board sought clarification from professional advisors and the Internal Revenue Service regarding its tax exempt status or whether its operations were excludable from the determination of any taxable income if the organization were deemed to be engaged in any taxable activities. The IRS declined to act on the Board's request. The Board, and its professional advisors, continues to maintain the Board is tax exempt and its operations are not taxable activities. Accordingly, the Board prepares its financial statements on this basis and does not recognize income taxes in these financial statements. Any change in the Board's position that its activities are exempt from federal income taxes, or changes in tax law or the Board's enabling statutes, could have a significant impact on the Board's financial position including the possibility of recognition of income tax obligations resulting from activities for prior periods.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and additions to/deductions from LASERS' fiduciary net position have been determined on the same basis as they are reported to LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Risk

The Board's operations and covered malpractice risks are located only in the state of Louisiana. Accordingly, the Board's revenues and participant base are concentrated with healthcare providers operating in Louisiana. Covered benefit obligations due to claimants and beneficiaries are also concentrated to individuals in the state of Louisiana which are impacted by Louisiana legal requirements and judicial decisions.

Use of Estimates

Management of the Board has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions, particularly given the significant social and economic disruptions and uncertainties. For example, significant estimates and assumptions are used in estimating its claim reserve liabilities, fair values of investments and accruals. If future experience differs materially for these estimates and assumptions, the financial statements could be affected.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2024 and 2023, the Board had cash deposits with banks totaling \$29,543,628 and \$36,235,947 respectively. The Board also maintains cash equivalents in custodial accounts at a bank trust department totaling \$38,591,610 and \$15,428,818, at June 30, 2024 and 2023, respectively.

Cash and cash equivalents are stated at cost, which approximates fair value. The fair value of the pledged securities plus FDIC insurance coverage must at all times equal the amount on deposit with the fiscal agents. At June 30, 2024 and 2023, the Board has \$37,810,916 and \$37,984,951, respectively, in deposits (collected bank balances) that were insured or collateralized with securities held by the Board or its agent in the Board's name.

NOTE 3 – INVESTMENTS

The Board maintains its investment portfolio as authorized by Louisiana Revised Statute 40:1231.44A(1), and utilizes professional investment managers and investment custodians to actively manage the investment portfolio under the oversight of the Board. The Board's investments are held in custodial accounts at a bank trust department in an account for the Board.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – INVESTMENTS (continued)

The Board has adopted investment policies and guidelines and retains professional investment managers to manage the investment portfolio. The Board's investment policy provides ranges of asset allocations which include the following target allocations at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Liquidity investments	2%	2%
Fixed income – investment grade	66%	66%
Fixed income – higher risk debt	9%	9%
Equities – domestic	6%	6%
Equities – international	9%	9%
Private real estate	8%	8%
	<u>100%</u>	<u>100%</u>

The Board routinely evaluates and may adjust the investment policy and above investment allocations.

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as required by GASB 72, *Fair Value Measurement and Application*. The three levels of the fair value hierarchy are described below:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – quoted prices for similar assets or liabilities in active markets or identical or similar assets or liabilities in inactive markets that are observable for the asset or liability.

Level 3 - inputs are unobservable and significant to the fair value measurement.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

The Board's investment portfolio includes significant investments in mutual funds that are professionally managed. Mutual funds represent investments in pools of underlying investment securities selected by the investment manager. Investments in mutual funds may generally be liquidated with limited notice and may impose certain redemption fees depending on the requirements of each mutual fund, which could depend on the time period the investment was owned. The Board's investments in mutual funds are categorized based on the stated primary objective and policy of each mutual fund to invest in fixed income securities and investments in equity securities. Classifications below also reflect investments in pools of underlying financial securities with differing risk and investment characteristics.

Investment measured at net asset values (NAV) represent investments in limited liability companies which operate as commingled investment funds with specified investment objectives as described below. These investment vehicles provide investment managers more flexibility than conventional registered investment companies but are not regulated by the Securities and Exchange Commission and are not traded on a regular basis and are therefore not considered to be highly liquid.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – INVESTMENTS (continued)

The Board's investments are recorded at estimated fair value as required by GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and consisted of the following at June 30, 2024 and 2023:

June 30, 2024:

	Fair Values			
	June 30, 2024	Level 1	Level 2	Level 3
Fixed Income Investments:				
U.S. Government obligations	\$ 12,812,578	\$ 12,812,578	\$ -	\$ -
Corporate bonds	261,055,336	-	261,055,336	-
Foreign bonds	15,368,245	-	15,368,245	-
U.S. Agency mortgage-backed securities	252,752,383	-	252,752,383	-
Other mortgage-backed securities	87,865,527	-	87,865,527	-
Commercial asset-backed securities	61,792,906	-	61,792,906	-
Municipal bonds	188,890,814	-	188,890,814	-
	<u>880,537,789</u>	<u>12,812,578</u>	<u>867,725,211</u>	<u>-</u>
Mutual Funds Primarily Invested In:				
Diversified domestic equity securities	86,805,697	86,805,697	-	-
Diversified international equity securities	43,045,742	43,045,742	-	-
Global minimum volatility equity securities	69,931,850	69,931,850	-	-
High yield corporate bonds	41,753,220	41,753,220	-	-
Emerging market debt	42,202,805	42,202,805	-	-
	<u>283,739,314</u>	<u>283,739,314</u>	<u>-</u>	<u>-</u>
Total Investments Measured at Fair Value	<u>\$ 1,164,277,103</u>	<u>\$ 296,551,892</u>	<u>\$ 867,725,211</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
Private real estate	\$ 92,755,789			
International equities	14,474,083			
High yield bank loans	42,362,456			
Total Investments Measured at Net Asset Value	<u>\$ 149,592,328</u>			
Total Investments	<u>\$ 1,313,869,431</u>			

The unfunded commitments and redemption terms for commingled investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2024, is presented in the following table:

	Fair Value June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Private real estate	\$ 92,755,789	\$ -	Quarter end	45 Days
International equities	14,474,083	-	Month end	30 Days
High yield bank loans	42,362,456	-	Daily	N/A
	<u>\$149,592,328</u>	<u>\$ -</u>		

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – INVESTMENTS (continued)

June 30, 2023:

	Fair Values			
	June 30, 2023	Level 1	Level 2	Level 3
Fixed Income Investments:				
U.S. Government obligations	\$ 12,535,409	\$ 12,535,409	\$ -	\$ -
Corporate bonds	246,937,825	-	246,937,825	-
Foreign bonds	11,564,828	-	11,564,828	-
U.S. Agency mortgage-backed securities	219,368,245	-	219,368,245	-
Other mortgage-backed securities	80,705,267	-	80,705,267	-
Commercial asset-backed securities	67,671,718	-	67,671,718	-
Municipal bonds	204,761,624	-	204,761,624	-
	<u>843,544,916</u>	<u>12,535,409</u>	<u>831,009,507</u>	<u>-</u>
Mutual Funds Primarily Invested In:				
Diversified domestic equity securities	79,902,695	79,902,695	-	-
Diversified international equity securities	42,606,221	42,606,221	-	-
Global minimum volatility equity securities	66,373,063	66,373,063	-	-
High yield corporate bonds	38,133,547	38,133,547	-	-
Emerging market debt	37,337,426	37,337,426	-	-
	<u>264,352,952</u>	<u>264,352,952</u>	<u>-</u>	<u>-</u>
Total Investments Measured at Fair Value	<u>\$ 1,107,897,868</u>	<u>\$ 276,888,361</u>	<u>\$ 831,009,507</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
Private real estate	\$ 99,020,997			
International equity	12,813,649			
High yield bank loans	40,896,593			
Total Investments Measured at Net Asset Value	<u>\$ 152,731,239</u>			
Total Investments	<u>\$ 1,260,629,107</u>			

The unfunded commitments and redemption terms for commingled investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2023, is presented in the following table:

	Fair Value June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Private real estate	\$ 99,020,997	\$ -	Quarter end	45 Days
International equity	12,813,649	-	Month end	30 Days
High yield bank loans	40,896,593	-	Daily	N/A
	<u>\$152,731,239</u>	<u>\$ -</u>		

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – INVESTMENTS (continued)

The following section describes the various types of investment related risks and the Board's exposure to each risk type.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating agencies are a tool used to assess credit risk on debt obligations. The weighted average credit quality of the Board's fixed income investments was AA at June 30, 2024 and 2023. The Board's investment managers monitor credit ratings of the fixed income securities which vary from high quality U.S. Government debt obligations to BBB rated securities as follows at June 30,:

<u>Standard & Poor's Rating</u>	<u>2024 Percentage of portfolio</u>	<u>2023 Percentage of portfolio</u>
AAA	20.9%	21.9%
AA	50.8%	50.3%
A	18.1%	18.2%
BBB	10.2%	9.3%
NR	-	0.3%

The Board's investments in mutual funds provide diversification of the amounts invested within each investment due to the underlying pool of invested securities being invested in numerous individual investment securities. A portion of the Board's investment portfolio is invested in fixed income mutual funds with stated objectives to invest in fixed income securities which represent high yield corporate debt securities and securitized bank loans, which invest in higher yielding debt obligations of issuers with higher credit risk.

The Board's investments include mutual funds and comingled funds which invest in pools of underlying bank loans which have varying underlying credit quality for each loan but are collectively rated "B" by Standards & Poor's. The Board also invests in mutual funds and comingled funds which invest in pools of high yield corporate bond securities which have varying credit quality for each issuer but are collectively rated "B" by Standards & Poor's. These types of investments are generally more susceptible to credit risk and losses.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. The risk is applicable to fixed income investments whose fair values are sensitive to changes in overall market interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates and effective duration for fixed income instruments. Generally, longer term or duration securities have an increased risk of valuation fluctuations related to market interest rate changes.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – INVESTMENTS (continued)

A summary of the estimated fair value of the Board's investments in fixed income instruments at June 30, 2024, by contractual maturity, is provided below as an indication of those securities to interest rate risks.

	<u>Estimated Fair Value</u>
Period to maturity:	
Six months	\$ 33,316,226
One calendar year	70,716,938
Calendar years two through six	170,910,845
Calendar years seven through ten	108,960,439
Beyond ten calendar years	94,222,525
Asset-backed securities	<u>402,410,816</u>
Total	<u>\$ 880,537,789</u>

The expected maturities in the foregoing table may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Asset-backed securities consist of pools of mortgages and other loans comprising these securities have continuous repayments with varying repayment patterns, which are generally viewed to mitigate exposure to interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the Board and are held by either the counterparty or the counterparty's trust department or agent, but not in the Board's name.

The Board maintains all of its investments in a custodial account at Principal Financial. The custodian bank also maintains insurance coverage.

Net Investment Income

Net investment income for the years ended June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividend income earned	\$ 48,017,692	\$ 40,390,943
Realized gains – net	4,402,124	3,429,870
Unrealized gains (losses) arising during the year - net	<u>23,603,253</u>	<u>(17,045,326)</u>
Investment income	76,023,069	26,775,487
Investment expenses	<u>(758,050)</u>	<u>(685,049)</u>
Investment income - net	<u>\$ 75,265,019</u>	<u>\$ 26,090,438</u>

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 – INVESTMENTS (continued)

Net Investment Income (continued)

The Board's investment portfolio is recorded at fair value and the associated changes in fair values of all investments are included in net investment income each year as net unrealized gain or losses. The Board's overall investment portfolio experienced net unrealized gains during the year ended June 30, 2024, and net unrealized losses during the year ended June 30, 2023, associated with changes in the fair value of its fixed income portfolio, which is influenced by overall market interest rates and other market based influences and expectations outside of management's control. The Board's investment policies are based on long-term objectives and not short-term market conditions, which are required to be reflected in net investment (loss)/income in each accounting period.

NOTE 4 – RECEIVABLES

At June 30, 2024 and 2023, the Board had receivables comprised of the following:

	<u>2024</u>	<u>2023</u>
Surcharges receivable	\$ 10,282,071	\$ 11,251,169
Accrued investment income	6,819,885	6,076,613
Total receivable	<u>\$ 17,101,956</u>	<u>\$ 17,327,782</u>

The Board generally receives surcharges collected by the healthcare provider's primary insurance carrier which are then remitted to the Board. The Board also bills and collects certain surcharges directly from healthcare providers. Surcharges receivable represent amounts due from healthcare providers at year end which are generally unsecured but collateralized by unearned surcharges as described at Note 10.

Accrued investment income represents interest and dividends earned on the Board's investment portfolio which have not been received at year end.

NOTE 5 – CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY

The Board establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved and the nature and severity of the claimed loss and damages asserted. Because ultimate claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount, particularly for coverage such as medical malpractice liability. Claims liabilities are recomputed at least annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, claim severity, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed on actual historical data that reflects past inflation, trends in the medical malpractice insurance industry, and on other factors that are considered to be appropriate modifiers of past experience.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 – CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

Because of the nature of the medical malpractice losses coverage provided by the Board, the Board is routinely involved in numerous malpractice-related claims and legal actions arising from the normal conduct of business. Management of the Board and its actuarial professionals regularly establish estimated liabilities for reported and unreported contingencies associated with these claims.

The following represents changes in the Board's estimated liability for unpaid claims reserves during the years ended June 30, 2024 and 2023 (amounts in thousands):

	<u>2024</u>	<u>2023</u>
Liability for unpaid claims at beginning of year	\$ 829,477	\$ 823,341
Net incurred related to:		
Current year	155,196	139,545
Prior years	<u>74,395</u>	<u>(4,066)</u>
Total incurred	<u>229,591</u>	<u>135,479</u>
Net paid related to:		
Current year	8,392	8,245
Prior years	<u>146,114</u>	<u>121,098</u>
Total paid	<u>154,506</u>	<u>129,343</u>
Liability for unpaid claims at end of year	<u>\$ 904,562</u>	<u>\$ 829,477</u>

The Board experienced unfavorable development of approximately \$74.4 million during the year ended June 30, 2024, due primarily to reserve strengthening for estimated future medical benefits for both hospital and physician coverage compared to prior year estimates. Further, the Board settled a large medical benefit claim during the fiscal year 2024 for much more than estimated, which also adversely impacted prior year development. The Board experienced favorable development of approximately \$4.1 million during the year ended June 20, 2023, due to revised estimates of the ultimate costs necessary to satisfy the Board's claims obligations established in prior years. These updated estimates incorporate revised case reserve estimates, changes in trends of the Board's claims activity and overall changes in the commercial medical malpractice insurance industry.

In establishing claims liability reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage. However, the process of establishing loss reserves is complex and can be an imprecise process that reflects significant judgmental factors. Management believes that the aggregate loss reserves at June 30, 2024, are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through June 30, 2024 will not vary from the above estimates, and such difference could be significant.

The Board's estimated claims reserves have been discounted based on anticipated payout patterns and a discount rate assumption which management expects to approximate the investment earnings over the payout period of the claims obligations. The Board has utilized a discount rate assumption of 3.0%, which reduced the reported claims reserve liability by approximately \$223 million and \$186 million at June 30, 2024 and 2023, respectively.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 – CLAIMS EXPENSE AND UNPAID CLAIMS LIABILITY (continued)

The Board expects the liability for unpaid claims to be paid out as claims are adjudicated in amounts consistent amounts paid in recent years as reflected in the table on the previous page.

NOTE 6 – RETIREMENT SYSTEM

Plan Description

Employees of Louisiana Patient's Compensation Fund are provided with pension benefits through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2021 Annual Comprehensive Financial Report at www.lasersonline.org.

Benefits Provided

The following is a summary description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes and plan documents for more complete information.

Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of LASERS rank and file members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service, depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. As an alternative to the basic retirement benefits, a member may elect to receive their retirement benefits under any one of six different options providing for reduced retirement benefits payable throughout their life, with certain benefits being paid to their designated beneficiary after their death.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – RETIREMENT SYSTEM (continued)

Retirement (continued)

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. The Board's employees are considered regular members of LASERS. Regular members are eligible to retire at age 60 after five years of creditable service and may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015. Regular members under the new plan are eligible to retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is ten years of service.

Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized actuarial return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP accounts. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP), which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – RETIREMENT SYSTEM (continued)

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

Disability Benefits

Generally, active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011, who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned or in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contributions

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers.

**LOUISIANA PATIENT'S COMPENSATION
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – RETIREMENT SYSTEM (continued)

Contributions (continued)

The Board's contractually required composite contribution rate for the years ended June 30, 2024 and 2023 was 41.3% and 40.4% of annual payroll, respectively, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Board were \$1,367,875 and \$1,312,376 for the years ended June 30, 2024 and 2023, respectively.

Additionally, contributions may be made to the retirement system from non-employers and those contributions are recognized as reductions of retirement expense for the Board's proportionate share. The Board recognized \$538,833 of non-employer reductions of personnel expense during the year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024 and 2023, the Board reported a liability of \$9,578,305 and \$10,978,106, respectively, for its proportionate share of the LASERS's Net Pension Liability. The Net Pension Liability was measured as of one fiscal year prior, the most recent data available, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Board's proportion of the Net Pension Liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Board's proportion was 0.14310%, which was an increase of 0.00212% from its proportion measured as of June 30, 2022.

For the years ended June 30, 2024 and 2023, the Board recognized pension expense of \$1,503,634 and \$1,684,888, respectively, plus the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions which was \$5,087 and \$(68,226) for the years ended June 30, 2024 and 2023, respectively.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 207,345	\$ -	\$ 29,939	\$ -
Change in assumptions	-	-	199,600	-
Net difference between projected and actual earnings on pension plan investments	54,758	-	884,260	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,544	(72,003)	165,184	(34,113)
Board contributions subsequent to the measurement date	<u>1,367,875</u>	<u>-</u>	<u>1,312,376</u>	<u>-</u>
Total	<u>\$ 1,632,522</u>	<u>\$ (72,003)</u>	<u>\$ 2,591,359</u>	<u>\$ (34,113)</u>

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date of \$1,367,875 will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending:</u>	
June 30, 2025	\$ 192,359
June 30, 2026	(345,911)
June 30, 2027	471,767
June 30, 2028	(125,571)
	<u>\$ 192,644</u>

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – RETIREMENT SYSTEM (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used by LASERS in determining the total pension liability as of June 30, 2024 and 2023, are as follows:

Valuation Date	June 30, 2023 and 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	2 years.
Investment Rate of Return	7.25% per annum, net of investment expenses.
Inflation Rate	2.30% per annum.
Mortality	Non-disabled members – Mortality rates based on the RP-2014 Blue Collar (male/females) and White Collar (females) Healthy Annuitant Tables projected on a fully generational basis by Mortality Improvement Scale MP-2018. Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for the Board's members have a lower range of 3.0% and an upper range of 12.8%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the System's Board of Trustees as they were deemed not to be substantively automatic.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – RETIREMENT SYSTEM (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.3% and an adjustment for the effect of rebalancing/diversification. The resulting expected long term rate of return is 8.19% for 2023. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	0%	0.80%
Domestic equity	34%	4.45%
International equity	18%	5.44%
Domestic fixed income	3%	2.04%
International fixed income	17%	5.33%
Alternative investments	28%	8.19%
Total Fund	100%	5.75%

Discount Rate

The discount rate assumption used to measure the total pension liability was 7.25% at June 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – RETIREMENT SYSTEM (continued)

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the LASERS Net Pension Liability at June 30, 2024 using the discount rate of 7.25%, as well as what the Board's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate assumption that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate assumption:

	<u>1.0% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1.0% Increase (8.25%)</u>
2024 Employer's proportionate share of the net pension liability	\$12,542,000	\$9,578,305	\$7,067,429
2023 Employer's proportionate share of the net pension liability	\$13,813,661	\$10,978,106	\$8,392,492

The Board was fully paid and did not record accrued liabilities to the LASERS retirement system for the years ended June 30, 2024 and 2023.

NOTE 7 – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description

The Board provides certain continuing health care and life insurance benefits for its eligible retired employees and their beneficiaries through participation in the State of Louisiana's health insurance plan administered by the Office of Group Benefits (OGB), an agent multiple-employer defined benefit plan referred to as other post-employment benefits (OPEB). Louisiana Revised Statute 42:801-883 assigns the authority to establish and amend the benefit provisions of the plan to the state legislature. The OGB does not issue a stand-alone report; however, OGB is included in the State of Louisiana's Annual Comprehensive Financial Report (ACFR) which may be obtained from the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap, by writing to P.O. Box 94095, Baton Rouge, Louisiana 70804-9095, or by calling (225) 342-0708.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

(continued)

Benefits Provided

The OPEB Plan provides benefits such as: death benefits, life insurance, disability, and long term care that are paid in the period after employment and that are provided separately from a pension plan; as well as health care benefits paid in the period after employment for retirees, disabled retirees, and their eligible beneficiaries through premium subsidies.

OGB offers retirees under age 65 a choice of three self-insured health care plans and one fully insured plan. Retired employees who have Medicare Part A and Part B coverage have access to these plans and an additional two fully insured Medicare Advantage HMO plans, one fully insured plan, and one zero premium HMO plan.

Funding Policy

Louisiana Revised Statute 42:801-883 assigns the authority to establish and amend the benefit provisions of the plan to the State Legislature. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. Employees hired before January 1, 2002 pay approximately 25% of the cost of coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees hired on or after January 1, 2002 pay a percentage of the contribution rate based on years of service. The contribution rate ranges are as follows:

<u>OGB Participation</u>	<u>Employer Contribution</u>	<u>Retiree Contribution</u>
Under 10 years	19%	81%
10 – 14 years	38%	62%
15 – 19 years	56%	44%
20 or more years	75%	25%

In addition to health care benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance are available for the individual retiree and spouses of retirees, subject to maximum values. The retiree pays \$0.54 monthly for each \$1,000 of life insurance. The retiree pays \$0.98 monthly for each \$1,000 of spouse life insurance. The employer pays the remaining amount.

OPEB administered through the OGB are financed on a pay-as-you-go basis. OPEB contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due. The Board expects to benefit payments to be made in the following year in amounts consistent with the benefit payments shown in the next table.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS
(continued)

OPEB Related Liabilities, Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2024 and 2023, the Board reported a liability of \$5,831,238 and \$5,665,342, respectively, for its share of the net OPEB liability. The net OPEB liability was measured as of one fiscal year prior, the most recent data available, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The Board's proportion was actuarially determined by OGB and was based on its proportionate share of the State of Louisiana's total OPEB liability.

	<u>2024</u>	<u>2023</u>
Changes in the Total OPEB Liability		
Balance at beginning of year	\$ 5,665,342	\$ 8,067,190
Changes for the year:		
Service cost	121,329	240,230
Interest	233,403	179,443
Differences between expected and actual experience	(231,460)	(156,919)
Changes in assumptions	204,244	(2,511,557)
Benefit payments	<u>(161,620)</u>	<u>(153,045)</u>
Net changes	<u>165,896</u>	<u>(2,401,848)</u>
Balance at end of the year	<u>\$ 5,831,238</u>	<u>\$ 5,665,342</u>

For the years ended June 30, 2024 and 2023, the Board recognized OPEB expense of \$44,391 and \$33,615, respectively. The Board expects to fund approximately \$160,000 for OPEB liability during the fiscal year ended June 30, 2025. At June 30, 2024 and 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 315,169	\$ (274,775)	\$ 531,025	\$ (124,227)
Change in assumptions	442,798	(1,465,075)	451,159	(2,122,962)
Employer contributions subsequent to the measurement date	<u>153,403</u>	<u>-</u>	<u>160,453</u>	<u>-</u>
Total	<u>\$ 911,370</u>	<u>\$ (1,739,850)</u>	<u>\$ 1,142,637</u>	<u>\$ (2,247,189)</u>

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

(continued)

Deferred outflows of resources related to OPEB resulting from OPEB payments subsequent to the measurement date of \$153,403 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Amounts reported as deferred inflows or resources related to OPEB will be recognized in OPEB expense (income) as follows:

<u>Year Ending June 30</u>	<u>OPEB Expense</u>
2025	\$ (202,893)
2026	(324,037)
2027	(450,416)
2028	(4,537)
Total	<u>\$ (981,883)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2023 actuarial valuation was determined by OGB using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.4% Consumer Price Index
Salary Increases	Consistent with the pension plan valuation assumptions in which employees participate.
Discount Rate	4.13% based on the June 30, 2023 S&P 20 year municipal bond index rate.
Health Care Cost Trend Rate	Pre-age 65 ranges from 7.00% to 4.5% Post-age 65 ranges from 5.50% to 4.5%
Mortality	For active lives: the RP-2014 Blue Collar Employee Table, adjusted by 0.978 for males and 1.144 for females, and then projected on a fully generational basis by Mortality Improvement Scale MP-2018. For healthy retiree lives: the RP-2014 Blue Collar Healthy Annuitant Table, adjusted by 1.280 for males and 1.417 for females, projected from 2014 on a fully generational basis by Mortality Improvement Scale MP-2018. For disabled retiree lives: the RP-2000 Disabled Retiree Mortality Table, adjusted by 1.009 for males and 1.043 for females, not projected with mortality improvement.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS
(continued)

The actuarial assumptions used by the pension plan were based on the results of ongoing evaluations of the assumptions. There were no changes in benefit terms for 2023.

No changes in benefits or assumptions have occurred between the June 30, 2023 measurement date of the collective total OPEB liability and the June 30, 2024 reporting date of the Board that are expected to have a significant effect on the Board's share of the collective total OPEB liability.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13% and was based on the Standards & Poor's Municipal Bond 20 year high grade rate index as of June 30, 2023. The discount rate used to measure the total OPEB liability was changed from 4.03% in the June 30, 2022 measurement to 4.13% in the June 30, 2023 measurement which is reflected as changes of assumptions deferred inflow.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the Board's proportionate share of the collective total OPEB liability calculated using the discount rate of 4.13%, as well as what the Board's proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
2024	3.13%	4.13%	5.13%
Discount Rate			
Total OPEB Liability	\$ 6,855,943	\$ 5,831,238	\$ 5,016,510
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
2023	3.09%	4.09%	5.09%
Discount Rate			
Total OPEB Liability	\$ 6,631,679	\$ 5,665,342	\$ 4,894,622

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 – POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

(continued)

Sensitivity of the total OPEB liability to changes in the health care cost trend rates: The following presents the Board's proportionate share of the collective total OPEB liability as well as what the Board's proportionate share of the collective total OPEB liability would be if it were calculated using the health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Increase</u>
Pre-65	6.00% decreasing to 3.50%	7.00% decreasing to 4.50%	8.00% decreasing to 5.50%
Post-65	5.50% decreasing to 3.50%	6.50% decreasing to 4.50%	7.5% decreasing to 5.50%
2024 Total OPEB liability	<u>\$4,983,488</u>	<u>\$5,831,238</u>	<u>\$6,907,663</u>
2024 Total OPEB liability	<u>\$4,870,060</u>	<u>\$5,665,342</u>	<u>\$6,668,970</u>

NOTE 8 – LEASE AND RENTAL COMMITMENTS

The Board entered into operating leases for office space. Lease and rental expenses for the years ended June 30, 2024 and 2023, totaled \$399,033 and \$388,843, respectively. Operating lease commitments for the next fiscal year total \$223,993. The Board has no capital leases.

The Board evaluated the implementation of GASB 87, *Leases*, which was effective for the year ended June 30, 2022. However, the Board determined that the impacts of the implementation would be insignificant to the financial statements taken as a whole and intends to reassess implementing the accounting change in future periods.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At June 30, 2024 and 2023, the Board had accounts payable and accrued expenses as follows:

	<u>2024</u>	<u>2023</u>
Accounts payable	\$ 392,018	\$ 480,885
Accrued wages payable	96,032	97,768
Accrued compensated absences	386,648	371,528
Payable for investment transactions pending	<u>3,058,151</u>	<u>267,496</u>
Total payables	<u>\$ 3,932,849</u>	<u>\$ 1,217,677</u>

NOTE 10 – UNEARNED REVENUES AND REFUNDS PAYABLE

The Board typically receives payment of surcharge revenues from the healthcare providers in advance of the period of coverage provided. The Board recognizes surcharges as revenues on a pro-rata basis over the period of coverage and benefits provided to the healthcare provider and records an unearned revenue liability for the portion of the surcharges collected or due which have not been earned and recognized as revenue. At June 30, 2024 and 2023, the Board had unearned surcharge revenues totaling \$73,761,332 and \$74,146,332, respectively.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 – UNEARNED REVENUES AND REFUNDS PAYABLE (continued)

The Board may also receive cancellation notices or other changes in coverage benefits provided to healthcare providers which require the Board to refund previously collected surcharges. The Board recorded an estimated liability for refunds payable of \$2,551,815 and \$2,666,596 at June 30, 2024 and 2023, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

There are numerous claims and suits pending against the Board arising from normal business operations, which in the opinion of management and legal counsel, are either without merit or will not have a material effect on the Board's financial position or results of operations. Management of the Louisiana Patient's Compensation Fund establishes estimated liabilities for reported and unreported claim contingencies, which are estimated and recognized as liabilities as described in Note 5. Management believes that the outcome of claims and any related legal proceedings will be provided for by the estimated liabilities and will not have a material adverse effect on the Board's financial position or results of operations.

NOTE 12 – NET POSITION AND RESTRICTION BY ENABLING LEGISLATION

In October 2011, a Louisiana constitutional amendment was passed by the voters of Louisiana which, among other things, provided that the funds of the Board are to be private custodial funds which cannot be appropriated by the Louisiana Legislature for purposes other than administering and paying claims of the Board. This law also explicitly provides that the State of Louisiana does not back or support the obligations of the Board with its full faith and credit and it is not responsible for any financial obligations of the Board in any way. Accordingly, any deficits of the Board are to be satisfied only by future surcharges to enrollees, investment income, and management of claims expenses and administrative expense. In the event the Board is liquidated or dissolved, any remaining funds after the payment of all claims and obligations are to inure to the benefit of the State of Louisiana.

Net position reported on the Statements of Net Position at June 30, 2024 and 2023, includes \$178,347 and \$155,134, respectively, which is restricted by LA Revised Statute 40:1231.7 as seed money for the inactive Louisiana Residual Malpractice Insurance Authority.

SUPPLEMENTAL INFORMATION SCHEDULES

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

Information about the employer's proportionate share of net pension liability and employer's contributions to the pension plan was prepared in compliance with GASB 68.

SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT LIABILITY AND RELATED RATIOS

Information about the employer's total OPEB liability was prepared in compliance with GASB 75.

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid to Board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 40.1231.4. Board members are paid \$75 per day for Board meetings and official business.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE EXECUTIVE DIRECTOR

The schedule of compensation, benefits and other payments to the Executive Director was prepared in compliance with Act 462 of the 2014 Session of the Louisiana Legislature.

LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD

**SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
JUNE 30, 2024***

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.14310%	0.14522%	0.14025%	0.13692%	0.13837%	0.13678%	0.13280%	0.12729%	0.11809%	0.12067%
Employer's proportionate share of the net pension liability	\$9,578,305	\$10,987,106	\$7,719,381	\$11,323,868	\$10,024,859	\$9,328,296	\$9,347,214	\$9,995,513	\$8,031,835	\$7,545,427
Employer's covered payroll	\$3,249,130	\$2,974,332	\$2,891,167	\$2,864,988	\$2,719,274	\$2,596,394	\$2,433,511	\$2,373,072	\$2,287,385	\$2,402,853
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	295%	369%	267%	395%	369%	359%	384%	421%	351%	314%
Plan fiduciary net position as a percentage of the total pension liability	68.4%	63.7%	72.8%	58.0%	62.9%	64.3%	62.5%	57.7%	62.7%	65.0%

* The amounts presented have a measurement date of the previous fiscal year end.

LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
AS OF JUNE 30, 2024

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2024	\$1,367,875	\$1,367,875	\$ -	\$3,312,412	41.30%
2023	1,312,376	1,312,376	-	3,249,130	40.40%
2022	1,174,592	1,174,592	-	2,974,332	39.50%
2021	1,159,547	1,159,547	-	2,891,167	40.10%
2020	1,151,931	1,151,931	-	2,864,988	40.20%
2019	1,062,966	1,062,966	-	2,719,274	39.10%
2018	972,955	972,955	-	2,596,394	37.50%
2017	862,090	862,090	-	2,433,511	35.40%
2016	875,540	875,540	-	2,373,072	36.90%
2015	840,319	840,319	-	2,287,385	36.70%

LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD

**SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT LIABILITY
AND RELATED RATIOS
AS OF JUNE 30, 2024**

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 121,329	\$ 240,230	\$ 198,190	\$ 173,601	\$ 226,034	\$ 222,293	\$ 240,471
Interest	233,403	179,443	174,069	166,024	192,250	194,949	173,843
Differences between expected and actual experience	(231,460)	(156,919)	729,091	250,562	70,567	159,725	-
Changes in assumptions	204,244	(2,511,557)	696,298	119,958	(807,884)	(236,834)	(467,521)
Benefit payments	(161,620)	(153,045)	(151,401)	(131,668)	(126,714)	(138,469)	(115,158)
Net changes	165,896	(2,401,848)	1,646,247	578,477	(445,747)	201,664	(168,365)
Total OPEB liability - beginning	5,665,342	8,067,190	6,420,943	5,842,466	6,288,213	6,086,549	4,088,500
Adjustment for GASB 75	-	-	-	-	-	-	2,166,414
Total OPEB liability - ending	<u>\$5,831,238</u>	<u>\$5,665,342</u>	<u>\$8,067,190</u>	<u>\$6,420,943</u>	<u>\$5,842,466</u>	<u>\$6,288,213</u>	<u>\$6,086,549</u>
Covered employee payroll	<u>\$3,115,412</u>	<u>\$2,864,331</u>	<u>\$2,808,190</u>	<u>\$2,615,039</u>	<u>\$2,621,133</u>	<u>\$2,617,073</u>	<u>\$2,229,483</u>
Net OPEB liability as a percentage of covered	187.2%	197.8%	287.3%	245.5%	222.9%	240.3%	273.0%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB Plan.

The changes in assumptions for the 2024 year are as follows:

- The discount rate has increased from 4.09% to 4.13%.
- Life insurance premium rates were updated, resulting in a decrease in the Plan's liability.
- Vantage Medical Home HMO and Vantage MA HMO Plans will no longer be offered after December 31, 2023. This change was communicated to all retirees prior to July 1, 2023. For valuation purposes, we assumed that Vantage Medical Home HMO participants will transfer to Magnolia Local Plus while Vantage MA HMO participants will transfer to the BCBS MA HMO plan. This decreased the Plan's liability.
- Baseline per capita costs (PCCs) and medical plan election percentages were updated to reflect 2023 claims and enrollment. Plan claims and premiums increased less than had been expected, which decreased the Plan's liability.
- The baseline trend was updated to more accurately reflect the current medical cost environment. Pre Medicare trend has been revised to 7.0% for the first two years trending down 25 basis points per year to an ultimate rate of 4.5%.
- The Medicare trend was further adjusted to reflect the impact of certain provisions of the Inflation Reduction Act ("IRA").

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2024**

Schedule of Employer's Share of Net Pension Liability

This schedule reflects the participation of the Louisiana Patient's Compensation Fund's employees in LASERS and its proportionate share of the net pension liability as a percentage of its covered employee payroll, and the plan fiduciary net position as a percentage of the total pension liability.

Schedule of Employer's Contributions

This schedule represents the employer contributions subsequent to the measurement date and recognized as a reduction of the net pension liability in future years.

Changes in Benefit Terms include:

1. A 1.5% COLA, effective July 1, 2016, provided by Acts 93 and 512 of the 2016 Louisiana Regular Legislative Session, and,
2. Added benefits for members of the Harbor Police Retirement System which was merged with LASERS effective July 1, 2015 by Act 648 of 2014.

Changes of Assumptions:

The following discount rate changes were made to the pension plan:

Year*	Rate	Change
2023	7.250%	-
2022	7.250%	-0.150%
2021	7.400%	-0.150%
2020	7.550%	-0.050%
2019	7.600%	-0.050%
2018	7.650%	-0.050%

The following inflation rate changes were made to the pension plan:

Year*	Rate	Change
2023	2.300%	-
2022	2.300%	-
2021	2.300%	-
2020	2.300%	-0.450%
2019	2.750%	-
2018	2.750%	-

The following changes to projected salary increases were made to the pension plan:

Year*	Range
2023	2.60% to 13.80% for various member types
2022	2.60% to 13.80% for various member types
2021	2.60% to 13.80% for various member types
2020	2.60% to 13.80% for various member types
2019	2.80% to 14.00% for various member types
2018	2.80% to 14.30% for various member types

*The amounts presented have a measurement date of the previous fiscal year end.

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Amount</u>
Luis M. Alvarado	\$ 2,700
David M. Broussard	2,700
John Derenbecker	2,175
Christopher M. Foret	3,000
Tracy Bordelon	2,775
Marcus C. Naquin	3,000
R. Reece Newsome	3,000
Robert E. Ruel, III	2,850
Gregory L. Waddell	3,000
Total	<u>\$ 25,200</u>

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2024**

Executive Director - Kenneth Schnauder

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 242,700
Benefits - insurance	13,986
Benefits - retirement	99,409
Benefits - other	739
Travel	1,669
Continuing professional education fees	22
	<u>\$ 358,525</u>

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

To the Board of the
Louisiana Patient's Compensation Fund Oversight Board
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and other standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Patient's Compensation Fund Oversight Board (the Board) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 2, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
December 2, 2024

EISNERAMPER
LLP



EISNERAMPER

**LOUISIANA PATIENT'S COMPENSATION
FUND OVERSIGHT BOARD**

**REPORT ON STATEWIDE
AGREED-UPON PROCEDURES ON
COMPLIANCE AND CONTROL AREAS**

FOR YEAR ENDED JUNE 30, 2024



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of the Louisiana Patient's Compensation Fund
and the Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) of the Louisiana Patient's Compensation Fund Oversight Board for the fiscal period July 1, 2023 through June 30, 2024. Louisiana Patient's Compensation Fund Oversight Board's (the Board) management is responsible for those C/C areas identified in the SAUPs.

The Board has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2023 through June 30, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by the Board to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of the Board for the fiscal period July 1, 2023 through June 30, 2024. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



EISNERAMPER LLP
Baton Rouge, Louisiana
December 2, 2024

**LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
JUNE 30, 2024**

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted"* or for step 13 *"we performed the procedure and discussed the results with management"*. If not, then a description of the exception ensues.

1) *Written Policies and Procedures*

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

No exception noted.

ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

No exception noted.

iii. **Disbursements**, including processing, reviewing, and approving

No exception noted.

iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exception noted.

v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

No exception noted.

**LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
JUNE 30, 2024**

Schedule A

- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exception noted.

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exception noted.

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

No exception noted.

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

No exception noted.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Board does not have debt; therefore, this policy is not applicable.

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exception noted.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exception noted.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

**LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
JUNE 30, 2024**

Schedule A

No exception noted.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exception noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exception noted.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exception noted.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

A listing of bank accounts was provided and included a total of 4 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exception noted.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

No exception noted.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
JUNE 30, 2024**

Schedule A

Of the bank accounts selected, none had reconciling items that have been outstanding for more than 12 months.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 1 deposit site and performed the procedures below.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4A was provided and included a total of 1 collection location. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we selected the one collection location for the deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- i. Employees responsible for cash collections do not share cash drawers/registers;

Not applicable. Cash drawers/registers are not used.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;

No exception noted.

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

No exception noted.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

No exception noted.

**LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
JUNE 30, 2024**

Schedule A

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

No exception noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected 2 deposit dates for each of the 4 bank accounts selected in procedure #3A. We obtained supporting documentation for each of the 8 deposits and performed the procedures below.

- i. Observe that receipts are sequentially pre-numbered.

The Board does not maintain sequentially pre-numbered receipts.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Not applicable.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

The Board does not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure.

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exception noted.

- v. Trace the actual deposit per the bank statement to the general ledger.

No exception noted.

5) *Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 1 location as this was the only location and performed the procedures below.

**LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
JUNE 30, 2024**

Schedule A

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #5A was provided. No exceptions were noted as a result of performing this procedure.

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exception noted.

- ii. At least two employees are involved in processing and approving payments to vendors;

No exception noted.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

No exception noted.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

No exception noted.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exception noted.

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and

A listing of non-payroll disbursements for each payment processing location selected in procedures #5A was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

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From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exception noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exception noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of cards was provided. No exceptions were noted as a result of performing this procedure.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

From the listing provided, we randomly selected 4 credit cards used in the fiscal period. We randomly selected one monthly statement for each of the 4 cards selected and performed the procedures noted below.

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

No exception noted.

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- ii. Observe that finance charges and late fees were not assessed on the selected statements.

No exception noted.

- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

We randomly selected 7 transactions for the 4 cards selected in procedure 6B and performed the specified procedures. No exceptions noted.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

No exception noted.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

No exception noted.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by "Written Policies and Procedures", procedure #1A(vii); and

No exception noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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No exception noted.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

No contracts subject to Louisiana Public Bid Law.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

No exception noted.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

No exception noted.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We randomly selected 1 payment for the 5 contracts selected in procedure 8A and performed the specified procedures. No exceptions noted.

9) Payroll and Personnel

- A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures.

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- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #9A.

- i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

No exception noted.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

No exception noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

No exception noted.

- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

No exception noted.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 2 employees/officials and performed the specified procedures.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

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10) Ethics

A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

No exception noted.

- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exception noted.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exception noted.

11) Debt Service

A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued as required by Article VII, Section 8 of the Louisiana Constitution.

Not applicable.

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

12) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

None noted.

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- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exception noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:12671. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

No exception noted.

¹ While it appears to be a good practice for charter schools to ensure its employees are trained to keep their information technology assets safe from cyberattack, charter schools do not appear required to comply with 42:1267. An individual charter school, though, through specific provisions of its charter, may mandate that all employees/officials receive cybersecurity training.

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14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

No exceptions noted.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exception noted.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

No exceptions noted.

- ii. Number of sexual harassment complaints received by the agency;

No exceptions noted.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

No exceptions noted.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

No exceptions noted.

- v. Amount of time it took to resolve each complaint.

No exceptions noted.