

[Report 16-4](#)

March 2016

State Auditor

[Joe Chrisman](#)

## Injured Patients and Families Compensation Fund

*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 are statutorily required to audit the Fund at least once every three years. We conducted a 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 and Key Findings

We provided an unmodified opinion on the Injured Patients and Families Compensation Fund's financial statements for fiscal year (FY) 2014-15, FY 2013-14, and FY 2012-13. 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.

We found:

- As of June 30, 2015, 16,140 individual health care providers, institutions, and other entities participated in the Fund.
- From its inception in 1975 through June 30, 2015, the Fund has paid \$855.3 million for 672 claims.
- During our audit period, the Fund's net position increased significantly from \$445.0 million as of July 1, 2012, to \$733.9 million as of June 30, 2015. This increase was due, in part, to reductions in the actuarial estimates for loss liabilities and improvements in the investment markets.
- In October 2015, the actuary recommended a target range for the net position of between approximately \$86.4 million and \$376.6 million.
- As of September 30, 2015, the Fund's unaudited net position was \$783.0 million, which was \$406.4 million above the targeted maximum net position.
- OCI is not in compliance with the Board of Governors policy that requires an actuarial audit be performed every three years. The most recent audit was completed in December 2011. Timely and regular actuarial audits are important because the independent actuary may recommend improvements to the actuarial estimates.

### Audit Recommendations

We recommend OCI continue to work with the Board of Governors to monitor the Fund's net position and develop a plan to bring the net position within the target range established by the Board of Governors. We further recommend OCI comply with the Board of Governors policy to have an actuarial audit completed every three years, ensure the actuarial audit includes a review of the recommended target range for the Fund's net position, and report to the Joint Legislative Audit Committee by September 30, 2016.

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## Legislative Audit Bureau

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