LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 69** HLS 11RS 448
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 14, 2011 6:37 PM
Author: LIGI
Dept./Agy.: Patient's Compensation Fund (PCF)
Subject: Investment Procedures
Analyst: Travis McIlwain

MALPRACTICE/MEDICAL RE1 SEE FISC NOTE SG EX See Note
Provides investment procedures for the Patient's Compensation Fund

Proposed legislation provides for the investment procedures of the Patient's Compensation Fund.

EXPENDITURES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

This bill provides for the Patient's Compensation Fund to invest in funds outside of the State Treasury and provides that the board shall have the authority to employ a chief investment officer. To the extent the board hires this individual or a financial consultant, the overall costs of the board is anticipated to increase by a minimum of $100,000 annually.

NOTE: Act 411 of the 2010 Regular Legislative Session, effective July 1, 2010, removed the Patient's Compensation Fund from the appropriations process and is now an off-budget entity. The Patient's Compensation Fund was previously a state agency within the ancillary appropriations bill. The purpose of the Patient's Compensation Fund Oversight Board (PCF) is to guarantee that affordable, medical malpractice coverage is available to all private healthcare providers and to provide a certain, stable source of compensation for legitimate injured parties of medical malpractice. The PCF provides medical malpractice coverage to qualified health care providers and currently covers approximately 17,000 providers.

REVENUE EXPLANATION

The proposed legislation may increase the interest earnings of the PCF by an indeterminable amount. This bill sets in statute the allowable investment procedures of the PCF, which give the board the ability to invest in funds outside of the State Treasury. Under R.S. 49:327(C), if the board removes its funds from the Treasury it can only invest in certificates of deposit (CDs) or savings accounts. This bill will allow for the investment of up to 25% of its funds in more risky investments such as equities. In addition, this bill requires liquidity of one and a half years budget, which is approximately $210 million ($140 million budget x 1.5 = $210 million), which would allow the PCF to invest approximately $470 million. The current PCF fund balance is approximately $680 million.

This bill does not prevent the PCF from investing a portion of its funds in the State Treasury, but the legislation does allow the PCF to utilize money managers outside the treasury, with certain limitations.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
☐ 6.8(F)2 >= $100,000 Annual SGF Cost {H&S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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