



## BRIEFING SHEET

Report 19-9  
June 2019

State Auditor

[Joe Chrisman](#)**Injured Patients and Families Compensation Fund**

FY 2015-16, FY 2016-17, and FY 2017-18

*Office of the Commissioner of Insurance***Background**

The Injured Patients and Families Compensation Fund insures health care providers in Wisconsin against medical malpractice claims that exceed the primary malpractice insurance thresholds established in statutes. The Fund is overseen by a Board of Governors and administered by the Office of the Commissioner of Insurance (OCI). We conducted a statutorily required financial audit of the Fund by auditing the financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, reviewing internal controls, and making recommendations for improvements.

**Audit Results**

We provided an unmodified opinion on the Injured Patients and Families Compensation Fund's financial statements as of and for the years ended June 30, 2018, June 30, 2017, and June 30, 2016. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles. Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

**Key Findings**

As of June 30, 2018, 16,807 individual health care providers, institutions, and other entities participated in the Fund. We also found:

- From its inception in 1975 through June 30, 2018, the Fund paid \$874.9 million for 673 claims.
- The Fund's net position increased during our audit period, and was \$1.0 billion as of June 30, 2018. This amount exceeded the maximum of the target range for the Fund's net position.
- The Fund's net position is affected by assessment rates on participating providers, investment income, and estimated loss liabilities for incidents that have occurred but may not have been settled or reported. Although assessment rates were reduced in each year of our audit period, the Fund's net position increased. The increase was driven primarily by positive investment income and decreasing estimated loss liabilities.
- We identified significant deficiencies in internal control over the Fund's financial reporting process that resulted in various misstatements, which were subsequently corrected by OCI.

**Audit Recommendations**

We recommend OCI work with the Board of Governors to develop a formal written plan to re-evaluate the target range for the Fund's net position and provide the Legislature with annual updates on its progress. We further recommend OCI take steps to improve the Fund's financial reporting process.

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