

Workers Compensation Third Party Administrator and Stop Loss Coverage
June 24, 2008

SUMMARY:

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

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.

BACKGROUND INFORMATION:

The 18 month option was approved to renew on June 30, 2008, which is the District's fiscal year end and improves the process of obtaining actuarial information for audit purposes.

SIGNIFICANT ISSUES:

TASB offers stop loss coverage to Administrative Services Only (ASO) participants. We have received six one year term options from TASB for the stop loss coverage for 2008-2009 and six two year options. Safety National and Midwest Employers Casualty quoted retention levels of \$350,000, \$400,000, \$450,000 and \$500,000 and options of aggregate retention of \$1,000,000.

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 Workers' Compensation Fund, the Texas Association of Counties Workers' Compensation 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, this group has over 500,000 members in the workers' compensation pools and pays out more than \$80,000,000 annually in medical benefits.

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. The Alliance is working to complete contracts throughout the state by the end of 2008. The Alliance is currently established and operational in the following service areas: Rio Grande Valley, Lubbock, Austin, Dallas, Fort Worth and Houston. The network is limited for Denton.

Currently we allow injured workers to go to any hospital, ER, ambulatory surgical center and radiology facility, etc.

FISCAL IMPLICATIONS:

The recommended stop loss renewal premium is \$131,314 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 are \$9,600 annually, an increase of \$2,100. Claims Administration fees are as follows for all options:

	New Rate	Old Rate
Indemnity Claim	\$598 per claim	\$580 per claim
Medical Claim	\$ 98 per claim	\$ 98 per claim
Record Claim only	\$ 20 per claim	\$ 20 per claim
Medical Fee for Direct Provider Contract	\$ 1.50 per bill	

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

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 that the District continue with TASB Risk Fund for Workers’ Compensation – Administrative Services Only and accept the MidWest Employers Casualty, option #2, two year term, for stop loss coverage with the \$450,000 retention and \$1,000,000 aggregate retention. The premium will be \$131,314, which includes the cash flow protection limit of \$180,000 for the first year, \$120,000 for the second year and \$100,000 for the third year.

It is also recommended that the District not select the option for direction of care to the Political Subdivision Workers’ Compensation Alliance (Alliance), due to limited provider access.

STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Executive Director Budget & Finance
Paul Smith, Director Classified Personnel

ATTACHMENT:

TASB – Contribution and Coverage Summary – 12 month and two year term renewal – Midwest Employers
TASB – Contribution and Coverage Summary – 12 month and two year term renewal – Safety National Alliance Provider List for Denton County

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Leader: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____