

# Workers Compensation Third Party Administrator and Stop Loss Coverage

June 8, 2010

## **SUMMARY:**

This item requests approval of the Workers Compensation Third Party Administrator and Stop Loss Coverage.

## **BOARD GOAL:**

VI. Growth & Change ... In pursuit of excellence, the district will:

- a. Review and adjust policies and procedures effectively to address the challenges of rapid growth and changing demographic characteristics while maintaining and enhancing our strong sense of community.

## **PREVIOUS BOARD ACTION:**

The Board approved the recommendation of the Texas Association of School Boards for Administrative Services Only for the Workers Compensation Fund on December 12, 2006. This inter-local agreement is renewed annually.

## **BACKGROUND INFORMATION:**

On June 23, 2009 the District opted to continue with TASB Risk Fund for Workers' Compensation – Administrative Services Only and accepted the Midwest Employers Casualty, renewal for the second year of the two year term which included a specific retention of \$450,000 and an aggregate retention of \$1,000,000. The District also elected to continue weekly benefits during holiday breaks.

## **SIGNIFICANT ISSUES:**

1. The District has received eight one year term options from TASB for the stop loss coverage for 2010-2011 and six two year options for 2010-2012. Safety National and Midwest Employers Casualty quoted retention levels of 350,000, \$400,000, \$425,000, \$450,000, \$475,000 and \$500,000 and options of aggregate retention of \$1,000,000.

Midwest Employers Casualty began providing the Stop Loss coverage July 1, 2008. Midwest has a "new" philosophy regarding workers' compensation, stating that workers' compensation should be paid on all volunteers, student teachers, etc. This will significantly drive up the cost.

2. In addition, the District has the option for direction of care to the Political Subdivision Workers' Compensation Alliance (Alliance). The TASB Risk Management Fund, the Texas Municipal League Intergovernmental Risk Pool, the Texas Association of Counties Workers' Compensation Self-Insurance Fund, the Texas Council Risk Management Fund (Mental Health Mental Retardation Centers), and the Texas Water Conservation Association Risk Management Fund (water districts and river authorities) formed the Political Subdivision Workers' Compensation Alliance (the Alliance) to provide direct provider contracting services for all of its members. Collectively, these Pools provide workers' compensation benefits to almost 3000 public employers including public schools; junior colleges; counties; cities; hospital, water districts; river authorities; community mental health mental retardation centers and over 500,000 public employees.

The Alliance is not a standard HMO, PPO or other traditional network. Rather, the Alliance has formed a unique partnership via direct contracts with medical providers who share the common goal of providing quality care, treating according to nationally recognized treatment guidelines and, most importantly, returning injured workers to work as soon as possible.

The Alliance began initial contracting with providers in the Rio Grande Valley and established the first operational service area in June, 2007. In June 2008, the District reviewed the Alliance physicians within Denton County. At that time, Alliance physicians were limited. As of May 17, 2010, the Alliance physicians within Denton County have increased substantially.

Should the District choose to participate in the Alliance, employees must use an Alliance physician or the employee will pay for the treatment themselves. Currently the District allows injured workers to go to any hospital, ER, ambulatory surgical center and radiology facility, etc.

## **FISCAL IMPLICATIONS:**

The recommended stop loss premium is \$113,960 including the cash flow coverage. This option includes a specific retention of \$450,000 and an aggregate retention of \$1,000,000 for a period of two years. The proposed Program Administrative fees will remain at \$9,600 annually.

Claims Administration fees will increase in two of the following areas:

	2009-2010	2010-2011
Indemnity Claim	\$598 per claim	\$650 per claim
Medical Claim	\$ 98 per claim	\$110 per claim
Record Claim only	\$ 20 per claim	\$ 20 per claim

Other cost containment fees and loss prevention services are included on the Contribution and Coverage Summary.

Currently our district continues benefits during holiday breaks. A change in the law allows us to stop benefits for actual holiday breaks.

**BENEFIT OF ACTION:**

The approval of stop loss coverage will protect the District in the event of a catastrophic event.

**PROCEDURAL AND REPORTING IMPLICATIONS:**

None

**SUPERINTENDENT'S RECOMMENDATION:**

Recommend:

- The District continue with TASB Risk Fund for Workers' Compensation – Administrative Services Only;
- Accept Safety National Casualty Corporation (quote #61829182) for stop loss coverage for a two year term which includes a specific retention of \$450,000, an aggregate retention of \$1,000,000 and an annual premium of \$56,980;
- The District will participate in the Political Subdivision Workers' Compensation Alliance (the Alliance); and
- The District also elects to continue weekly benefits during holiday breaks.

**STAFF PERSONS RESPONSIBLE:**

Debbie Monschke, Executive Director Administrative Services  
Jo Davis, General Accountant  
Paul Smith, Director Classified Personnel

**ATTACHMENT:**

TASB – Contribution and Coverage Summary  
Safety National Casualty Corporation – Binder  
Political Subdivision Workers Comp Alliance – Physician Listing  
Quote Tabulations

**APPROVAL:**

Signature of Staff Member Proposing Recommendation: \_\_\_\_\_

Comments: \_\_\_\_\_

Signature of Divisional Leader: \_\_\_\_\_

Comments: \_\_\_\_\_

Signature of Superintendent: \_\_\_\_\_

Comments: \_\_\_\_\_