

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

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2025, AND 2024

LOUISIANA PATIENT’S COMPENSATION
FUND OVERSIGHT BOARD

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INDEPENDENT AUDITORS' REPORT

To the Board of the
Louisiana Patient's Compensation Fund Oversight Board

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 years ended June 30, 2025 and 2024, 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, 2025 and 2024, and the respective changes in financial position and 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 9 and pages 43 through 45, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic 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 48 and 49 is presented for purposes of additional analysis and is not a required part of the basic 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 basic 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 Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025, 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, 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

EISNERAMPER LLP
Baton Rouge, Louisiana
November 25, 2025



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 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 – 40:1237.4 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 to cover 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 years ended June 30, 2025 and 2024. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's 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 securities. The Board's liabilities are comprised primarily of estimated loss reserves for medical malpractice benefits for covered health care providers.

- The Board's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2025 by \$420,426,368, a net increase of \$20,619,815 during the year. The prior year reflected a net position of \$399,806,553. 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 2023 fiscal year end reflected a net position of \$407,083,718.
- The Board's primary source of operating revenues is from surcharge assessments of enrolled participants, which increased 5.5% during the fiscal year ending June 30, 2025. Surcharge assessments of enrolled participants totaled \$161,648,406, \$153,133,162, and \$160,108,212 for the years ended June 30, 2025, 2024, and 2023, respectively. The board approved changes in its surcharge rates effective September 2, 2023 and again effective for September 2, 2024 renewals.
- Net investment income for the 2025 fiscal year was \$106,851,427 and consisted of net realized gains and net unrealized appreciation of invested assets of \$53,887,391, interest and dividend income of \$53,795,191, and expenses of \$831,155. Net investment income increased by approximately 42% from the fiscal year 2024 related primarily to changes in the market values

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024

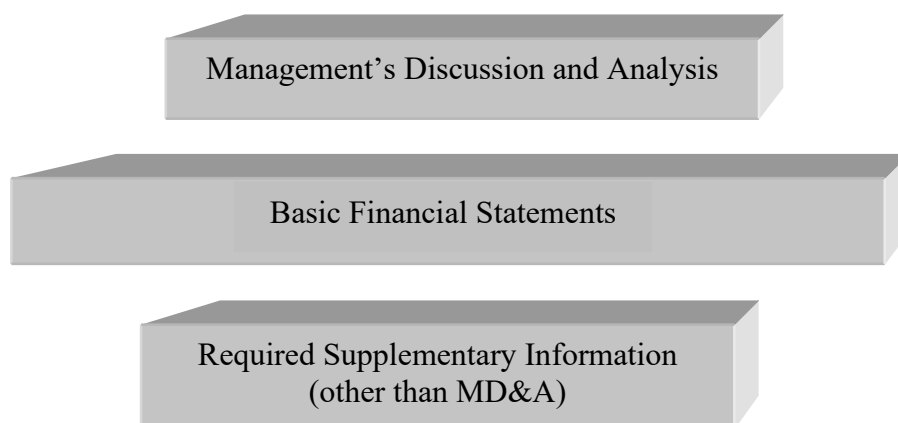
(UNAUDITED)

of the portfolio. Net investment income for the 2024 and 2023 fiscal years was \$75,265,019 and \$26,090,438, respectively. 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.

- Operating expenses consist primarily of incurred claims and claims adjustment expenses. The Board's claims expense during the current year increased by approximately 5.5% compared to an increase of 69.5% in 2024 and 3.2% in 2023. The Board experienced a \$15.7 million increase in new claims incurred between fiscal years 2024 and 2025 compared to a similar \$15.7 million increase in new claims incurred between fiscal years 2023 and 2024. The current year increase in claims expense includes reserve strengthening for revised estimates of prior year loss reserves which included unfavorable development recognized of approximately \$71.2 million emerging during that year from re-estimation of reserves associated with losses incurred during prior year. The 2024 increase in claims expense included reserve strengthening for revised estimates of prior year loss reserves which included unfavorable development recognized of approximately \$74.4 million emerging during that year from re-estimation of reserves associated with losses incurred during prior years. By comparison, the Board experienced favorable development during the 2023 fiscal year of approximately \$4.1 million 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*.



LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024

(UNAUDITED)

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.

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, transactions are 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 a reconciliation of operating income (loss) to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position As of June 30, 2025, 2024 and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash and Invested Assets	\$1,488,635,000	\$1,382,183,000	\$1,312,449,000
Other Assets	18,861,000	17,109,000	17,333,000
Total Assets	<u>1,507,496,000</u>	<u>1,399,292,000</u>	<u>1,329,782,000</u>
Deferred Outflows	2,069,000	2,544,000	3,734,000
Claims Payable	992,189,000	904,562,000	829,477,000
Other Liabilities	94,527,000	95,655,000	94,674,000
Total Liabilities	<u>1,086,716,000</u>	<u>1,000,217,000</u>	<u>924,151,000</u>
Deferred Inflows	2,423,000	1,812,000	2,281,000
Investment in Capital Assets	28,000	7,000	5,000
Restricted Net Position	202,000	178,000	155,000
Unrestricted Net Position	420,196,000	399,622,000	406,924,000
Total Net Position	<u>\$ 420,426,000</u>	<u>\$ 399,807,000</u>	<u>\$ 407,084,000</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024
(UNAUDITED)

The Board maintains an investment policy consisting of a diversified investment portfolio of fixed income and equity securities. 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 benefit payments.

The Board's operations resulted in an increase in net position of \$20,619,815 during the year ended June 30, 2025 compared to a decrease in net position of 7,277,165 during the fiscal year ended June 30, 2024. The 2025 favorable change in net position is primarily attributable to net investment income of \$106,851,427. 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.

The Board incurred claims that relate to the current year of approximately \$170,852,000. Unfavorable development of approximately \$71,254,000 related to re-estimation of reserves associated with losses incurred in prior years resulted in net incurred claims of approximately \$242,106,000 for the year ended June 30, 2025.

In fiscal year 2024 and 2023, the Board incurred new claims of approximately \$155,196,000 and 139,545,000, 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 was reported during the 2023 fiscal year, respectively.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2025, 2024 and 2023**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$161,902,000	\$153,411,000	\$ 160,380,000
Operating Expenses	<u>248,176,000</u>	<u>236,492,000</u>	<u>142,117,000</u>
Operating Income (Loss)	(86,274,000)	(83,081,000)	18,263,000
Non-operating Investment			
Income	106,851,000	75,265,000	26,090,000
Non-operating			
Intergovernmental Income	<u>42,000</u>	<u>539,000</u>	<u>-</u>
Nonoperating Income	<u>106,893,000</u>	<u>75,804,000</u>	<u>26,090,000</u>
Changes in Net Position	20,619,000	(7,277,000)	44,353,000
Beginning Net Position	<u>399,807,000</u>	<u>407,084,000</u>	<u>362,731,000</u>
Ending Net Position	<u><u>\$420,426,000</u></u>	<u><u>\$399,807,000</u></u>	<u><u>\$ 407,084,000</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024
(UNAUDITED)

The Board's total operating revenues consisted primarily of surcharge revenues from enrolled participants. Surcharge revenues increased during the year ended June 30, 2025 approximately \$8.5 million. The Board approved an overall 1.3% increase in rates effective for September 2, 2023 renewals and 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, 2025 and 2024, due to the number of new claims increasing. The Board's claims expense incurred during fiscal year 2025 was 149.8% of surcharge revenues earned compared to 149.9% and 84.6% during 2024 and 2023, respectively. The loss ratio variance was impacted by the changes in loss reserve development estimates described previously.

Net investment income increased approximately \$31,586,000 during the year ended June 30, 2025, as compared to an increase of approximately \$49,174,000 during the year ended June 30, 2024, primarily due to favorable changes in the fair value of the Board's investment portfolio during both years. The Board's investment portfolio experienced overall increases in fair value in the current year due to overall 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.

Capital Assets

At June 30, 2025 and 2024, the Board had \$27,768 and \$7,081 invested in capital assets, net of depreciation, including equipment and IT systems necessary to carry out the Board's activities.

Debt and Long-Term Liabilities

The Board had no bonds or notes outstanding at June 30, 2025 and 2024.

The Board has established estimated reserve liabilities for claims and judgments of \$992,189,000 at June 30, 2025 compared with \$904,562,000 and \$829,477,000 at June 30, 2024 and 2023, respectively. These reserve obligations are actuarially estimated using the best information available and are subject to revisions to those estimates. The Board expects these obligations to become due and paid in amounts consistent with recent years as described in Note 6 to the financial statements. During the fiscal years ended June 30, 2025, 2024, and 2023, the Board paid \$154,479,000, \$154,506,000 and \$129,343,000, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025 AND 2024
(UNAUDITED)

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

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.

CONTACTING THE LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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

AS OF JUNE 30, 2025 AND 2024

Assets and Deferred Outflows	2025	2024
Cash and cash equivalents (note 2)	\$ 68,942,596	\$ 68,135,238
Investments (note 3)	1,419,490,493	1,313,869,431
Investments, restricted (note 13)	201,953	178,347
Total cash and invested assets	<u>1,488,635,042</u>	<u>1,382,183,016</u>
Receivables (note 4)	18,832,884	17,101,956
Capital assets, net of depreciation (note 5)	27,768	7,081
Total other assets	<u>18,860,652</u>	<u>17,109,037</u>
Deferred outflows of resources - Pension (note 7)	1,255,238	1,632,522
Deferred outflows of resources - OPEB (note 8)	813,588	911,370
Total deferred outflows of resources	<u>2,068,826</u>	<u>2,543,892</u>
Total assets and deferred outflows	<u><u>\$ 1,509,564,520</u></u>	<u><u>\$ 1,401,835,945</u></u>
Liabilities and Deferred Inflows		
Claims payable (note 6)	\$ 992,189,000	\$ 904,562,000
Unearned revenues (note 11)	77,125,761	73,761,332
Refunds payable (note 11)	2,229,981	2,551,815
Accounts payable and accrued expenses (note 10)	1,385,855	3,932,849
OPEB payable (note 8)	6,236,809	5,831,238
Net pension liability (note 7)	7,547,651	9,578,305
Total liabilities	<u>1,086,715,057</u>	<u>1,000,217,539</u>
Deferred inflows of resources - Pension (note 7)	1,073,585	72,003
Deferred inflows of resources - OPEB (note 8)	1,349,510	1,739,850
Total deferred inflows of resources	<u>2,423,095</u>	<u>1,811,853</u>
Net Position		
Investment in capital assets	27,768	7,081
Restricted net position (note 13)	201,953	178,347
Unrestricted net position	420,196,647	399,621,125
Total net position	<u>420,426,368</u>	<u>399,806,553</u>
Total liabilities, deferred inflows, and net position	<u><u>\$ 1,509,564,520</u></u>	<u><u>\$ 1,401,835,945</u></u>

See accompanying notes to these financial statements.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Operating revenues		
Surcharges	\$ 161,648,406	\$ 153,133,162
Filing fees	253,502	278,057
Total operating revenues	<u>161,901,908</u>	<u>153,411,219</u>
Operating expenses		
Claims and claims adjustment expenses (note 6)	242,106,071	229,591,473
Personnel expenses	4,940,156	5,597,318
Operating services	624,207	777,955
Professional services	445,286	404,275
Supplies	22,121	22,448
Travel	21,202	29,942
Capital outlay	6,419	65,072
Depreciation	9,864	3,753
Total operating expenses	<u>248,175,326</u>	<u>236,492,236</u>
Operating loss	<u>(86,273,418)</u>	<u>(83,081,017)</u>
Non-operating revenues		
Investment income, net (note 3)	106,851,427	75,265,019
Intergovernmental income	41,806	538,833
Total non-operating revenues	<u>106,893,233</u>	<u>75,803,852</u>
Change in net position	20,619,815	(7,277,165)
Net position, beginning of year	<u>399,806,553</u>	<u>407,083,718</u>
Net position, end of year	<u><u>\$ 420,426,368</u></u>	<u><u>\$ 399,806,553</u></u>

See accompanying notes to these financial statements.

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Cash received from covered enrollees and customers	\$ 163,275,927	\$ 153,880,536
Cash paid for benefit of claimants and service providers	(154,479,071)	(154,506,473)
Cash paid to suppliers for goods and services	(1,083,556)	(1,388,559)
Cash paid to employees for services	(5,456,801)	(5,558,351)
Net cash provided by (used in) operating activities	<u>2,256,499</u>	<u>(7,572,847)</u>
Cash flows from investing activities		
Purchases of investment securities	(240,192,530)	(137,019,276)
Proceeds from sale/redemption of investment securities	186,040,503	111,994,356
Interest and dividends received on investment securities, net	52,733,437	49,073,785
Net cash (used in) provided by investing activities	<u>(1,418,590)</u>	<u>24,048,865</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(30,551)	(5,545)
Net cash used in capital and related financing activities	<u>(30,551)</u>	<u>(5,545)</u>
Net increase in cash and cash equivalents	807,358	16,470,473
Cash and cash equivalents, beginning of year	68,135,238	51,664,765
Cash and cash equivalents, end of year	<u><u>\$ 68,942,596</u></u>	<u><u>\$ 68,135,238</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (86,273,418)	\$ (83,081,017)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Intergovernmental income	41,806	538,833
Depreciation	9,864	3,753
Decrease (Increase) in accounts receivable	(1,668,576)	969,098
Decrease in deferred outflows of resources	475,066	1,190,104
Increase (decrease) in accounts payable	33,300	(88,867)
Increase (decrease) in accrued payroll and related benefits	22,602	(1,736)
Increase (decrease) in unearned revenue	3,364,429	(385,000)
Decrease increase in accrued compensated absences	(39,899)	15,120
(Decrease) in refunds payable	(321,834)	(114,781)
Increase in OPEB payable	405,571	165,896
(Decrease) in net pension liability	(2,030,654)	(1,399,801)
Increase (decrease) in deferred inflows of resources	611,242	(469,449)
Increase in liability for claims reserve	87,627,000	75,085,000
Net cash provided by (used in) operating activities	<u><u>\$ 2,256,499</u></u>	<u><u>\$ (7,572,847)</u></u>

See accompanying notes to these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 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 – 40:1237.4 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 health care 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 amendment also explicitly provides that the State of Louisiana does not back the Board with its full faith and credit and 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 the 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

Governmental Accounting Standards Board (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 (CONTINUED)

JUNE 30, 2025 AND 2024

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 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. The Board applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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

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 are generally followed to the extent they have been made authoritative under GASB 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*.

Net Position and Deferred Outflows and Inflows of Resources

The Board has implemented 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 are applicable to a future reporting period. Deferred inflows represent the acquisition of net position that are 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**

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JUNE 30, 2025 AND 2024

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 occurs when there are limitations imposed on their use by external parties such as creditors, grantors, or 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 the 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 as they are earned over the term of the coverage agreement. 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.

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, high quality corporate debt securities, or in eligible mutual funds that invest in these types of

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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. 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 acquisition 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 estimated useful lives of the assets which vary from 5 to 10 years.

Compensated Absences

Compensated absences are computed in accordance with GASB Codification Section C60. 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 or death, 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 or death. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may also 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.

During the year ending June 30, 2025, the Board implemented GASB Statement No. 101, *Compensated Absences*. In accordance with GASB 101 and the Board's compensated absences policies, the Board's compensated absences liability is recognized as earned and determined more likely than not to be paid out or used for time off.

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

**LOUISIANA PATIENT'S COMPENSATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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 liabilities 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 expenses 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 the benefit terms. Investments are reported at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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. 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.

New Accounting Principles

As previously noted, during the year ended June 30, 2025, the Board implemented GASB Statement No. 101, *Compensated Absences*. This new accounting standard had no material impact on the current year financial statements.

Note 2 - Cash And Cash Equivalents

At June 30, 2025 and 2024, the Board had cash deposits with banks totaling \$32,386,796 and \$29,543,628, respectively. The Board also has money market funds totaling \$36,555,800 and \$38,591,610 at June 30, 2025 and 2024, respectively, which are considered cash equivalents.

Cash and cash equivalents are stated at cost, which approximates market 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. Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. The Board does not have a formal policy for custodial risk. At June 30, 2025 and 2024, the Board has deposits (collected bank balances) in excess of FDIC insurance coverage of \$36,774,999 and \$37,810,916, respectively, which are secured by pledged securities. The \$36,774,999 and \$37,810,916 is exposed to custodial credit risk because while the amount is secured by pledged securities held by the Board or its agent in the Board's name (GASB Category 3). The \$36,555,800 and \$38,591,610 deposits in money market accounts at June 30, 2025 and 2024, respectively, are secured from risk by the trust department of the respective institution.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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 for the Board and are secured from risk by the trust department of the respective institution.

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Liquidity investments	2.0%	2.0%
Fixed income – investment grade	66.5%	66.5%
Fixed income – risk debt	9.0%	9.0%
Equities – domestic	6.0%	6.0%
Equities – international	9.0%	9.0%
Private real estate	7.5%	7.5%
	<u>100%</u>	<u>100%</u>

The Board routinely evaluates the investment policy and the 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 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

Investments 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.

The Board's investments are recorded at estimated fair and consisted of the following at June 30, 2025 and 2024:

June 30, 2025:

		Fair Values		
	June 30, 2025	Level 1	Level 2	Level 3
Fixed Income Investments:				
U.S. Government Obligations	\$ 4,834,950	\$ 4,834,950	\$ -	\$ -
U.S. Corporate Bonds	241,828,886	-	241,828,886	-
Foreign Corporate Bonds	25,741,388	-	25,741,388	-
U.S. Agency mortgage-backed securities	287,460,004	-	287,460,004	-
Other mortgage-backed securities	182,968,659	-	182,968,659	-
Commercial asset-backed securities	30,019,742	-	30,019,742	-
Municipal bonds	176,508,285	-	176,508,285	-
	<u>949,361,914</u>	<u>4,834,950</u>	<u>944,526,964</u>	<u>-</u>
Mutual Funds Primarily Invested In:				
Diversified domestic equity securities	90,646,563	90,646,563	-	-
Diversified international equity securities	129,380,600	129,380,600	-	-
High yield corporate bonds	45,721,515	45,721,515	-	-
Emerging Market Debt	46,576,078	46,576,078	-	-
	<u>312,324,756</u>	<u>312,324,756</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value Level	<u>1,261,686,670</u>	<u>\$317,159,706</u>	<u>\$944,526,964</u>	<u>\$ -</u>
Investments Measured at Net Asset Value:				
Private real estate	94,548,682			
International equity	17,777,557			
High yield bank loans	<u>45,477,584</u>			
Total Investments Measured at Net Asset Value	<u>157,803,823</u>			
Total Investments	<u>\$ 1,419,490,493</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, 2025 is presented in the following table:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

	Fair Value June 30, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Private real estate	\$ 94,548,682	\$ -	Quarter end	45 days
International equity	17,777,557	-	Month end	30 days
High yield bank loans	45,477,584	-	Daily	N/A
	<u>\$ 157,803,823</u>	<u>\$ -</u>		

June 30, 2024:

	June 30, 2024	Fair Values		
		Level 1	Level 2	Level 3
Fixed Income Investments:				
U.S. Government Obligations	\$ 12,812,578	\$ 12,812,578	\$ -	\$ -
U.S. Corporate Bonds	261,055,336	-	261,055,336	-
Foreign Corporate 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 at Fair Value Level	<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 equity	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:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

	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 equity	14,474,083	-	Month end	30 days
High yield bank loans	42,362,456	-	Daily	N/A
	<u>\$ 149,592,328</u>	<u>\$ -</u>		

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 systems are a tool used to assess credit risk on debt obligations. 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. The Board's debt securities below are rated by nationally recognized statistical rating organizations (NRSRO). The weighted average credit quality of the fixed income investments was AA at June 30, 2025 and 2024. The Board's debt securities ratings for the lowest NRSRO rating are presented as follows:

June 30, 2025:

Investment Type	AAA	AA	A	BBB	Unrated	Total
U.S Government Obligations	\$ -	\$ 4,834,950	\$ -	\$ -	\$ -	\$ 4,834,950
Corporate - US & Foreign Bonds	6,608,867	17,965,671	176,018,593	66,977,143	-	267,570,274
Municipal Bonds	34,273,559	142,234,726	-	-	-	176,508,285
Asset Backed Securities	130,394,346	368,977,605	-	1,076,454	-	500,448,405
Money Market - Cash Equivalents	36,555,800	-	-	-	-	36,555,800
Total	<u>\$ 207,832,572</u>	<u>\$ 534,012,952</u>	<u>\$ 176,018,593</u>	<u>\$ 68,053,597</u>	<u>\$ -</u>	<u>\$ 985,917,714</u>
Percentage of total	21.08%	54.16%	17.85%	6.90%	0.00%	100.00%

June 30, 2024:

Investment Type	AAA	AA	A	BBB	Unrated	Total
U.S Government Obligations	\$ -	\$ 12,812,578	\$ -	\$ -	\$ -	\$ 12,812,578
Corporate - US & Foreign Bonds	15,433,924	12,555,909	158,162,240	90,271,508	-	276,423,581
Municipal Bonds	34,213,246	154,677,568	-	-	-	188,890,814
Asset Backed Securities	134,605,846	258,187,381	9,617,589	-	-	402,410,816
Money Market - Cash Equivalents	38,591,610	-	-	-	-	38,591,610
Total	<u>\$ 222,844,626</u>	<u>\$ 438,233,436</u>	<u>\$ 167,779,829</u>	<u>\$ 90,271,508</u>	<u>\$ -</u>	<u>\$ 919,129,399</u>
Percentage of total	24.25%	47.68%	18.25%	9.82%	0.00%	100.00%

The Board's investments in mutual funds provide diversification of the amounts invested in each mutual fund 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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

mutual funds with stated objectives to invest in securities which represent high yield corporate debt securities and securitized bank loans, which invest in higher yielding debt obligations of issuers with higher risk credit ratings.

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 debt investments with fair values that 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.

A summary of the estimated fair value of the Board's investments in fixed income instruments at June 30, 2025 and 2024, by contractual maturity, is provided below as an indication of those securities interest rate risks:

June 30, 2025:

Estimated Fair Value	US Government Obligations	Corporate - US & Foreign Bonds	Municipal Bonds	Asset Backed Securities	Total
Period to maturity:					
Six months	\$ -	\$ 15,831,340	\$ 6,988,840	\$ -	\$ 22,820,180
One calendar year	-	20,966,993	11,695,397	-	32,662,390
Calendar years two through six	4,834,950	153,393,920	46,129,630	-	204,358,500
Calendar years seven through ten	-	71,992,444	51,463,144	-	123,455,588
Beyond ten calendar years	-	5,385,577	60,231,274	-	65,616,851
Asset-backed securities	-	-	-	500,448,405	500,448,405
Total	<u>\$ 4,834,950</u>	<u>\$ 267,570,274</u>	<u>\$ 176,508,285</u>	<u>\$ 500,448,405</u>	<u>\$ 949,361,914</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

June 30, 2024:

	US			Asset Backed	
Estimated Fair Value	Government Obligations	Corporate - US & Foreign Bonds	Municipal Bonds	Securities	Total
Period to maturity:					
Six months	\$ 3,459,531	\$ 24,879,617	\$ 2,263,441	\$ -	\$ 30,602,589
One calendar year	4,701,750	52,840,994	13,174,195	-	70,716,939
Calendar years two through six	4,651,297	122,601,045	46,628,117	-	173,880,459
Calendar years seven through ten	-	64,344,316	50,843,512	-	115,187,828
Beyond ten calendar years	-	11,757,609	75,981,549	-	87,739,158
Asset-backed securities	-	-	-	402,410,816	402,410,816
Total	<u>\$ 12,812,578</u>	<u>\$ 276,423,581</u>	<u>\$ 188,890,814</u>	<u>\$ 402,410,816</u>	<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 and 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 the 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 and are secured from risk by the trust department of the respective institution.

Net Investment Income

Net investment income for the years ended June 30, 2025 and 2024 consists of the following:

	2025	2024
Interest and dividend income earned	\$ 53,795,191	\$ 48,017,692
Realized gains, net	6,013,716	4,402,124
Unrealized gains arising during the year, net	<u>47,873,675</u>	<u>23,603,253</u>
Investment income	107,682,582	76,023,069
Investment expenses	<u>(831,155)</u>	<u>(758,050)</u>
Investment income, net	<u>\$ 106,851,427</u>	<u>\$ 75,265,019</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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 loss. The Board's overall investment portfolio experienced net unrealized gains during the years ended June 30, 2025 and 2024, associated with changes in fair value of its 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 market conditions, which are required to be reflected in net investment income in each accounting period.

Note 4 - Receivables

At June 30, 2025 and 2024, the Board had receivables comprised of the following:

	<u>2025</u>	<u>2024</u>
Surcharges receivable	\$ 11,950,647	\$ 10,282,071
Accrued investment income	<u>6,882,237</u>	<u>6,819,885</u>
Total receivable	<u>\$ 18,832,884</u>	<u>\$ 17,101,956</u>

The Board generally receives surcharges collected by the health care provider's primary insurance carrier which are then remitted to the Board. The Board also bills and collects certain surcharges directly from health care providers. Surcharges receivable represent amounts due from health care providers at year end, which are generally unsecured but collateralized by unearned surcharges as described at Note 11.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

Note 5 - Changes in Capital Assets

A summary of changes in capital assets were as follows:

	Balance July 1, 2024	Additions	Deletions	Balance July 1, 2025
Furniture & Fixtures	\$ 149,692	\$ 30,551	\$ (6,164)	\$ 174,079
Less: Accumulated Depreciation	(142,611)	(9,864)	6,164	(146,311)
Capital Assets, net	<u>\$ 7,081</u>	<u>\$ 20,687</u>	<u>\$ -</u>	<u>\$ 27,768</u>

	Balance July 1, 2023	Additions	Deletions	Balance July 1, 2024
Furniture & Fixtures	\$ 144,147	\$ 5,545	\$ -	\$ 149,692
Less: Accumulated Depreciation	(138,858)	(3,753)	-	(142,611)
Capital Assets, net	<u>\$ 5,289</u>	<u>\$ 1,792</u>	<u>\$ -</u>	<u>\$ 7,081</u>

Note 6 - 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 annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, claims 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. 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

The following represents changes in the Board's estimated liability for unpaid claims reserves during the years ended June 30, 2025 and 2024 (amounts in thousands):

	<u>2025</u>	<u>2024</u>
Liability for unpaid claims at beginning of year	\$ 904,562	\$ 829,477
Net incurred related to:		
Current year	170,852	155,196
Prior years	<u>71,254</u>	<u>74,395</u>
Total incurred	242,106	229,591
Net paid related to:		
Current year	10,984	8,392
Prior years	<u>143,495</u>	<u>146,114</u>
Total paid	<u>154,479</u>	<u>154,506</u>
Liability for unpaid claims at end of year	<u><u>\$ 992,189</u></u>	<u><u>\$ 904,562</u></u>

During the years ended June 30, 2025 and 2024, the Board experienced unfavorable development of approximately \$71.2 million and \$74.4 million, respectively, 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 a complex and imprecise process that reflects significant judgmental factors. Management believes that the aggregate loss reserves at June 30, 2025 are adequate to cover claims for losses that have occurred. Management can give no assurance that the ultimate claims incurred through June 30, 2025 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 above reported claims reserve liability by approximately \$250 million and \$223 million at June 30, 2025 and 2024, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

Note 7 - Retirement System

Plan Description

Employees of Louisiana Patient's Compensation Fund are provided with pensions 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 2024 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 hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing 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, and those hired on or after July 1, 2015 may retire at age 62 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. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement benefits throughout their life, with certain benefits being paid to their designated beneficiary after their death.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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. Regular members and judges 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. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or 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, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

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 age 62 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. 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 (CONTINUED)

JUNE 30, 2025 AND 2024

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 participate in LASERS Self-Directed Plan (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 retirement age, 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 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), which are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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 contributions are deducted from a member's salary and remitted along with employer contributions to LASERS by participating employers.

The Board's contractually required composite contribution rate for the years ended June 30, 2025 and 2024 was 34.74% and 41.3%, respectively, of annual payroll, 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 \$1,189,086 and \$1,367,875 for the years ended June 30, 2025 and 2024.

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

At June 30, 2025 and 2024, the Board reported a liability of \$7,547,651 and \$9,578,305, respectively, for its proportionate share of the 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, 2024, the Board's proportion was 0.13879%, which was an decrease of .00431% from its proportion measured as of June 30, 2023.

For the years ended June 30, 2025 and 2024, the Board recognized pension expense of \$579,104 and \$1,503,634, respectively, including amortization of deferred amounts.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

At June 30, 2025 and 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2025</u>		<u>2024</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 33,381	\$ 207,345	\$ -
Changes of assumptions	52,761	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	899,906	54,758	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	13,391	140,298	2,544	72,003
Employer contributions subsequent to the measurement date	1,189,086	-	1,367,875	-
Total	<u>\$ 1,255,238</u>	<u>\$ 1,073,585</u>	<u>\$ 1,632,522</u>	<u>\$ 72,003</u>

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date of \$1,189,086 will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:

June 30, 2026	\$ (668,065)
June 30, 2027	232,513
June 30, 2028	(346,835)
June 30, 2029	(225,046)
	<u>\$ (1,007,433)</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2025 and 2024 are as follows:

Valuation Date	June 30, 2024 and 2023
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	2.4% per annum.
Mortality	Non-disabled members - The PubG-2010 Healthy Retiree on a fully generational basis by Mortality Improvement Scale MP-2021.
	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 (2019-2023) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 2019-2023 experience study of the System's members. The salary increase ranges for the Board's members have a lower range of 3.3% and an upper range of 14.0%.
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
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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 2.4% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.15% for 2024. 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>Long-Term Expected Real Rate of Return</u>
Cash	0.76%
Domestic equity	4.29%
International equity	5.22%
Domestic fixed income	2.04%
International fixed income	5.24%
Alternative investments	8.19%
Total Fund	5.61%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% at June 30, 2025 and 2024. 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 (CONTINUED)

JUNE 30, 2025 AND 2024

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, 2025 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:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
<u>2025</u>			
Boards proportionate share of the net pension liability	\$ 10,423,105	\$ 7,547,651	\$ 5,104,173
	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
<u>2024</u>			
Boards proportionate share of the net pension liability	\$ 12,542,000	\$ 9,578,305	\$ 7,067,429

Payables to the Pension Plan

The Board did not record accrued liabilities to the LASERS retirement system for the years ended June 30, 2025 and 2024. The Board's June contributions payments were paid prior to year-end.

Note 8 - 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 Other Postretirement Benefit Plan (OPEB Plan) administered by the Office of Group Benefits (OGB), an agent multiple-employer defined benefit plan. 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 (CONTINUED)

JUNE 30, 2025 AND 2024

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.

Other post-employment benefits (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.

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

At June 30, 2025 and 2024, the Board reported a liability of \$6,236,809 and \$5,831,238 for its proportionate share of the net OPEB liability. The June 30, 2025 net OPEB liability was measured as of June 30, 2024, and the total OPEB liability was the most recent data available. The Board's

**LOUISIANA PATIENT'S COMPENSATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

proportion was actuarially determined and was based on its proportionate share of the State of Louisiana's total OPEB liability.

	<u>2025</u>	<u>2024</u>
Changes in the Total OPEB Liability		
Balance at beginning of year	\$ 5,831,238	\$ 5,665,342
Changes for the year:		
Service cost	154,265	121,329
Interest	244,042	233,403
Differences between expected and actual experience	(270,080)	(231,460)
Changes in assumptions	431,911	204,244
Benefit payments	(154,567)	(161,620)
Net changes	<u>405,571</u>	<u>165,896</u>
Balance at end of the year	<u>\$ 6,236,809</u>	<u>\$ 5,831,238</u>

For the years ended June 30, 2025 and 2024, the Board recognized OPEB expense of \$229,129 and \$44,391, respectively. At June 30, 2025 and 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2025</u>		<u>2024</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	\$ 121,515	\$ 407,676	\$ 315,169	\$ 274,775
Changes in assumptions	577,122	941,834	442,798	1,465,075
Employer contributions subsequent to the measurement date	114,951	-	153,403	-
	<u>\$ 813,588</u>	<u>\$ 1,349,510</u>	<u>\$ 911,370</u>	<u>\$ 1,739,850</u>

**LOUISIANA PATIENT'S COMPENSATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

Deferred outflows of resources related to OPEB resulting from OPEB payments subsequent to the measurement date of \$114,951 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

<u>Year Ending June 30</u>	<u>OPEB Expense</u>
2026	\$ (290,323)
2027	(416,701)
2028	29,179
2029	26,972
Total	<u>\$ (650,873)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.4%
Salary Increases	Consistent with the pension plan valuation assumptions in which employees participate.
Discount Rate	3.93% based on the June 30, 2024 Bond Buyer 20 index.
Health Care Cost Trend Rate	Pre-age 65 ranges from 8.50% to 4.50% Post-age 65 ranges from 7.50% to 4.50%
Mortality	For active lives: the PubG-2010 Employee Table, adjusted by 1.055 for males and 1.034 for females, projected from 2020 on a fully generational basis by Mortality Improvement Scale MP-2021. For healthy retiree lives: the PubG-2010 Retiree Table, adjusted by 1.215 for males and 1.277 for females, projected from 2020 on a fully generational basis by Mortality Improvement Scale MP-2021. For disabled retiree lives: the RP-2000 Disabled Retiree Mortality Table, adjusted by 0.936 for males and 1.065 for females, not projected with mortality improvement.

**LOUISIANA PATIENT'S COMPENSATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

The actuarial assumptions used by the pension plan covering the same participants were used for the mortality, retirement, termination, disability, and salary scale assumptions. There were no changes in benefit terms for 2024.

No changes in benefits or assumptions have occurred between the June 30, 2024 measurement date of the collective total OPEB liability and the June 30, 2025 reporting date of the Board that are expected to have a significant effect on the Board's proportionate share of the collective total OPEB liability.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93% and was based on the Bond Buyer 20 Index as of June 30, 2024. The discount rate used to measure the total OPEB liability was changed from 4.13% in the June 30, 2023 measurement to 3.93% in the June 30, 2024 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 current discount rate, 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.

	Current Discount		
<u>2025</u>	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
Discount Rate	2.93%	3.93%	4.93%
Total OPEB Liability	\$ 7,345,289	\$ 6,236,809	\$ 5,350,543

	Current Discount		
<u>2024</u>	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
Discount Rate	3.13%	4.13%	5.13%
Total OPEB Liability	\$ 6,855,943	\$ 5,831,238	\$ 5,016,510

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

		Current Health Care Cost Trend Rates	
<u>2025</u>	<u>1% Decrease</u>		<u>1% Increase</u>
Pre-Medicare	7.50%	8.50%	9.50%
	decreasing to	decreasing to	decreasing to
	3.5%	4.5%	5.5%
Post-Medicare	6.50%	7.50%	8.50%
	decreasing to	decreasing to	decreasing to
	3.5%	4.5%	5.5%
Total OPEB Liability	\$ 5,286,905	\$ 6,236,809	\$ 7,449,940
		Current Health Care Cost Trend Rates	
<u>2024</u>	<u>1% Decrease</u>		<u>1% Increase</u>
Pre-Medicare	6.00%	7.00%	8.00%
	decreasing to	decreasing to	decreasing to
	3.5%	4.5%	5.5%
Post-Medicare	5.50%	6.50%	7.50%
	decreasing to	decreasing to	decreasing to
	3.5%	4.5%	5.5%
Total OPEB Liability	\$ 4,983,488	\$ 5,831,238	\$ 6,907,663

Note 9 – Lease and Rental Commitments

The Board entered into lease commitments for office space. Lease and rental expenses for the years ended June 30, 2025 and 2024, totaled \$223,993 and \$399,033, respectively. Lease commitments for the next fiscal year total \$219,452.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

Note 10 - Accounts Payables and Accrued Expenses -

At June 30, 2025 and 2024, the Board had accounts payables and accrued expenses as follows:

	<u>2025</u>	<u>2024</u>
Accounts payable	\$ 425,318	\$ 392,018
Accrued wages payable	118,634	96,032
Accrued compensated absences	346,749	386,648
Payable for investment transactions pending	495,154	3,058,151
Total payables	<u>\$ 1,385,855</u>	<u>\$ 3,932,849</u>

Note 11 - Unearned Revenues and Refunds Payable -

The Board typically receives payment of surcharge revenues from the health care 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 health care 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, 2025 and 2024, the Board had unearned revenues totaling \$77,125,761 and \$73,761,332, respectively, that represent unearned surcharges.

The Board may also receive cancellation notices or other changes in coverage benefits provided to health care providers which require the Board to refund previously collected surcharges. The Board recorded an estimated liability for refunds payable of \$2,229,981 and \$2,551,815 at June 30, 2025 and 2024, respectively.

Note 12 - Commitments and Contingencies -

There are 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 6. 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 13 - 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 amendment 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 is not responsible

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

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, 2025 and 2024 includes \$201,953 and \$178,347, respectively, which is restricted by LA Revised Statute 40:1231.7 as seed money for the inactive Louisiana Residual Malpractice Insurance Authority.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

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.

LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

AS OF JUNE 30, 2025

	<u>2025</u>	<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>
Employer's proportion of the net pension liability	0.13879%	0.14310%	0.14522%	0.14025%	0.13692%	0.13837%	0.13678%	0.13280%	0.12729%	0.11809%
Employer's proportionate share of the net pension liability	\$ 7,547,651	\$ 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
Employer's covered employee payroll	\$ 3,312,412	\$ 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
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	228%	295%	369%	267%	395%	369%	359%	384%	421%	351%
Plan fiduciary net position as a percentage of the total pension liability	74.6%	68.4%	63.7%	72.8%	58.0%	62.9%	64.3%	62.5%	57.7%	62.7%

*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, 2025

<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 Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2025	\$1,189,086	\$1,189,086	\$ -	\$3,422,815	34.7%
2024	\$1,367,875	\$1,367,875	\$ -	\$3,312,412	41.3%
2023	\$1,312,376	\$1,312,376	\$ -	\$3,249,130	40.4%
2022	\$1,174,592	\$1,174,592	\$ -	\$2,974,332	39.5%
2021	\$1,159,547	\$1,159,547	\$ -	\$2,891,167	40.1%
2020	\$1,151,931	\$1,151,931	\$ -	\$2,864,988	40.2%
2019	\$1,062,966	\$1,062,966	\$ -	\$2,719,274	39.1%
2018	\$972,955	\$972,955	\$ -	\$2,596,394	37.5%
2017	\$862,090	\$862,090	\$ -	\$2,433,511	35.4%
2016	\$875,540	\$875,540	\$ -	\$2,373,072	36.9%

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

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

AS OF JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 154,265	\$ 121,329	\$ 240,230	\$ 198,190	\$ 173,601	\$ 226,034	\$ 222,293	\$ 240,471
Interest	244,042	233,403	179,443	174,069	166,024	192,250	194,949	173,843
Differences between expected and actual experience	(270,080)	(231,460)	(156,919)	729,091	250,562	70,567	159,725	-
Changes in assumptions	431,911	204,244	(2,511,557)	696,298	119,958	(807,884)	(236,834)	(467,521)
Benefit Payments	(154,567)	(161,620)	(153,045)	(151,401)	(131,668)	(126,714)	(138,469)	(115,158)
Net Changes	405,571	165,896	(2,401,848)	1,646,247	578,477	(445,747)	201,664	(168,365)
Total OPEB liability - beginning	\$ 5,831,238	5,665,342	8,067,190	6,420,943	5,842,466	6,288,213	6,086,549	4,088,500
Adjustment for GASB75	-	-	-	-	-	-	-	2,166,414
Total OPEB liability - ending	<u>\$ 6,236,809</u>	<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>\$ 3,241,623</u>	<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	192.4%	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 2025 year are as follows:

1. The discount rate decreased from 4.13% based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2023 to 3.93% based on the Bond Buyer 20 Index as of June 30, 2024* since the previous valuation, which increased the Plan's liability.
2. Baseline per capita costs (PCCs) and medical plan election percentages were updated to reflect 2024 claims and enrollment. Plan claims and premiums increased more than had been expected, which increased the Plan's liability.
3. One of the associated pension systems, LASERS adopted new assumptions in the June 30, 2024 valuation based on updated experience study. As a result, the mortality, retirement, termination, disability, and salary increase rates for the LASERS groups were updated to be consistent with the pension valuation assumptions. The net impact of this change is a decrease in the Plan's liability.
4. The pre-Medicare baseline trend was updated to more accurately reflect recent healthcare trend survey results, industry-wide expectations, and the current high-inflationary environment. Pre-Medicare trend has been revised to 8.5%, trending down 25 basis points per year to an ultimate rate of 4.5% by FYE 2035. Medicare trend has been revised to 7.50%, trending down to an ultimate rate of 4.50% by FYE 2035. Changes to the Medicare trend were made to reflect revised expectations regarding the impact of the Inflation Reduction Act (IRA) on Medicare prescription drug costs. This change caused an increase in the Plan's liability.

*Bond Buyer index is updated on Thursday weekly. The rate used for valuation purposes is the closest Thursday prior to the Measurement Date.

LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2025

Schedule of Employer's Share of the 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:

<u>Year*</u>	<u>Rate</u>	<u>Change</u>
2024	7.250%	-
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%
2017	7.700%	0.450%
2016	7.250%	-
2015	7.250%	-

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

<u>Year*</u>	<u>Rate</u>	<u>Change</u>
2024	2.400%	0.1000
2023	2.300%	-
2022	2.300%	-
2021	2.300%	-
2020	2.300%	-0.450%
2019	2.750%	-
2018	2.750%	-
2017	2.750%	-0.250%
2016	3.000%	-

LOUISIANA PATIENT'S COMPENSATION FUND OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

AS OF JUNE 30, 2025

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

<u>Year*</u>	<u>Range</u>
2024	2.40% to 15.30% for various member types
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
2017	2.80% to 14.30% for various member types
2016	3.00% to 14.50% for various member types

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

OTHER SUPPLEMENTARY INFORMATION

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 PER DIEM PAID BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Amount</u>
Luis M. Alvarado	\$ 2,850
Tracey Bordelon	3,000
David M. Broussard	2,775
John Derenbecker	3,000
Christopher M. Foret	2,400
Marcus C. Naquin	3,075
R. Reece Newsome	2,925
Robert E. Ruel, III	2,850
Gregory L. Waddell	3,000
Total	<u>\$ 25,875</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, 2025

Executive Director - Kenneth Schnauder

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 252,876
Benefits - insurance	14,460
Benefits - retirement	87,849
Benefits - other	461
Reimbursements	126
Travel	1,191
Conference Travel	737
	<u>\$ 357,700</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

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 *Government 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, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 25, 2025.

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
November 25, 2025

EISNERAMPER
LLP

