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☛ Statutory reports to the legislature

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2011-12

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Health...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (October 2013)

DEPARTMENT OF CHILDREN
AND FAMILIES

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201 East Washington Avenue
P.O. Box 8916
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Telephone: (608) 266-8684
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State of Wisconsin
Governor Jim Doyle

DEPARTMENT OF HEALTH
SERVICES

Secretary Karen Timberlake
1 West Wilson Street
P.O. Box 7850
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Telephone: (608) 266-9622
FAX: (608) 266-7882

December 29, 2010

Mr. Patrick E. Fuller
Assembly Chief Clerk
17 West Main Street, Suite 401
Madison WI 53703

DEC 29 2010

Mr. Robert J. Marchant
Senate Chief Clerk
Room B20 Southeast, State Capitol
Madison WI 53702

Dear Mr. Fuller and Mr. Marchant:

In 1997 Act 27, the 1997-99 Biennial Budget, the Legislature established requirements in state law intended to strengthen protections for children and vulnerable adults in organized care settings. The provisions require, among other things, that designated caregivers conduct background checks on all new and existing staff and bar them from employing anyone who has committed certain crimes or acts. Effective July 1, 2008, the Department of Health and Family Services (DHFS) became the Department of Health Services (DHS) and the DHFS Division of Children and Family Services became the Department of Children and Families (DCF) as a result of 2007 Act 20 (the 2007-09 biennial budget bill). DHS, DCF and (for certain child care providers) counties and local school boards must perform checks on a provider before issuing a license or other credential. Individuals who have committed prohibited crimes or acts may apply to DHS and/or DCF, counties, or school boards for a waiver of the employment or licensing bans upon evidence of rehabilitation.

Sections 48.685(5g) and 50.065(5g) of the Wisconsin Statutes direct DHS and DCF to submit an annual report to the legislature that specifies the number of persons who have sought waivers of employment or licensing bans by requesting to demonstrate that they have been rehabilitated. The report must also specify the number of requests that were approved and the reasons for the success or failure of the requests. DHS has continued to utilize the skills, support and knowledge of its personnel to process all rehabilitation review applications and we are, therefore, submitting a joint report. Attached is the report for 2010.

Questions about this report should be referred to the Department of Health Services, Diane Welsh, Chief Legal Counsel, at 608-266-9622.

Sincerely,

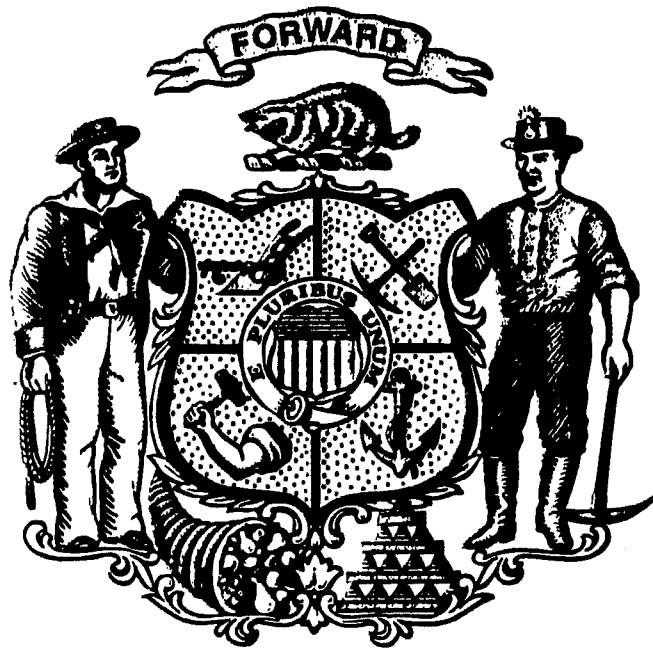
Handwritten signature of Karen E. Timberlake in cursive.

Karen E. Timberlake, Secretary
Department of Health Services

Handwritten signature of Reggie Bicha in cursive.

Reggie Bicha, Secretary
Department of Children and Families

Health





State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

February 24, 2011

Injured Patients and Families Compensation Fund

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-6830 • Fax: (608) 266-8064
Web Address: oci.wi.gov/pcf.htm

THE HONORABLE LEAH VUKMIR
SENATE COMMITTEE ON HEALTH
131 SOUTH STATE CAPITOL
PO BOX 7882
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THE HONORABLE KEVIN PETERSON
ASSEMBLY COMMITTEE ON INSURANCE
109 WEST STATE CAPITOL
PO BOX 8953
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THE HONORABLE FRANK LASEE
SENATE COMMITTEE ON INSURANCE AND
HOUSING
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MADISON, WI 53707-7882

THE HONORABLE JEFF STONE
ASSEMBLY COMMITTEE ON HEALTH
118 NORTH STATE CAPITOL
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MADISON, WI 53708

THE HONORABLE RICH ZIPPERER
SENATE COMMITTEE ON JUDICIARY,
UTILITIES, COMMERCE AND GOVERNMENT
OPERATIONS
323 SOUTH STATE CAPITOL
PO BOX 7882
MADISON, WI 53707-7882

THE HONORABLE JIM OTT
ASSEMBLY COMMITTEE ON JUDICIARY AND
ETHICS
317 NORTH STATE CAPITOL
PO BOX 8953
MADISON, WI 53708

Re: 2010 Functional and Progress Report
Injured Patients and Families Compensation Fund

Dear Senators Lasee, Vukmir, and Zipperer, and Representatives Ott, Peterson, and Stone:

This report is submitted on behalf of the Board of Governors of the Injured Patients and Families Compensation Fund (Fund) as required by s. 655.27(4)(f), Wis. Stat.

This annual report provides financial data for the fiscal year ending June 30, 2010. In addition, it provides information on the levels of provider participation in the Fund, claim activity, and major board actions.

Sincerely,

Theodore K. Nickel
Commissioner

TKN:tlw
Enclosure

2010 FUNCTIONAL AND PROGRESS REPORT

The Injured Patients and Families Compensation Fund (Fund) was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers in excess of the provider's primary limits of coverage. The Fund provides coverage in excess of the primary limit established by statute which is currently \$1 million per occurrence and \$3 million aggregate per year. Participation in the Fund is mandatory for health care providers as defined by Chapter 655, Wis. Stat.

The Fund is governed by a 13-member Board of Governors (Board) which consists of three insurance industry representatives, a member named by the Wisconsin Association for Justice, a member named by the State Bar of Wisconsin, two members named by the Wisconsin Medical Society, a member named by the Wisconsin Hospital Association, four public members appointed by the Governor, and the Commissioner of Insurance who serves as the chair.

Current members of the Board are:

Theodore K. Nickel, Commissioner of Insurance
Randy Blumer, Industry Representative
Stan Davis, Public Member
Scott Froehlke, Public Member
Robert Jaeger, M.D., Wisconsin Medical Society
James Jansen, Wisconsin Association for Justice
Reid Olson, M.D., Public Member
Christopher Spencer, Industry Representative
Ralph Topinka, Wisconsin Hospital Association
Susan Turney, M.D., Wisconsin Medical Society
John Walsh, State Bar of Wisconsin
Vacant, Industry Representative
Vacant, Public Member

The Fund's Board is assisted in its governance function by the following committees: an Underwriting and Actuarial Committee, a Legal Committee, a Claims Committee, an Investment/Finance and Audit Committee, a Risk Management and Patient Safety Committee, a Special Advisory Committee on Injured Patients and Families Compensation Fund Participation, and a Peer Review Council. The Board and committees generally meet at least quarterly.

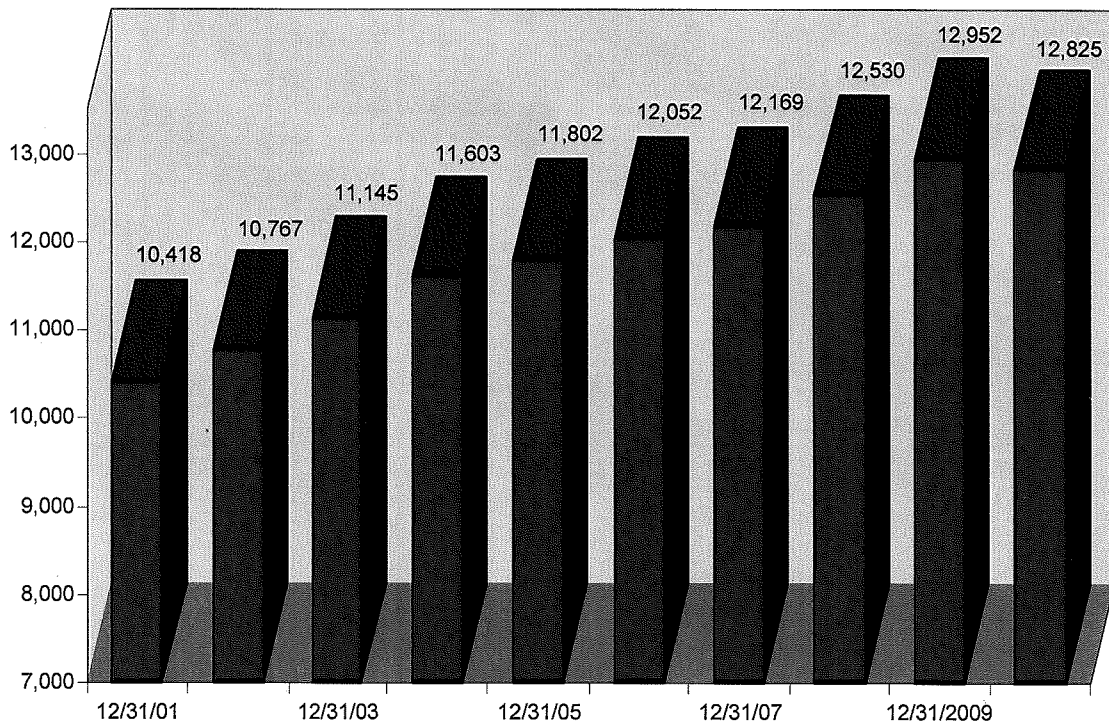
The Fund operates on a fiscal year basis; July 1 through June 30. Administrative costs, operating costs, and claim payments are funded through assessments on participating health care providers.

Fund Participants

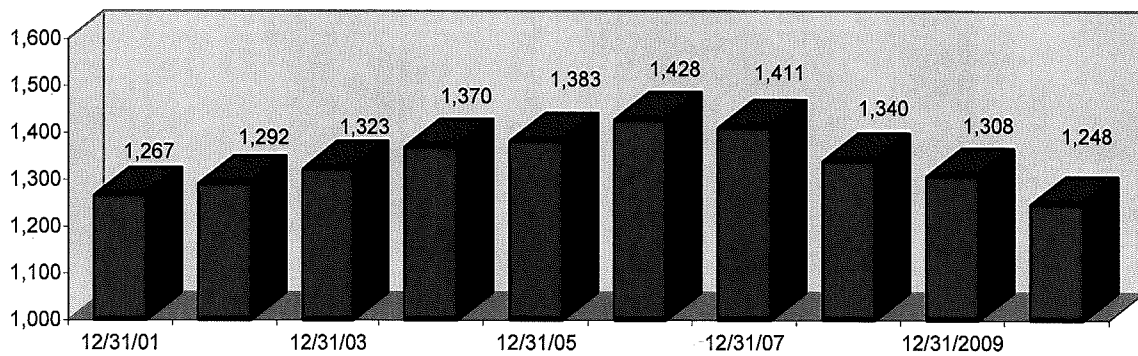
As of December 31, 2010, there were a total of 14,960 Fund participants comprised of 133 hospitals with 21 affiliated nursing homes, 12,825 physicians, 622 nurse anesthetists, 21 hospital-owned or controlled entities, 52 ambulatory surgery centers, one cooperative, 37 partnerships, and 1,248 corporations actively participating in the Fund.

As of December 31, 2010 physicians comprised 86% of the Fund participants and corporations made up 8%. All other participants made up the remaining 6%.

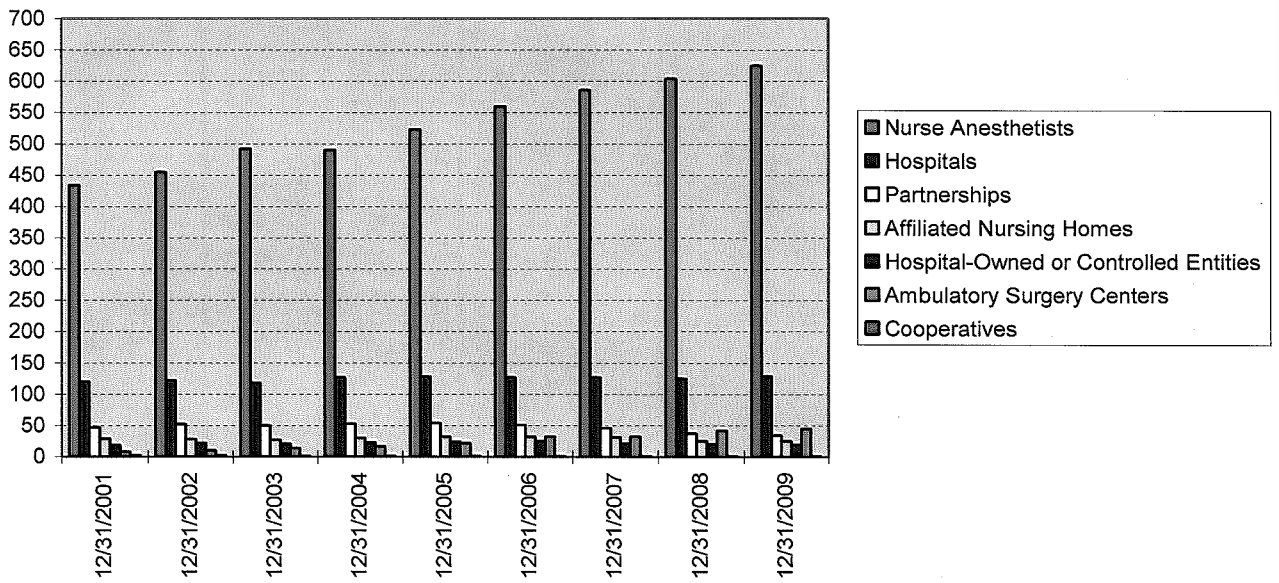
**Physicians in Injured Patients and Families Compensation Fund
2001-2010**



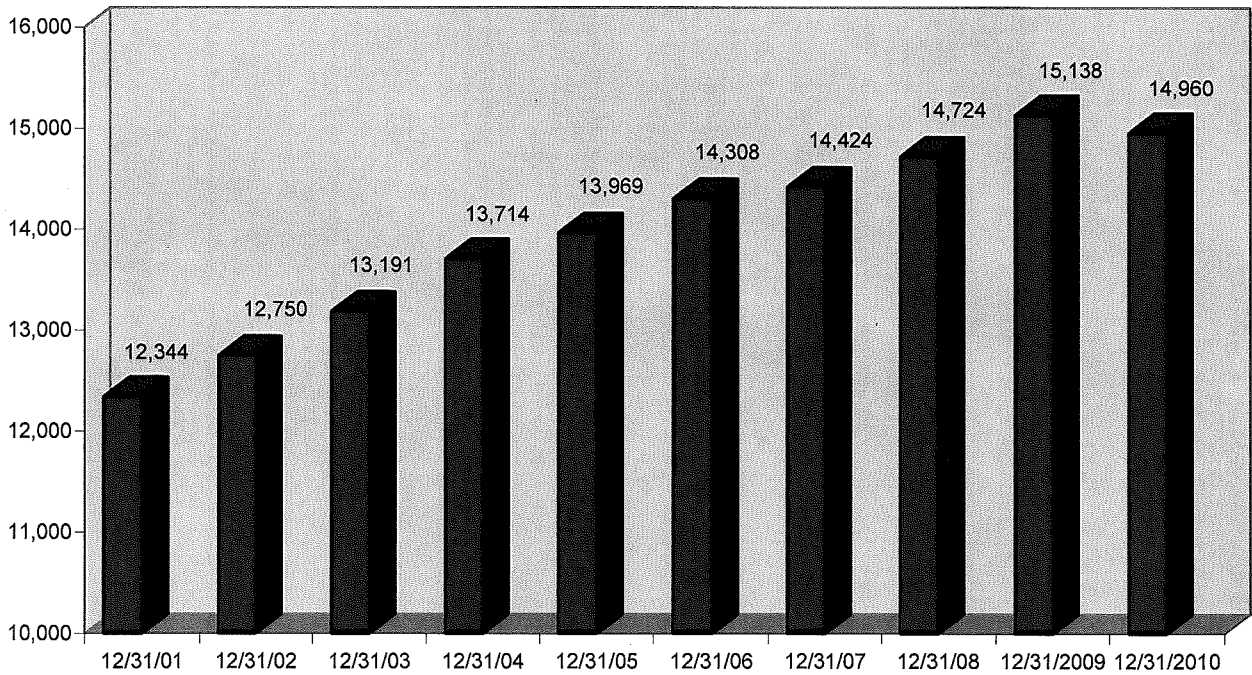
**Corporations in Injured Patients and Families Compensation Fund
2001-2010**



**Other Participants in Injured Patients and Families Compensation Fund
2001-2010**



**Injured Patients and Families Compensation Fund Participants
2001-2010**



Claims Activity

From July 1, 1975, through December 31, 2010, 5,742 claims had been filed in which the Fund was named. During this period, the Fund's total number of paid claims was 660, totaling \$810,105,807. Of the total number of claims in which the Fund has been named, 4,910 claims have been closed with no indemnity payment.

Board Committees

Actuarial and Underwriting Committee

The Actuarial and Underwriting Committee advises the Board on actuarial and underwriting issues.

The Committee assisted the Board to promulgate the Fund Fee Rule for fiscal year 2010-2011 fees. There was 8.6% increase in total fees for fiscal year 2010-2011. Mediation panel fees for physicians (excluding physicians in a residency program) were set at \$28 per physician and \$6.00 per occupied hospital bed.

Claims Committee

The responsibility of the Claims Committee of the Board is to establish claims policies and procedures for the Fund and the Wisconsin Health Care Liability Insurance Plan (Plan).

The functions of the Claims Committee include the following:

- Establish guidelines for claims management by the contractor and OCI staff of the Fund and the Plan and review claims to determine if the guidelines need to be revised.
- Provide for the evaluation of the claims contractor no less often than prior to the renegotiation of each contract to assure that claims are being handled in an appropriate and expeditious manner.
- Review all claims involving alleged sexual misconduct, neurological impairment, quadriplegia, and those claims which the contractor has set reserves of \$500,000 or more and provide settlement authorization and advise on those claims where settlement value exceeds \$1 million or when the contractor has a claim management question.
- Monitor claims administration costs and make recommendations for possible savings to the Board and the contractor.
- Establish guidelines for annuity purchases for structured settlements and review such purchases periodically. Recommend to the Board changes in the statutes or administrative rules that are needed to facilitate the claims policies and procedures of the Fund or Plan.
- Refer legal or other issues that come to the Committee's attention to the appropriate committees.
- Prepare reports analyzing claims trends for risk management purposes.
- Report to the Board quarterly on the Committee's activities.

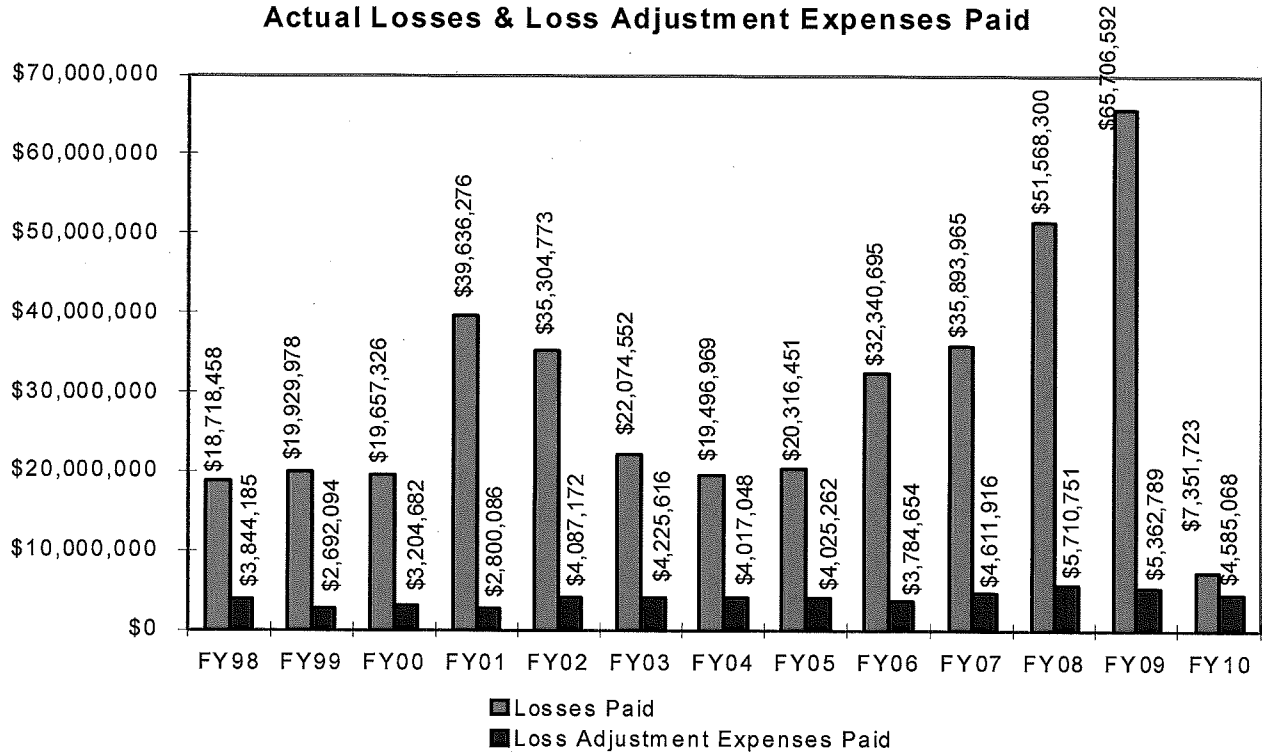
Table 1, below, summarizes quarterly loss payments by amount and number of claims paid, from fiscal 2006 through fiscal 2010. The Actual Losses and Loss Adjustment Expenses Paid chart shows the range of annual Fund loss and loss expense payments, beginning with fiscal year 1998. The Fund's fiscal year runs from July 1 to June 30. The Fund made loss payments totaling approximately \$7.4 million during fiscal 2010.

Table 1

AMOUNT AND NUMBER OF LOSSES PAID BY FISCAL YEAR

QUARTER ENDING	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
	Amount #	Amount #	Amount #	Amount #	Amount #
Sept. 30	\$5,388,768 2	\$13,487,072 2	\$1,450,671 1	\$11,511,812 2	\$1,857,860 2
Dec. 31	\$11,150,940 3	\$4,605,551 1	\$10,117,398 2	\$20,897,761 5	\$5,217,884 2
March 31	(\$599,329) 2	\$17,400,671 4	\$6,654,255 1	\$7,803,416 1	\$20,057 0
June 30	<u>\$16,400,316</u> <u>6</u>	<u>\$400,671</u> <u>1</u>	<u>\$33,345,976</u> <u>2</u>	<u>\$25,493,603</u> <u>5</u>	<u>\$255,922</u> <u>1</u>
TOTAL	\$32,340,695 13	\$35,893,965 8	\$51,568,300 6	\$65,706,592 13	\$7,351,723 5

Actual Losses & Loss Adjustment Expenses Paid



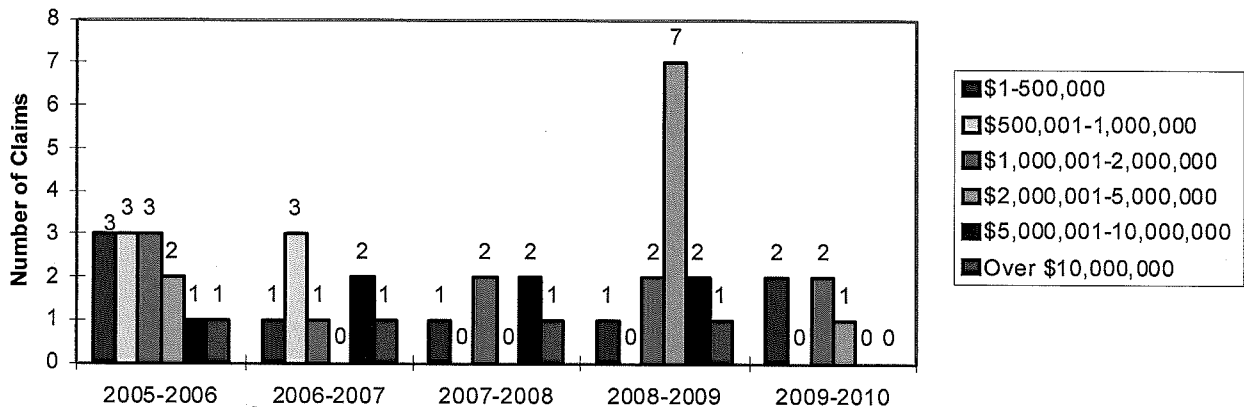
The range of Fund claim payments for the last five fiscal years is summarized below in table 2.

Table 2

RANGE OF FUND CLAIM PAYMENTS

<u>Payment Range</u>	<u>2005-2006</u> <u># of Claims</u>	<u>2006-2007</u> <u># of Claims</u>	<u>2007-2008</u> <u># of Claims</u>	<u>2008-2009</u> <u># of Claims</u>	<u>2009-2010</u> <u># of Claims</u>
\$1-500,000	3	1	1	1	2
\$500,001-1,000,000	3	3	0	0	0
\$1,000,001-2,000,000	3	1	2	2	2
\$2,000,001-5,000,000	2	0	0	7	1
\$5,000,001-10,000,000	1	2	2	2	0
Over \$10,000,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Total Claims Paid	13	8	6	13	5

Range of Claim Payments



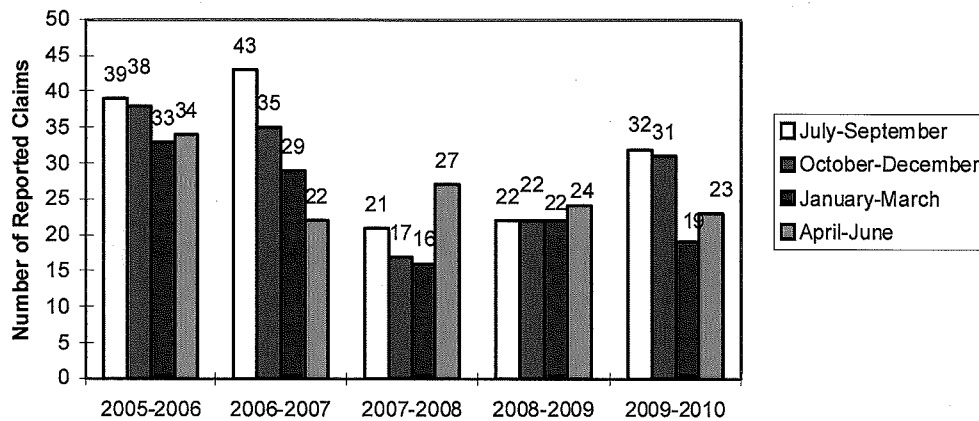
Fund claims reported by quarter by fiscal year are summarized in Table 3 below. A total of 105 claims were opened during fiscal 2010.

Table 3

CLAIMS OPENED QUARTERLY BY FISCAL YEAR

<u>Quarter</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
July 1-September 30	39	43	21	22	32
October 1-December 31	38	35	17	22	31
January 1-March 31	33	29	16	22	19
April 1-June 30	<u>34</u>	<u>22</u>	<u>27</u>	<u>24</u>	<u>23</u>
Totals	144	129	81	90	105

Claims Reported by Quarter by Fiscal Year



Finance/Investment/Audit Committee

The Finance/Investment/Audit Committee's responsibilities include establishing, monitoring, and amending as necessary, the investment strategy for the Fund to ensure obligations are met. The Committee periodically reviews investments for compliance with investment guidelines and evaluates cash flow liquidity needs. In addition, the committee oversees the financial reporting process. Responsibilities include review of financial position and results, as well as correspondence with auditors concerning audit scope, accounting issues, internal controls and management recommendations.

On October 26, 2007, Wisconsin Act 20 (the budget bill) was signed into law. This included a transfer of \$200 million from the Fund to the Medicaid Trust Account, which was transferred in 2007 and 2008. The Wisconsin Medical Society subsequently filed a lawsuit. The circuit court dismissed the case and the decision was appealed. The Wisconsin Supreme Court accepted certification of this case and during 2010 ruled that the transfer was unconstitutional and remanded the issue back to circuit court for determination as the amount of interest and lost earnings that would be payable to the Fund in addition to the return of the \$200 million. As of the date of this report, the total amount and timing of the payment had not yet been determined.

Legal Committee

The Legal Committee advises the Board on legal issues, including retroactive coverage requests, appeals, proposed statutory changes, administrative rule changes, and other issues that affect eligibility or Fund participation.

During 2010, the Committee reviewed 48 requests for retroactive coverage of which 46 were approved, and two were denied.

Peer Review Council

The Peer Review Council (Council) reviews physician claim records to determine whether a surcharge should be imposed against the Fund fee or Wisconsin Health Care Liability Insurance Plan (Plan) premium, if applicable. The surcharge is a percentage of a provider's Fund fee or Plan premium based on the number of closed medical liability claims reported, and the aggregate amount paid for those claims.

During the fiscal year from July 1, 2009, to June 30, 2010, 140 claims paid reports were filed. These included 53 for physicians or nurse anesthetists, 68 for hospitals, corporations or clinics, and 19 for other types of providers. One provider was found to be subject to possible surcharge.

Since inception of the Council in 1986, 64 providers have been subject to possible surcharge. The status, or disposition, of those providers as of June 30, 2010, was as follows:

- Exemptions from participation in the Fund have been filed by 31 providers, resulting in suspension of the review for surcharge.
- No surcharge was warranted for 12 providers as a result of the Council's review or consultant opinions.
- Two providers have been surcharged for failure to respond to Council requests for information.
- The review for surcharge was pending for three providers.

Risk Management and Patient Safety Committee

The purpose of the Risk Management and Patient Safety Committee, created in June 1991, is to reduce patient/claimant compensable injuries, reduce Fund losses and associated expenses, improve the general quality of medical care, and reduce the premiums of participating health care providers.

Activities of the committee during 2010 included the following:

- Publication of the quarterly risk management newsletter, WiscRisk, also available on the Fund website. Topics included:
 - *Injured Patients and Families Compensation Fund Claims Experience*
 - *Patient-Physician Electronic Communication (E-mail)*
 - *E=Discovery: Risk Management Advice for Physician Office Practice*
 - *Informed Consent: A "Process" for Patient Safety*
- Production and distribution of 2011 Patient Safety Calendar entitled *Wellness*

Special Advisory Committee on Injured Patients and Families Compensation Fund Participation

During 2008 the Board established the Special Advisory Committee to make recommendations to the board for any statutory or administrative code change relating to Fund participation and coverage that it may deem appropriate. As a result of the committee's discussions, a recommendation was made to the Board to promulgate an administrative rule to clarify "direction and supervision" of a health care providers' employees as it relates to Fund coverage. The clarifying rule was promulgated with an effective date of March 1, 2010.

Other Fund Activities

In March of 2010 the Fund transitioned to a newly developed, customized, internet-based system. The Fund is a unique operation in that there are no other patient compensation funds like the Wisconsin Fund; therefore, no off-the-shelf application software was available. Continued development will incorporate further functionality, eventually allowing insurance carriers and health-care providers to interact directly with the Fund system.

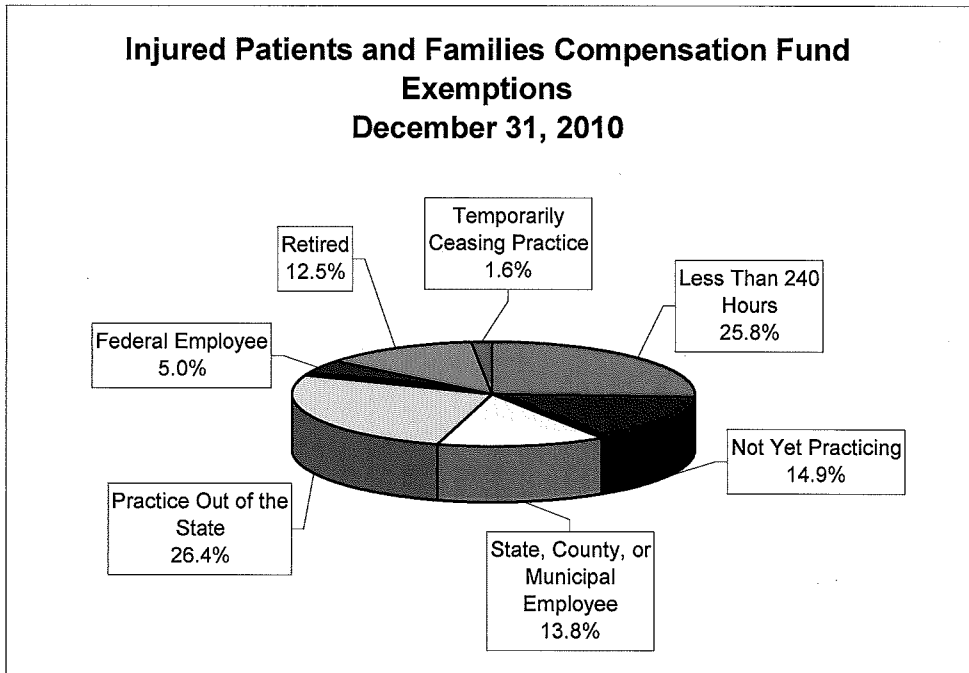
Fund administration closely monitors the use of outside counsel. Pursuant to a court decision in 2000, the Fund hires separate defense counsel on each claim. Fund staff monitors the claims and the use of this outside counsel to ensure that while the Fund receives the necessary representation, that legal fees are controlled.

Pursuant to a Legislative Audit Bureau recommendation and a directive by the Board of Governors, an actuarial audit will be performed in 2011 on the analysis performed in 2010 by the outside actuarial firm. This audit will include an opinion as to the reasonableness of the assumptions and methodologies used by the Fund's actuary, as well as the risk margin and discount factor established by the Board. The findings of this audit will be included in the 2011 report to the Legislature.

Extensive work continued during 2010 to verify and process up-to-date exemption status for providers that held a license to practice in Wisconsin but for which a current exemption or certificate was not on file with the Fund. Providers that remain in noncompliance are referred to their respective licensing boards for appropriate enforcement action by that board.

As of December 31, 2010, there were 10,934 providers exempt from participation in the Fund. The exemptions are grouped as follows:

Practice Out of Wisconsin	2,882
Less Than 240 Hours	2,822
Not Practicing or Never Practiced in Wisconsin	1,634
State, County, or Municipal Employee	1,506
Retired	1,363
Federal Employee	548
Temporarily Ceasing Practice	179

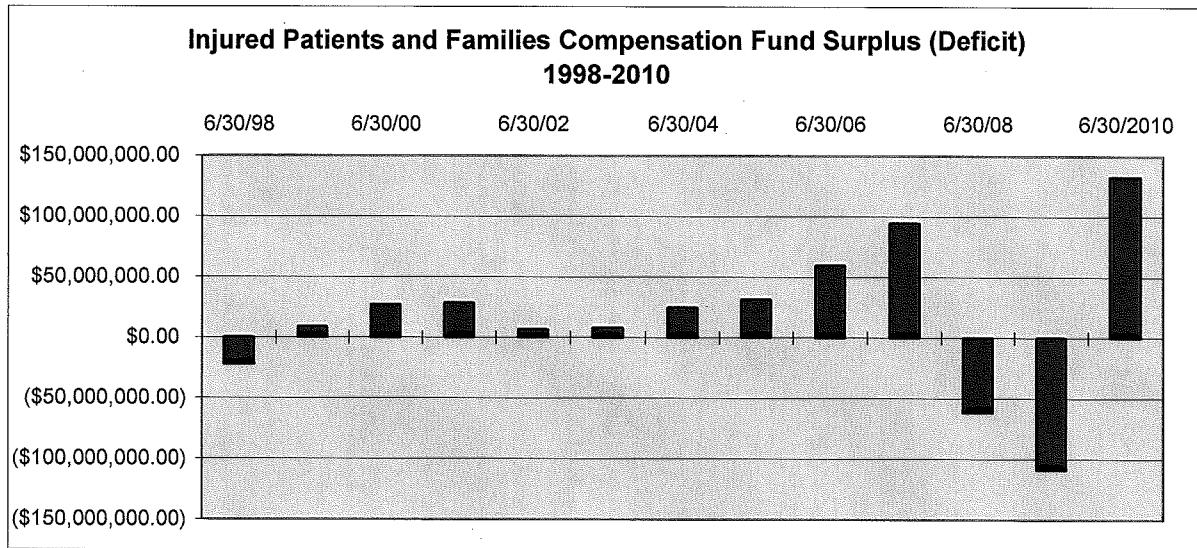


Financial Statistics

Attached as Exhibit 1 is the financial statement for the Fund for the fiscal year ending June 30, 2010.

The Fund reported net equity of \$132,802,845 as of June 30, 2010.

The following graph reflects the Fund's surplus (deficit) over the last thirteen fiscal years.



Medical malpractice, with its extended reporting, and settlement patterns is especially difficult to estimate and the ultimate claim payments will differ from the originally projected liabilities. The Fund reports its liabilities for losses and loss adjustment expenses on a discounted basis. This means that the actuarially determined amount that is expected to be needed to pay all claims that have occurred, and those that will occur during the current fiscal year, has been reduced by the amount of investment income that is expected to be received during the payout period. Any changes in interest rates or investment balance will have an impact on the financial position of the Fund.

The significant shift in the Fund's equity position was primarily due to the booking of an asset associated with the Supreme Court decision and the expected return of the \$200 million as previously discussed in this report. Each year the actuaries review the amount of reserves established in prior years and make adjustments as deemed appropriate based upon another year of experience. This review resulted in the reduction of prior year loss reserves which also contributed to the reported surplus as of June 30, 2010.

The Fund's next progress report, due March 1, 2012, will include an update on the Fund's activities during 2011.

Exhibit 1

**WISCONSIN INJURED PATIENTS AND FAMILIES
COMPENSATION FUND
Statement of Net Equity
6/30/2010**

ASSETS

Current Assets

Cash	\$53,415,481
Short-Term Investments (Market Value)	\$35,682,131
Investment Income Receivable	\$7,154,946
Assessments Receivable	\$4,550
Other Receivables	\$35,994
Supplies Inventory and Other Assets	\$10,790
	<hr/>
Total Current Assets	\$96,303,892

Noncurrent Assets

Long-term Investments (Market Value)	\$555,906,309
Advance to the Medical Assistance Trust Fund	\$202,587,765
Capital Assets, Net of Accumulated Depreciation	\$327,561
	<hr/>
Total Noncurrent Assets	\$758,821,635

TOTAL ASSETS

\$855,125,527

LIABILITIES

Current Liabilities

Future Benefits and Loss Liabilities - Short Term	\$86,334,986
Assessments Received in Advance	\$718,971
Provider Refunds Payable	\$370,658
General & Administrative Expenses Payable	\$80,639
Medical Mediation Panels Payable	\$159
Compensated Absences	\$690
	<hr/>
Total Current Liabilities	\$87,506,103

Noncurrent Liabilities

Loss liabilities:

Liability for IBNR	\$655,652,804
Liability for Reported Losses	\$56,028,392
Liability for LAE	<u>\$124,918,894</u>

Estimated Loss Liabilities	\$836,600,090
Less: Amount Representing Interest	<u>(\$150,588,016)</u>

Discounted Loss Liabilities	\$686,012,074
Liabilities for Future Medical Expenses	<u>\$35,059,139</u>

Total Loss liabilities	\$721,071,213
Less: Loss Liabilities, Current Portion	<u>(\$86,334,986)</u>
Noncurrent Loss Liabilities	\$634,736,227

Compensated Absences - LT	\$48,610
Other Postemployment Benefits	\$31,742

Total Noncurrent Liabilities	<u>\$634,816,579</u>
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TOTAL LIABILITIES	<u>\$722,322,682</u>
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NET EQUITY

Net Equity:

Invested in capital assets, net of related debt	\$327,561
Restricted for injured patients and families	<u>\$132,475,284</u>

TOTAL NET EQUITY	<u>\$132,802,845</u>
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TOTAL LIABILITES AND NET EQUITY	<u>\$855,125,527</u>
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**WISCONSIN INJURED PATIENTS AND FAMILIES
COMPENSATION FUND**
**Statement of Revenues, Expenses, and Changes in Fund Net
Equity for the Fiscal Year Ended
6/30/2010**

OPERATING REVENUES

Assessments	\$29,627,550
Assessment Interest Income	\$51,350
Administrative Fee Income	\$34,691
Total Operating Revenues	\$29,713,591

OPERATING EXPENSES

Underwriting Expenses:	
Net Losses Paid	\$3,879,618
Loss Adjustment Expense Paid	\$4,585,068
Risk Management Expenses	\$90,072
Medical Expenses Paid	\$2,472,169
Change in Liability for IBNR	\$26,106,944
Change in Liability for Reported Losses	\$22,988,180
Change in Liability for Loss Adjustment Expense	\$22,266
Change in Amount Representing Interest	(\$2,541,268)
Change in Liability for Future Medical Expense	\$88,691
Total Underwriting Expenses	\$57,691,740
General and Administrative Expenses	\$745,320
Total Operating Expenses	\$58,437,060
 Operating Loss	 (\$28,723,469)

NONOPERATING REVENUES (EXPENSES)

Investment Income	\$67,999,399
Interest Expense	(68,440)
Miscellaneous Revenue	\$3,730
Transfers to the General Fund	(\$14,046)
Medical Assistance Trust Fund Advance	\$202,587,765
 Change in Net Assets	 \$241,784,939

NET EQUITY

Net Equity--Beginning of the Period	(\$108,982,094)
 Net Equity--End of the Period	 \$132,802,845

**WISCONSIN INJURED PATIENTS AND FAMILIES
COMPENSATION FUND
Statement of Cash Flows
6/30/2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Providers for Assessments	\$29,538,806
Cash Received from Other Sources	\$424,602
Cash Paid for Losses	(\$4,879,712)
Cash Paid for Loss Adjustment Expenses	(\$4,585,068)
Cash Paid for Future Medical Expenses	(\$2,472,169)
Cash Paid for Other Expenses	(\$861,140)
Cash Paid to Providers for Refunds of Fund Fees	(\$462,596)
Cash Paid for Medical Mediation Panel fees	(\$354,919)
	<hr/>
Net Cash Provided by Operating Activities	\$16,347,804

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Change in Loan from the State Investment Fund	(\$76,778,323)
Interest Payments for State Investment Fund Loan	(\$95,109)
Transfers to the General Fund	(14,046)
	<hr/>
Net Cash Used for Noncapital Financing Activities	(76,887,478)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments for Purchase of Capital Assets	(\$331,921)
	<hr/>
Net Cash Used For Capital and Related Financing Activities	(\$331,921)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	\$29,279,035
Cash Received as Proceeds from Sales of Investments	\$90,414,152
Cash Paid for Purchase of Investment Securities	(\$5,406,111)
	<hr/>
Net Cash Provided by Investment Activities	\$114,287,076

NET INCREASE IN CASH AND CASH EQUIVALENTS **\$53,415,481**

Cash and Cash Equivalents -- Beginning of the Year

\$0

Cash and Cash Equivalents -- End of the Year **\$53,415,481**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Operating Loss	(\$28,723,469)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	\$4,360
Miscellaneous Nonoperating Income	\$3,730
Decrease in Assessments Receivable	\$71,568
Increase in Other Receivables	(\$13,236)
Increase in Supplies Inventory	(\$1,400)
Increase in Loss Liabilities	\$45,664,812
Decrease in Other Liabilities	(\$658,561)
	<hr/>
Total Adjustments	\$45,071,273
	<hr/>
Net Cash Provided by Operating Activities	\$16,347,804
	<hr/>
Noncash Activities:	
Net Change in Unrealized Gains and Losses	\$40,879,007
Other	(\$948,696)

Notes to the Financial Statements

1. Description of the Fund

The Injured Patients and Families Compensation Fund is part of the State of Wisconsin financial reporting entity and is reported as a major enterprise fund in the State's Comprehensive Annual Financial Report. The Fund, formerly the Patients Compensation Fund, was created in 1975 for the purpose of paying that portion of medical malpractice claims exceeding the legal primary insurance limits prescribed in s. 655.23(4), Wis. Stats., or the maximum liability limit for which the health care provider is insured, whichever limit is greater. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay annual assessments.

Management of the Fund is vested with the 13-member Board of Governors, which is chaired by the Commissioner of Insurance. The Board has designated the Commissioner of Insurance as the administrator of the Fund. Similarly, under s. 655.27(2), Wis. Stats., the Commissioner shall either provide staff services necessary for the operation of the Fund or, with the approval of the Board, contract for all or part of these services. During FY 2008-09, FY 2007-08, and FY 2006-08, the Board contracted for the Fund's actuarial, risk management, and claims administration services.

2. Summary of Significant Accounting Policies

A. Fund Accounting and Basis of Presentation

The financial statements of the Injured Patients and Families Compensation Fund have been prepared in conformance with generally accepted accounting principles (GAAP) for proprietary funds. The accompanying financial statements were prepared based upon the flow of economic resources focus and full accrual basis of accounting, with revenues recognized when earned and expenses recognized when incurred.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets classifies the Fund's fiscal year activity as either operating or nonoperating. Because the Fund is an enterprise fund, which is a type of proprietary fund, it accounts for operations in a manner similar to private businesses in which operating revenues are derived from exchange transactions. Assessments, which are received from health care providers in exchange for coverage under the Fund, represent a significant component of operating revenues. Operating expenses include underwriting and administrative expenses.

Certain revenues and expenses that are not related to the Fund's primary purpose, such as assessment administrative fees and interest expense, are reported as nonoperating revenues and expenses. The most significant source of the Fund's nonoperating income or expense is investment income or expense.

The Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) statements effective after November 30, 1989, are not applied in accounting for the operations of the Fund.

B. Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in future years are the liabilities for unpaid losses and loss adjustment expenses. In estimating these liabilities, management uses the methodology discussed in Note 4 on ultimate and discounted loss liabilities.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash balances deposited with the State and shares in the State Investment Fund. The State Investment Fund is a short-term pool of state and local funds managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees. Shares in the State Investment Fund are purchased in \$1,000 increments, and any remaining cash balance is deposited in the State's bank.

D. Investment Valuation

Investments of the Fund consist of fixed-income securities managed by the State of Wisconsin Investment Board, and shares in equity index funds. All investments are reported at fair value. Fair value information is determined using quoted market prices.

E. Assessments

Assessments are billed and recognized as revenues on a fiscal year basis, which is also the policy year. Assessments received for the next fiscal year are treated as deferred revenue and reported as assessments received in advance. Accounts of providers are automatically credited and reported as provider refunds payable when primary insurance lapses.

F. Loss Liabilities

Loss liabilities are estimated based on recommendations of a consulting actuary and are discounted to the extent that they are matched by cash and invested assets. The uncertainties inherent in projecting the frequency and severity of claims, the Fund's unlimited liability coverage for economic damages, and extended reporting and settlement periods make it likely that the amounts ultimately paid will differ from the recorded estimated liabilities.

G. Policy Acquisition Costs

Since the Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

H. Capital Assets

The Fund capitalizes all office furniture and equipment with a useful life of two or more years and a purchase price of \$5,000 or more. Capital assets are depreciated under the straight-line method over the estimated useful lives of the assets. On June 30, 2010, the Fund held \$327,561 capital assets, which consisted primarily of information system development costs.

I. Employee Compensated Absences

The Fund's compensated absence liability consists of accumulated unpaid leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested as of June 30. Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The liability and the expense for compensated absences are based on current rates of pay. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System is also accrued with a resulting liability. The compensated absences liability is classified as either a short-term or a long-term liability based upon an estimate determined by management. The long-term liability portion of the compensated absences liability generally is not paid out until retirement.

J. Postemployment Benefits Other Than Pensions

In June, 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and it is effective for the year ending June 30, 2008. In accordance with the provisions on GASB statement No. 45, state and local government employers are required to display in financial reports other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. The employees of the Injured Patients and Families Compensation Fund are employees of the State of Wisconsin. The financial statements of the Injured Patients and Families Compensation Fund include other postemployment benefit expenses and the related liabilities, in addition to those actually paid during FY 2007-08, FY2008-09, and FY2009-10 which are included in salary and fringe benefits on the financial statements.

3. Deposits and Investments

GASB Statement 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*, which was first effective for FY 2004-05, amended several of the required disclosures previously required under GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. The reporting requirements affecting the Fund's deposits did not significantly differ between GASB Statements 3 and 40 and, therefore, deposit disclosures for all three years are reported together. Because there were more significant changes related to the investment disclosures, additional investments disclosures required by GASB Statement 40 for FYs 2009-10, 2008-09, and 2007-08 are included as a separate subsection of the investment portion of this note.

A. Deposits

The balance of cash and cash equivalents consists of cash deposited in the State's bank and cash invested by the State of Wisconsin Investment Board through the State Investment Fund. As of June 30, these balances at market value are as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Cash and Cash Equivalents:</u>			
Deposits in the State's Bank	\$ 263	\$ 41	\$ 253
State Investment Fund Shares	<u>53,415,218</u>	<u>0</u>	<u>0</u>
Total Cash and Cash Equivalents	<u>\$53,415,481</u>	<u>\$ 41</u>	<u>\$ 253</u>

The State Investment Fund is not registered with the Securities and Exchange Commission as an investment company. Shares in the State Investment Fund are reported as cash equivalents and are reported at fair value as of June 30. Interest income, gains, and losses of the State Investment Fund are allocated monthly. The various types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), and (bd), Wis. Stats., and include direct obligations of the United States and Canada, securities guaranteed by the United States government, securities of federally chartered corporations, unsecured notes of financial and industrial issuers, Yankee/Eurodollar issues, certificates of deposit issued by banks in the United States and solvent financial institutions in this state, and bankers acceptances. The Investment Board's trustees may approve other prudent investments and have granted derivatives authority, subject to review and approval by the Investment Board's Investment Committee, limited to positions in finance futures, options, and swaps, and only if the purpose is to hedge existing positions, adjust portfolio duration within statutory guidelines, or reduce the interest rate risk.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover deposits that are in possession of an outside party. The Fund does not have a deposit policy specifically for custodial risk. Shares in the State Investment Fund are not required to be categorized under either GASB Statement 3 or GASB Statement 40. For the remaining deposits in the State's bank, all of the deposits that are held in financial institutions are insured up to \$100,000 by the Federal Deposit Insurance Corporation, and the State of Wisconsin Public Deposit Guarantee fund insures up to \$400,000 above the amount of federal insurance. Therefore, only the amount of the Fund's June 30 bank balance in excess of \$500,000 was exposed to custodial credit risk and considered uninsured and uncollateralized under both GASB Statement 3 and GASB Statement 40, as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Deposits in the State's Bank:</u>			
Total Deposits in the State's Bank	\$ 263	\$ 41	\$ 253
Less: Insured Deposits	<u>(263)</u>	<u>(41)</u>	<u>(253)</u>
Uninsured and Uncollateralized Deposits	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

B. Investments

The Fund's investments are managed by the Investment Board, whose objective is to maintain a portfolio of investments with maturities and liquidity levels that are appropriate for the needs of the Fund. Section 25.17(3)(a), Wis. Stats., allows investments in loans, securities, and any other investments as authorized by s. 620.22, Wis. Stats. Classes of investments permitted by s. 620.22, Wis. Stats., include bonds of governmental units or private corporations, loans secured by mortgages, preferred or common stock, real property, and other investments not specifically prohibited by statute.

In addition, the Board of Governors approves a statement of investment policy, in which it can provide more specific investment guidelines. These guidelines limit equity investments to 20 percent of the Fund's total portfolio.

The market values of the Fund's investments at year-end are as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Fixed-Income:</u>			
U.S. Government and Agency	\$195,718,161	\$221,293,804	\$269,168,089
Industrial	192,631,038	202,050,181	216,332,800
Transportation	12,439,608	11,397,673	14,619,939
Finance	46,822,518	57,544,980	78,972,783
Utilities	36,734,508	49,556,174	48,609,057
Sovereign	<u>5,583,167</u>	<u>5,279,005</u>	<u>11,694,779</u>
Subtotal	<u>\$489,929,000</u>	<u>\$547,121,817</u>	<u>\$639,397,447</u>
<u>Equities:</u>			
Russell 2000 Index Fund	7,258,690	5,962,905	5,882,392
S & P 500 Index Fund	72,010,009	62,810,148	77,605,498
S & P 400 Index Fund	7,116,126	5,692,979	19,239,049
MSCI World Ex-US Index Fund	<u>15,274,615</u>	<u>14,243,681</u>	<u>19,034,875</u>
Subtotal	<u>101,659,440</u>	<u>88,709,713</u>	<u>121,761,814</u>
Total Investments	<u>\$591,588,440</u>	<u>\$635,831,530</u>	<u>\$761,159,261</u>

The Investment Board recognizes that risk issues permeate the entire investment process from asset allocation to performance evaluation. The Investment Board monitors risk through multiple forms of analysis and reporting. Inspection of level of diversification, nominal risk exposures, risk/return plots, and matching liabilities with assets forms the core of the monitoring process. In addition, portfolios and asset classes are reviewed monthly for compliance with investment guidelines. On a monthly basis, guideline exceptions, if any, are reported to the Investment Board's Compliance Committee.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Fund. The Fund's investment guidelines provide that issues be rated "A-" or better at the time of purchase, based on the minimum credit ratings as issued by nationally recognized statistical rating organizations. As of June 30, 2010, June 30, 2009, and June 30, 2008, these credit ratings were as follows:

	June30, 2010		June30, 2009		June 30, 2008	
<u>Credit Rating:</u>	<u>Fair value</u>	<u>Percent</u>	<u>Fair value</u>	<u>Percent</u>	<u>Fair value</u>	<u>Percent</u>
AAA	\$204,662,584	37.7%	\$230,492,952	42.1%	\$293,493,279	45.9%
AA	\$16,399,815	3.0%	\$ 33,232,932	6.1%	\$ 57,348,049	9.0%
A	\$154,732,476	28.5%	\$172,304,914	31.5%	\$153,053,972	23.9%
BBB	\$91,428,688	16.8%	\$ 89,116,506	16.3%	\$108,893,872	17.0%
BB	\$19,380,437	3.6%	\$ 19,172,013	3.5%	\$ 16,660,625	2.6%
B	\$3,300,000	0.6%	\$ 2,800,000	0.5%	\$ 4,747,650	0.8%
C or Lower	\$25,000	0.0%	\$ 2,500	0.0%	\$ 5,200,000	0.8%
Total	\$489,929,000	100.0%	\$547,121,817	100.0%	\$639,397,447	100.0%

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 Fund will not be able to recover the value of investments that are in possession of an outside party. The Fund does not have an investment policy specifically for custodial credit risk. As of June 30, 2010, June 30, 2009, and June 30, 2008, the Fund did not have any investment securities exposed to custodial credit risk.

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The Fund's investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or sector exposure limits. Generally, the guidelines provide that no single issuer may exceed 5.0 percent of the Fund's investments, with the exception of the U.S. Government and its agencies, which may be unlimited. As of June 30, 2010, June 30, 2009, and June 30, 2008, the Fund did not have more than 5.0 percent of its total investments in a single issuer.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund uses the duration method to identify and manage its interest rate risk. The Fund's investment guidelines related to interest rate risk provide that the average duration of the aggregate bond portfolio should be less than ten years.

As of June 30, 2010, June 30, 2009, and June 30, 2008, the following were the durations for each type of fixed-income security held, as well as for the State Investment Fund:

Type of Security:	June30, 2010		June30, 2009		June 30, 2008	
	Fair value	Duration (In Years)	Fair value	Duration (In Years)	Fair value	Duration (In Years)
Gov/Agency	\$195,718,161	4.72	\$221,293,804	4.73	\$269,168,088	4.41
Corporate	\$294,210,839	5.43	\$325,828,013	5.18	\$370,229,359	5.17
Total	\$489,929,000	5.15	\$547,121,817	5.00	\$639,397,447	4.85

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Fund’s investment guidelines do not specifically address foreign currency risk. As of June 30, 2010, June 30, 2009, and June 30, 2008, the Fund did not own any issues denominated in a foreign currency.

4. Ultimate and Discounted Loss Liabilities

A. Loss Liabilities

Loss liabilities include individual case estimates for reported losses and estimates for losses that have been incurred but not reported (IBNR), based upon the projected ultimate losses recommended by a consulting actuary. Individual case estimates of the liability for reported losses and net losses paid from inception of the Fund are deducted from the projected ultimate loss liabilities to determine the liability for IBNR losses as follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Projected Ultimate Loss Liability	\$1,428,828,901	\$1,488,727,875	\$1,412,981,701
Less:			
Net Losses Paid from Inception	(766,242,828)	(700,502,959)	(649,899,326)
Liability for Reported Losses	(33,040,212)	(49,633,822)	(49,119,151)
Liability for IBNR Losses	<u>\$ 629,545,861</u>	<u>\$ 738,591,094</u>	<u>\$ 713,963,224</u>

The Fund implemented an explicit risk margin in its loss liabilities estimates. Previously, the Fund’s actuary included an implicit risk margin of approximately 33.0 percent in its estimate of total loss liabilities. In response to a recommendation from an actuarial audit completed in July 2005, the Fund’s actuary developed only a best estimate of the loss liabilities, and the Board of Governors approved the addition of an explicit 5.0 percent risk margin to the best estimate for June 30, 2007, an explicit 25.0 percent risk margin to the best estimate for June 30, 2008 and an explicit 25.0 percent risk margin to the best estimate for June 30, 2009.

Loss liabilities also include a provision for the estimated future payment of costs to settle claims. These ultimate loss adjustment expenses (LAE) are estimated at 20 percent of the projected ultimate loss liabilities as of June 30, 2007 and June 30, 2008. However, based on recent years’ experience, the actuaries changed their methodology to estimate unpaid LAE at 18.0 percent of the estimated unpaid loss liabilities as of June 30, 2009.

The LAE paid from inception of the Fund is deducted from the projected ultimate LAE provision to arrive at the liability for LAE as follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Projected Ultimate LAE Liability	\$190,159,611	\$224,822,705	\$210,978,342
Less:			
Net LAE Paid from Inception	<u>(65,262,983)</u>	<u>(59,900,194)</u>	<u>(54,189,443)</u>
Liability for LAE	<u>\$124,896,628</u>	<u>\$164,922,511</u>	<u>\$156,788,899</u>

B. Re-estimated Loss Liabilities

Because of the uncertainties inherent in projecting medical malpractice claims with unlimited liability coverage, estimates of the Fund's loss liability and liability for LAE are continually reviewed and adjusted as the Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates for prior years, the total underwriting expenses reported for the year are not necessarily indicative of the loss experience for that year.

C. Discounted Loss Liabilities

Section Ins. 17.27(3), Wis. Adm. Code, requires the liability for reported losses, liability for IBNR losses, and liability for LAE to be maintained on a present-value basis, with the difference from full value being reported as a contra account to the loss liabilities. The loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Beginning with FY 1998-99, the Fund has held sufficient cash and invested assets to fully match the discounted loss liabilities. Therefore, the loss liabilities presented in the financial statements are fully discounted. The actuarially determined discount factor was 0.812 for FY 2008-09, 0.81 for FY 2007-08, and 0.753 for FY 2006-07.

D. Loss Liabilities Balances and Activities

<u>Loss Liabilities</u>	<u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30</u>	<u>Current Portion</u>
FY 2006-07	\$684,967,487	\$ 92,217,184	\$ 75,185,975	\$701,998,696	\$ 58,852,000
FY 2007-08	701,998,696	134,641,839	40,175,928	796,464,607	108,676,661
FY 2008-09	796,464,607	104,447,348	225,505,555	675,406,400	84,275,655

5. Future Medical Expense Liability

Section 655.015, Wis. Stats., requires accounts to be established for future medical expense awards in excess of \$25,000 that were entered into or rendered before June 14, 1986, or in excess of \$100,000 that were entered into or rendered on or after May 25, 1995.

6. Contributions Being Held Liability

A primary insurer may voluntarily present a nonrefundable payment to the Fund generally equal to the amount of primary coverage in effect for the related claim. This payment from the primary insurer is negotiable with the Fund in exchange for a release of payment for any future defense costs that may be incurred on the claim.

7. Medical Mediation Panel

Section Ins. 17.27(3), Wis. Adm. Code, requires the fees collected for administration of the Medical Mediation Panel to be included in the Fund's financial reports, but that they should not be regarded as assets or liabilities or otherwise taken into consideration in determining assessment levels to pay claims. The Fund collected \$354,919 in fees in FY 2009-2010, \$232,832 in fees in FY 2008-09, and \$197,884 in FY 2007-08.

8. Assessment Interest Income

Fund participants choosing payment plans other than annual are assessed interest on the deferred assessment amounts. Section Ins. 17.28(4), Wis. Adm. Code, prescribes the daily interest rate to be assessed on the deferred assessments shall be the average annualized rate earned by the Fund on its funds in the State Investment Fund for the first three quarters of the preceding fiscal year, as determined by the Investment Board, divided by 360. Interest was assessed at the rate of 1.587 percent for FY 2009-2010, 4.435 percent for FY 2008-09, and 5.275 percent for FY 2007-08.

9. Claim Annuities

The settlement of a claim may result in the purchase of an annuity. Under specific annuity arrangements, the Fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments.

One of the Fund's annuity providers defaulted on \$102,907 in annuity payments through June 30, 2010, which the Fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the Fund continues to make monthly annuity payments of \$130, and additional lump sum payments due every five years through 2025, to cover defaulted payments. The Fund has received reimbursement for these payments, including interest, of \$92,797 through June 30, 2010. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the Fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider.

The total estimated replacement value of the Fund's annuities as of June 30, 2010, 2009, and 2008, was \$32.8 million for each year. The replacement value calculation was last updated as of June 30, 2008, and includes only annuities where the Fund remains the owner. Annuities with qualified assignments are excluded, which represents all annuities purchased since the mid-1990's and approximately 50% prior to that time.

10. Employee Retirement Plan

Permanent full-time employees of the Injured Patients and Families Compensation Fund are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee's final average earnings; 2) years of creditable service; and 3) a formula factor. If an employee's contributions, matching employer's contributions, and interest credited to the employee's account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit.

The Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information may be obtained by writing to:

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

The most current financial report is also available on the Department of Employee Trust Funds' Web site, www.etf.wi.gov.

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the retirement system. Prior service costs are amortized over 40 years, beginning January 1, 1990. However, in December 2003, the State issued bonds and subsequently fully liquidated its prior service liability balance as of January 2003. State agencies are required to make future contributions to fund the bond payments.

The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. The Injured Patients and Families Compensation Fund's contributions to the plan were \$55,588 for FY 2009-2010, \$54,659 for FY 2008-09, and \$53,835 for FY 2007-08. The relative position of the Injured Patients and Families Compensation Fund in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multiple-employer plan.

11. Change in Accounting Principle

The Fund reported no changes in accounting principle.

12. Subsequent Events

The Fund reported no subsequent events.

13. Transfers Out to the Medical Assistance Trust

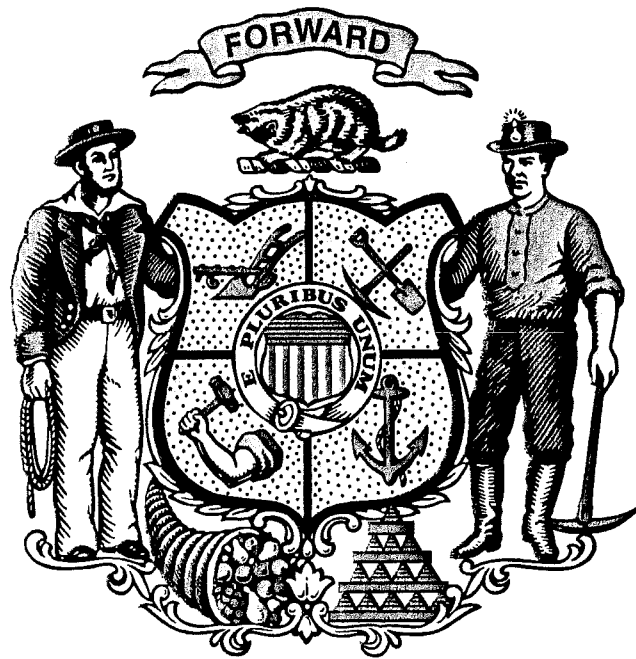
Wisconsin Act 20 gave the State of Wisconsin authority to transfer \$128.5 million in FY09 and \$71.5 million in FY2008 to the Medical Assistance Trust. The State Medical Society lawsuit against the State of Wisconsin concerning Wisconsin Act 20 has been dismissed and contested.

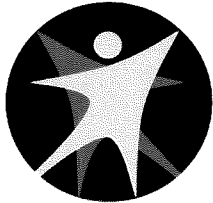
14. Transfers Out to the General Fund

Sections 9101(9) and (9q) of 2003 Wisconsin Act 33, gave the State of Wisconsin authority to issue annual appropriation bonds to pay off certain unfunded liabilities in the pension and other employee benefit programs, resulting in cost savings to the State. Section 79 of 2005 Wisconsin Act 25 required state agencies to make certain transfers to the General Fund. \$13,040 was transferred to the General Fund in FY 2008-09, \$12,266 in FY 2007-2008 and \$10,123 for debt service payments for the bonds.

15. Audit Adjustments

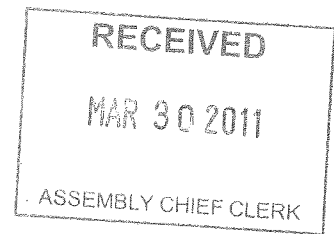
The unaudited financial statements presented in the Commissioner of Insurance's annual reports to the Governor and the Legislature have been adjusted to reflect recommended audit adjustments.





State of Wisconsin
Department of Health Services

Scott Walker, Governor
Dennis G. Smith, Secretary



March 30, 2011

Robert J. Marchant
Senate Chief Clerk
Room B20 Southeast, State Capitol
P.O. Box 7882
Madison, Wisconsin 53702

Patrick E. Fuller
Assembly Chief Clerk
17 West Main Street, Room 401
Madison, Wisconsin 53703

Dear Mr. Marchant and Mr. Fuller:

I am pleased to submit to the Legislature the enclosed report as required by Chapter 153, Wisconsin Statutes. The report describes "the content and number of reports and currency of information and reports generated in the previous calendar year" by the Wisconsin Hospital Association Information Center (WHAIC). WHAIC produced all required reports in a timely manner using the most currently available annual hospital discharge data.

Sincerely,

A handwritten signature in cursive script that reads "Dennis G. Smith".

Dennis G. Smith
Secretary

Enclosure

Standard Reports Produced by the Wisconsin Hospital Association Information Center under Ch. 153, Wis. Stats.

Department of Health Services
March 31, 2011

Wisconsin statutes [s. 153.05(2m)(c), Wis. Stats.] direct the Department of Health Services to submit a report about the reports produced by the Wisconsin Hospital Association (WHA). Specifically, by April 1 annually, the Secretary of DHS is required to submit to the chief clerk of each house of the legislature “a report concerning the content and number of reports and currency of information and reports generated in the previous calendar year” by the Wisconsin Hospital Association Information Center (WHAIC), the entity under contract to produce the reports under s. 153.05(2m).

The ***Hospital Rate Increase Report*** is a one-page Web-based spreadsheet showing the dates of hospital price increases that caused a hospital’s gross patient revenue to increase faster than the rate of inflation (specifically, the federal government’s consumer price index). State law requires Wisconsin hospitals to report price increases to the WHA Information Center and to the public via local newspapers. The Web-based spreadsheet is updated periodically throughout a calendar year, with a final spreadsheet report produced at the end of the calendar year.

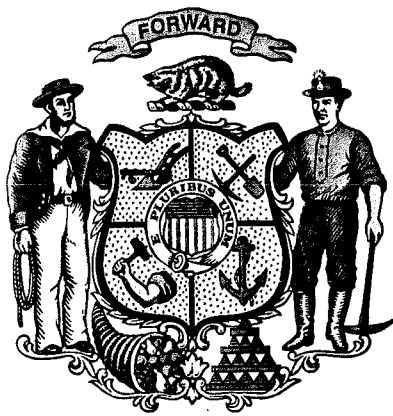
The ***Guide to Wisconsin Hospitals*** presents descriptive financial, utilization and staffing data about individual Wisconsin hospitals, and provides summary and trend information for selected aggregate data. Data sources are the Hospital Fiscal Survey and the Annual Survey of Hospitals submitted annually by all Wisconsin hospitals. In March 2011, WHAIC published the report covering fiscal year 2009.

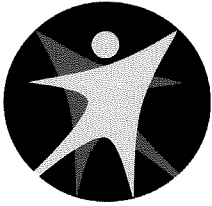
The ***Uncompensated Health Care Report, Wisconsin Hospitals*** publication provides annual uncompensated health care information for general medical surgical (GMS) hospitals, psychiatric hospitals, alcohol and other drug abuse (AODA) hospitals and rehabilitation hospitals that are not state or federal facilities. The data source is the Annual Hospital Fiscal Survey, which includes uncompensated health care and fiscal information for one year. In January 2011, WHAIC published the report covering fiscal year 2009.

The ***Health Care Data Report*** (termed a “patient-level data utilization, charge and quality report” in the administrative rules) presents an annual summary of patient data on the utilization and charges at Wisconsin hospitals and freestanding ambulatory surgery centers (FASCs). The report is divided into three sections: 1) inpatient data; 2) ambulatory surgery data; and 3) emergency department data. In March 2011, WHAIC published the report covering calendar year 2009.

The ***Wisconsin Inpatient Hospital Quality Indicators Report*** provides information about procedure volume, utilization and in-hospital mortality for common conditions and procedures in GMS hospitals in Wisconsin. It is intended to provide information about the quality of care in these hospitals that will be used to make administrative and system changes to improve patient outcomes. The quality measures used in the report are derived from hospital data submitted to WHA by GMS hospitals for inpatient stays. In December 2010, WHAIC published the report covering calendar year 2009.

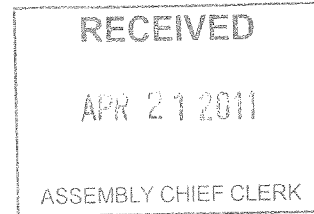
The reports used the most currently available annual data and provided new charts, graphs and information.





State of Wisconsin
Department of Health Services

Scott Walker, Governor
Dennis G. Smith, Secretary



April 19, 2011

Robert J. Marchant
Senate Chief Clerk
Room B20 Southeast
Madison, Wisconsin 53702

Patrick E. Fuller
Assembly Chief Clerk
12 West Main Street, Room 401
Madison, Wisconsin 53703

Dear Mr. Marchant and Mr. Fuller:

The Department of Health Services is pleased to submit the 2010 Annual Report to the Governor and the Legislature on the Wisconsin Tobacco Prevention and Control Program (TPCP). The report is required by Wisconsin Statute s .252.01(11).

Tobacco contributes to the deaths of 8,000 Wisconsin citizens every year and costs the state nearly \$4 billion in annual health care costs and lost worker productivity. The TPCP is responsible for providing leadership, facilitating diverse partnerships, and administrating funding and prevention program activities. The TPCP continues to invest in evidence-based strategies within a comprehensive effort to effectively reduce tobacco use and exposure.

Wisconsin continued its success during 2010 in preventing youth tobacco use and promoting tobacco addiction treatment, eliminating tobacco-related disparities and eliminating exposure to secondhand smoke. Highlights include:

Youth

- Middle school students who are identified as current smokers have declined from 12% in 2000 to 3.9% in 2010, a 67% change.
- High school students who identified themselves as current smokers have declined from 32.9% in 2000 to 17.7% in 2010, a 46% change.
- Youth access to tobacco products has declined substantially from 24.6% of establishments selling to minors in 2000 to 4.7% selling to youth in 2010.

Adults

- In 2009, the smoking rate among adults was 22.5%, over 980,000 people.
- Per capita consumption is declining from 94.0 packs sold per capita in 1990 to 72 packs in 2009.
- In 2009, with respect to education, 40.4% of the population having less than a high school education were smokers, compared to 6.7% for college graduates.
- For the population of pregnant women, the following were smokers in 2009: 15% White, 15% Black, 38% Native American, 5% Hispanic and 5% Laotian/Hmong.
- By age, 18-24 year olds had a smoking rate of 24.2%, ages 25-34 - 38.1% and 65 years of age - 6.9%.
- Annually, over 7,200 Wisconsin residents died from smoking-related illnesses, with an additional 850 deaths of non-smokers from secondhand smoke.

Treating Tobacco Dependence

- 13,193 individuals called the Wisconsin Tobacco Quit Line (1-800-Quit-Now) in 2010; treatment included a two-week supply of no-cost nicotine replacement therapy (NRT) and free counseling. The University of Wisconsin Center for Tobacco Research and Intervention (UW-CTRI) administers the program through funding from TPCP.
- Since 2001, First Breath, a program of the Wisconsin Women's Health Foundation, has helped over 10,000 pregnant women quit smoking. This program, now a national model, integrates quit strategies into existing prenatal care models and partners with local public health agencies and health care systems.

Smoke-Free Policies

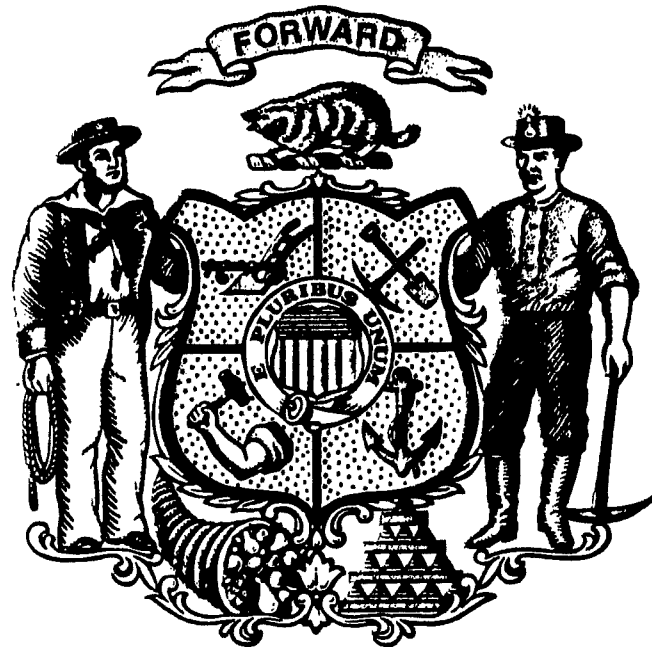
- As of July 5, 2010, the state of Wisconsin is smoke-free in all workplaces.

Every dollar invested in the state's comprehensive tobacco control program yields dividends in health care savings. Tobacco use contributes to the deaths of more people each year in Wisconsin than alcohol, Acquired Immune Deficiency Syndrome (AIDS), car crashes, illegal drug use, murder and suicide combined. The work of the TPCP and its partners will continue to reduce the burden of tobacco in Wisconsin.

Sincerely,



Dennis G. Smith
Secretary





May 5, 2011

Patrick Fuller
Assembly Chief Clerk
17 West Main St, Room 401
Madison, WI 53708

Dear Patrick Fuller,

Please find enclosed a hard copy of the *Guide to Wisconsin Hospitals, FY 2009* produced by WHA Information Center pursuant to s.153.22, Wis. Stats. The report was posted on our Web site in March 2011. Please feel free to download and print additional copies.

If you have any questions regarding the report you may contact me at 608-274-1820, 800-231-8340 or drickelman@wha.org.

Sincerely,

A handwritten signature in cursive script that reads 'Debbie Rickelman'.

Debbie Rickelman
Senior Director
WHA Information Center