# PENNSYLVANIA INSURANCE DEPARTMENT CATASTROPHIC LOSS BENEFITS CONTINUATION FUND ANNUAL REPORT



## FISCAL YEAR JULY 1, 2010 - JUNE 30, 2011



## TABLE OF CONTENTS

I.	Executive Summary	1	
II.	Fund Background	2	
	Chart Total Paid and Outstanding Benefit Dollars		
III	Benefit Eligibility	4	
	Chart Total number of eligible claimants by accident year	5	
	Chart Current age of all open eligible claimants	6	
	Chart Total number of eligible claimants by catastrophic injury	7	
	Chart Total number of claimants by eligibility (open & closed)	8	
IV. Benefit Funding			
	Chart Total benefit and expense payments	10	
	Chart Total benefit dollars issued for the last ten fiscal years	11	
V.	Appeals and the Administrative Hearing Process	12	
VI.	Highlights of Fiscal Year 2010-2011		
	Negotiated Savings.	13	
	Prescription Drug Program	14	
	CMS/MSPRC	15	
	Insurance Fraud Investigations	15	

#### **EXECUTIVE SUMMARY**

The Pennsylvania Insurance Department's Bureau of Special Funds (Bureau) manages and oversees the administration activities of the Catastrophic Loss Benefits Continuation Fund (CAT Fund). The Bureau has the fiduciary responsibility to assure that all eligible claimants receive benefits in accordance with the Motor Vehicle Financial Responsibility Law (MVFRL). The MVFRL was enacted February 12, 1984 and amended by Act 24, which created the continuation of the CAT Fund on July 1, 1989.

A third party administrator, CSI/ACS Claim Service, Inc. is contracted to manage the claims administration activity on a daily basis. The current contract has been in effect since August 1, 2009. Beginning July 1, 2010 claimants began the transition to a new pharmacy program in order to more efficiently monitor, manage and provide prescriptions.

The CAT Fund has the fiduciary responsibility to continue benefits to all eligible claimants and to evaluate any new applications for benefit eligibility. These claims are administered in a manner consistent with the MVFRL and the insurance industry's best claim practices to include:

- Researching and investigating the eligibility of new CAT Fund applicants in accordance with the eligibility criteria set forth in the MVFRL;
- Recommending payment of CAT Fund benefits in a timely manner for medical treatment and rehabilitative services, in excess of \$100,000, deemed medically necessary, reasonable and accident related;
- Recommending denial of CAT Fund benefits for services which do not meet the criteria;
- Working closely with the CAT Fund and legal counsel should a denial be appealed and disputed/tried at the Insurance Department's Administrative Hearings level;
- Transferring all invoices for CAT Fund benefits deemed medically necessary, reasonable and accident related and recommended for payment to the Commonwealth for payment by the Commonwealth's Department of Treasury; and
- Seeking Fund approval for recommended expense payments for other expense related services such as legal fees, allocated expenses, etc.

The CAT Fund currently has an outstanding claim reserve of \$80,065,232. Ongoing claim reviews and re-evaluation assist the Bureau and the Bureau's actuary in determining the appropriate dollar funding requirements to meet the CAT Fund's fiduciary responsibility. The highlight of Fiscal Year 2010-2011 includes the implementation a new prescription program, PACE, through Magellan Health.

#### **FUND BACKGROUND**

In accordance with the Motor Vehicle Financial Responsibility Law (MVFRL) enacted on February 12, 1984 and amended by Act 24 on July 1, 1989, the Pennsylvania legislature established the Catastrophic Loss Benefits Continuation Fund (here forward referred to as CAT Fund). Coverage is provided by the CAT Fund for eligible individuals who suffered catastrophic losses arising from the maintenance or use of a motor vehicle on or after October 1, 1984 to June 1, 1989, with limited eligibility through December 31, 1989.

The CAT Fund assures that all eligible claimants receive benefits funding in accordance with the Motor Vehicle Financial Responsibility Law (MVFRL). The CAT Fund has the fiduciary responsibility to provide claims investigation and timely payment of medical benefits to any claimant deemed eligible in accordance with the MVFRL. The CAT Fund's purpose is to assure that every eligible claimant of the Fund is treated fairly in accordance with MVFRL's requirements, and to complete its responsibilities in a cost effective, cost efficient and responsible manner.

The MVFRL 75 Pa. C.S. created the Catastrophic Loss Trust Fund effective October 1, 1984. Act 144 of 1988, 75 Pa C.S. 1761-1769, repealed the provisions of the MVFRL but it did not address the continuation of benefits under the funding established by the MVFRL. Act 4 of 1989, 75 Pa. C.S. 1798.1 and 1798.2 terminated eligibility effective June 1, 1989 and provided for limited continued eligibility through December 31, 1989.

Act 24 of 1989 created the continuation of benefits for those individuals who were catastrophically injured in accordance with the MVFRL. In addition, Act 24 imposed surcharges on motor vehicle violations (such

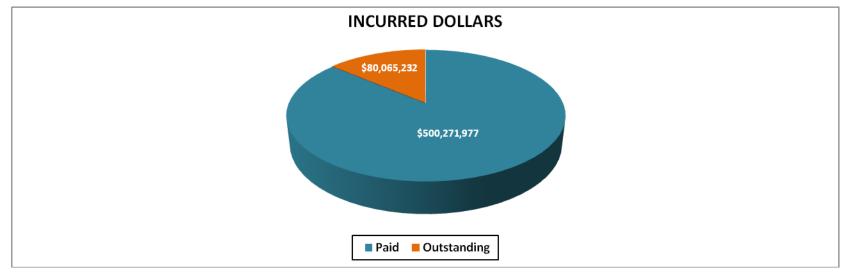
as speeding tickets and moving violations) ranging from \$30 to \$300 and required the monies be used to pay for the continuation of benefits and administration of the CAT Fund. Act 13 of 2002 redirected these surcharges to a different Commonwealth program effective January 1, 2004.

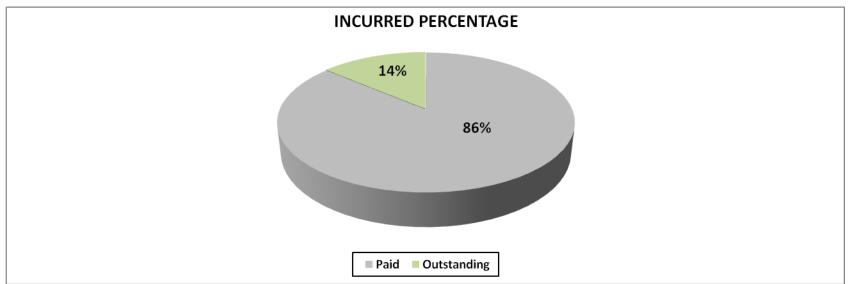
As of June 30, 2011 since inception, the CAT Fund has provided a total of \$500,271,977 in benefits for medical treatment and rehabilitative services on behalf of 1,880 eligible claimants.

The Pennsylvania Insurance Department's Bureau of Special Funds oversees the administration of the CAT Fund. A contracted third party administrator, CSI/ACS Claim Service, Inc. provides claims administration services for the CAT Fund.

Today, the same benefit called the Extraordinary Medical Benefit is offered by law through automobile insurance as a voluntary policy. To find out more about the Extraordinary Medical Benefit, contact your insurance agent or insurance carrier.

## TOTAL PAID AND OUTSTANDING BENEFIT DOLLARS





#### **BENEFIT ELIGIBILITY**

An individual who has suffered injuries in a motor vehicle accident may apply for CAT Fund benefits if the individual meets the following eligibility criteria:

1. The individual was a resident of this Commonwealth at the time of the accident.

The following counties have the highest concentration of residency for current open and eligible claimants: Philadelphia, Allegheny, Bucks, Montgomery, Delaware, Lancaster, Westmoreland and Luzerne.

2. The injury was the result of the maintenance or use of a motor vehicle accident on or after October 1, 1984, and prior to June 1, 1989. Eligibility may continue between June 1, 1989 and December 31, 1989 only if the accident involved a motor vehicle for which the CAT Fund fee had been paid and the accident occurred during the registration year for which the charge was paid. Other restrictions may apply.

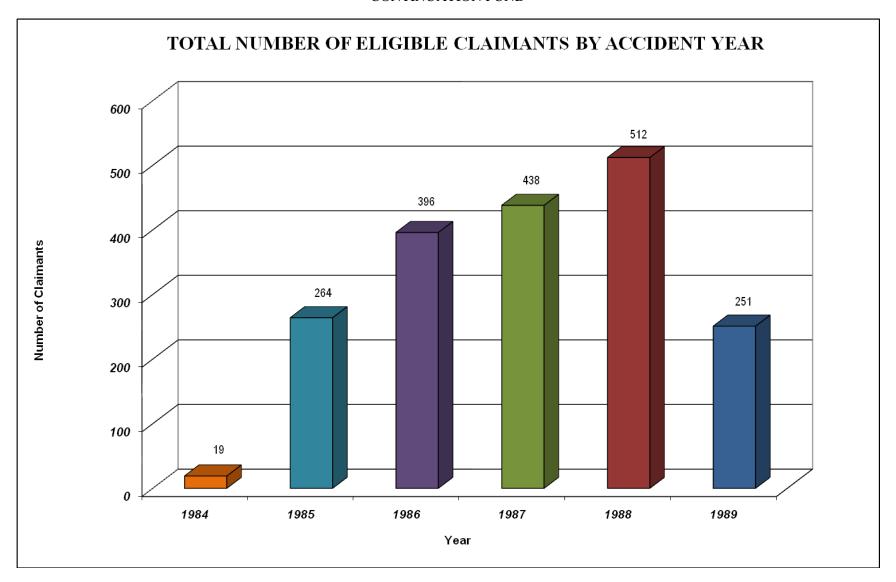
Most motor vehicle injuries occurred in 1988 (512) followed by 1987 (438) and 1986 (396). Today 63.90 percent of the open eligible claimants are between ages of 41 and 60.

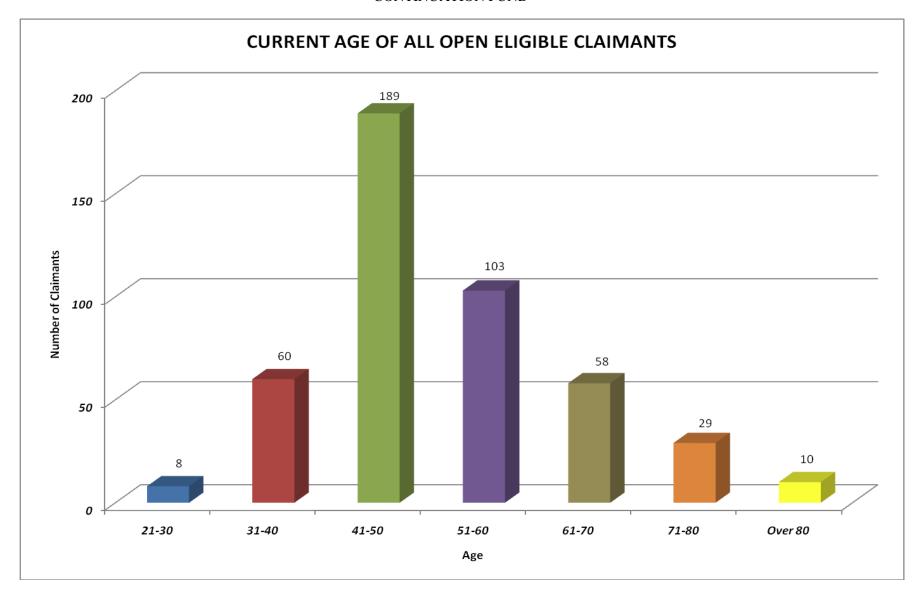
- 3. The auto accident occurred in the United States, its territories or possessions or Canada.
- 4. The injured person was not the driver or occupant of a recreational vehicle not intended for highway use, a motorcycle, a motorized pedal cycle, a motor-driven cycle or any vehicle required to be registered under 75 PA.C.S (relating to the Vehicle Code) but not subject to the CAT Fund charge.
- 5. As a result of the motor vehicle accident, the individual incurred reasonable and medically necessary medical and rehabilitative expenses exceeding \$100,000.

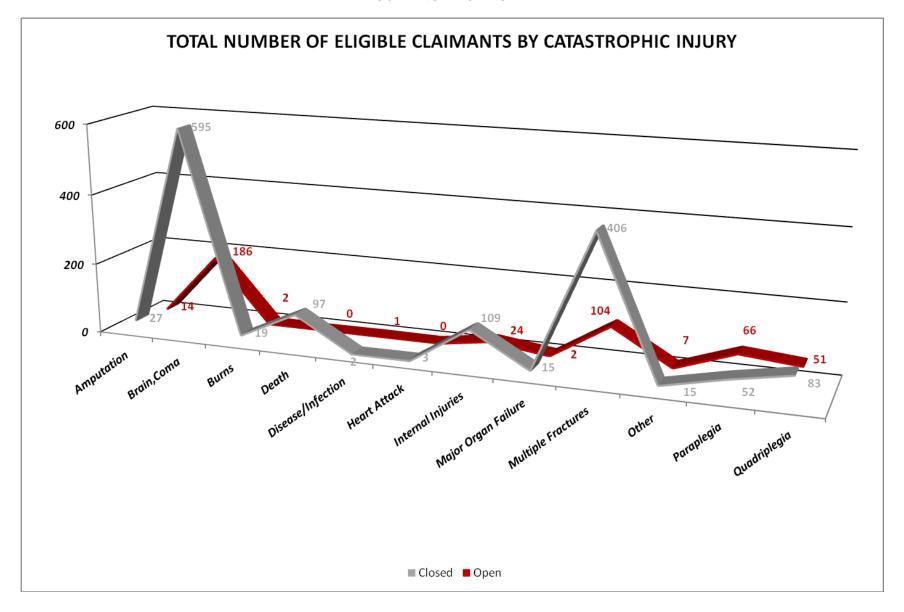
The majority of the injuries sustained by the CAT Fund claimants are of a catastrophic nature and include head injuries, multiple fractures, quadriplegia and paraplegia.

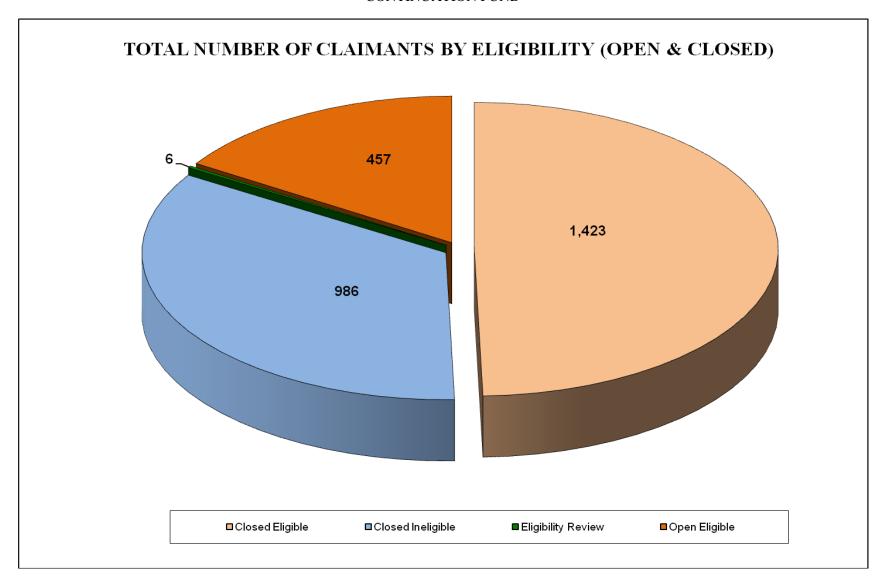
- 6. The individual's medical and rehabilitative expenses were not covered by workers' compensation.
- 7. The individual's medical and rehabilitative expenses were not covered by a policy issued under the Pennsylvania No-fault Motor Vehicle Insurance Act (Repealed).
- 8. The individual complied with the registration requirement of the PA Vehicle Code (Chapter 13) and had paid the applicable CAT Fund charge for any vehicle registered in the Commonwealth of Pennsylvania. The CAT Fund continues to receive new applications for CAT Fund benefits each year.

Out of a total of 2,872 claimants, 986 are considered ineligible, six (6) are under review for eligibility and a total of 1,880 are considered eligible. Currently, 457 of those considered eligible are open and actively receiving ongoing benefits.









#### BENEFIT FUNDING

As the third party administrator for the CAT Fund, CSI/ACS Claim Service, Inc. makes a recommendation relative to the eligibility of the claimant. Once a claimant's eligibility has been established, CSI/ACS Claim Service, Inc. reviews all requests and invoices for benefits to determine if the medical treatment or rehabilitative service is deemed medically necessary, reasonable and accident-related. CSI/ACS also reviews such requests and invoices to see that the medical treatment or rehabilitative service represents the most prudent expenditure of funds.

CAT Fund benefits are provided to eligible claimants at the catastrophic level of coverage or for payment of expenses for medical treatment and rehabilitative services in excess of \$100,000. The CAT Fund is not responsible for the first \$100,000 of expense for medical treatment and rehabilitative services incurred by an eligible claimant.

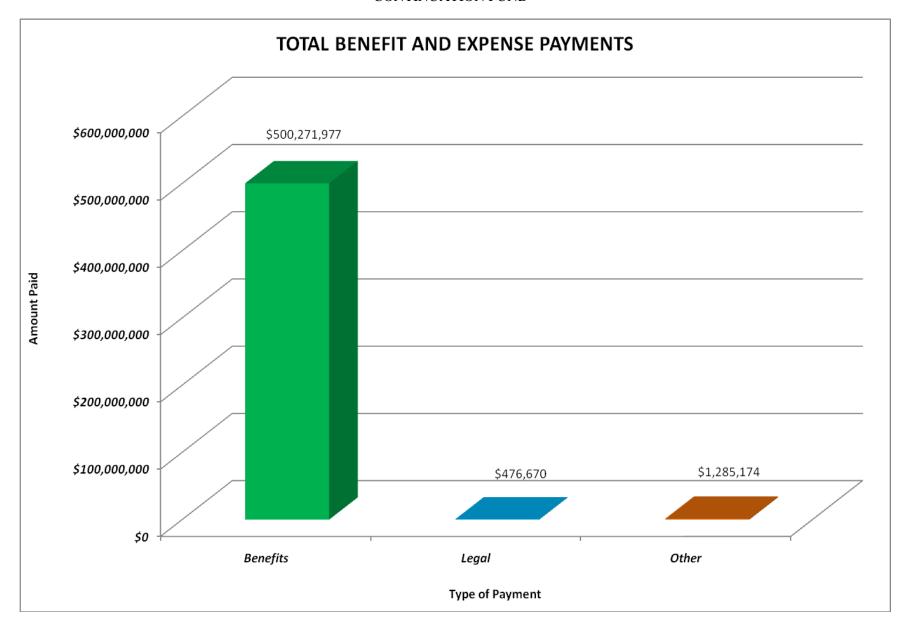
The maximum benefit paid by the CAT Fund on behalf of any one eligible claimant is \$50,000 per annual limit year and \$1,000,000 lifetime aggregate. During the first 18 months after the motor vehicle accident, benefits were provided without regard to the \$50,000 per annual period limit but subject to the \$1,000,000 lifetime aggregate.

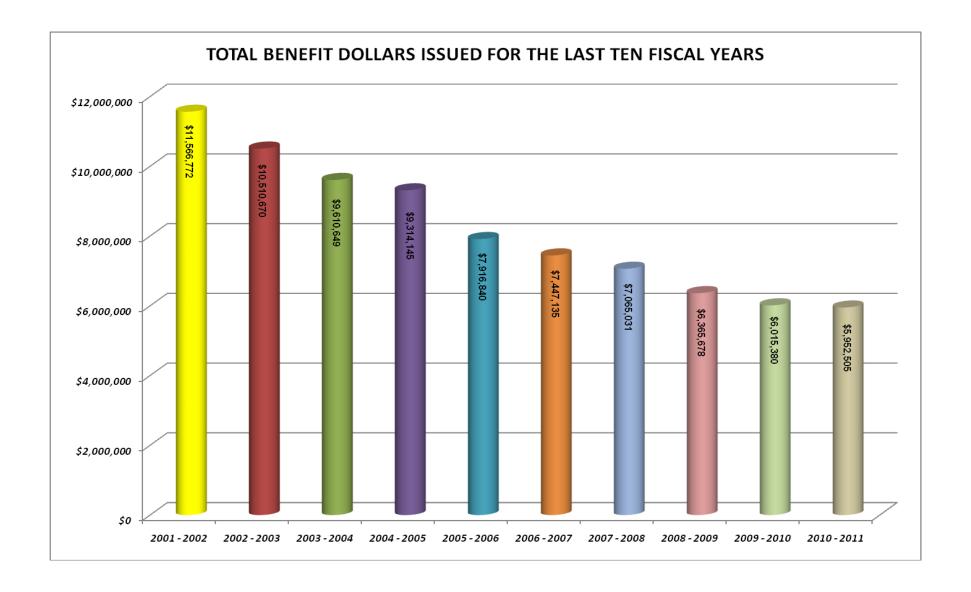
Through June 30, 2011, the CAT Fund has provided over \$500 million in benefits for medical treatment and rehabilitative services on behalf of the 1,880 eligible CAT Fund claimants.

The CAT Fund is the primary funding source for medical treatment and rehabilitative expenses deemed medically necessary, reasonable and related to an eligible claimant's motor vehicle accident. The CAT Fund coordinates with the claimants' secondary funding sources such as Medicare, Medicaid, private and/or group health insurance carriers. Insurers may confirm whether the CAT Fund is the primary payer on a particular claim by contacting CSI/ACS Claim Service, Inc.

To date, 112 claimants have reached the \$1,000,000 maximum benefit expenditure. In the next year, approximately 6 claimants are expected to expend the lifetime maximum as well. Over the last year, the CAT Fund closed 24 claims and reopened 10.

All requests or invoices for CAT Fund benefits should be forwarded to: CSI/ACS Claim Service, Inc/CAT Fund P.O. Box 8861, Camp Hill, PA 17001



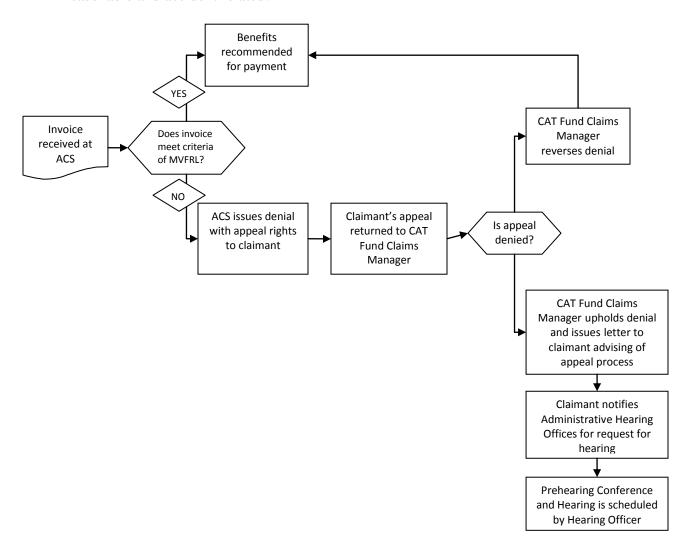


#### APPEALS AND THE ADMINISTRATIVE HEARING PROCESS

Claimants who do not agree with a determination made by the CAT Fund may dispute the determination, as outlined in the regulations of Pennsylvania Insurance Department, 31 Pa. Code 67.6.

If a claim is denied, the claimant or designated representative will receive specific written instructions on the appeal process. At the first level of the appeal process, a claimant is issued written notification from the CAT Fund Claims Manager advising if the denial is upheld or reversed. If the denial is reversed, the invoice is processed for payment.

If the denial is upheld, the claimant receives written instruction on how to request a formal administrative hearing. A formal administrative hearing is conducted before a hearings officer appointed by the Insurance Commissioner. It is the claimant's responsibility to prove that the service(s) in dispute is/are medically necessary, reasonable and accident related.



## **HIGHLIGHTS OF 2010-2011**

## **NEGOTIATED SAVINGS**

The CAT Fund utilizes cost saving programs to save benefit dollars for its claimants. Some of the cost savings programs include concepts from past legislative amendments like the ones contained in the MVFRL 1990 Act 6 amendment.

By using ACT 6 repricing information, ACS negotiates payment amounts with providers of medical treatment and rehabilitative services such as some of the hospitals, doctors, physical therapists, and orthotic/prosthetic suppliers.

MONTH	CHARGED	PAID	SAVINGS	NEGOTIATION FEES	NET SAVINGS
Jul-10	\$224,008	\$124,952	\$99,056	\$1,668	\$97,388
Aug-10	\$968,631	\$850,345	\$120,286	\$1,037	\$119,249
Sep-10	\$737,190	\$461,041	\$276,149	\$2,196	\$273,953
Oct-10	\$210,615	\$97,656	\$112,959	\$1,860	\$111,099
Nov-10	\$269,547	\$171,515	\$98,032	\$1,717	\$96,315
Dec-10	\$201,993	\$90,911	\$111,082	\$1,994	\$109,088
Jan-11	\$125,112	\$50,951	\$74,161	\$1,255	\$72,906
Feb-11	\$352,116	\$263,234	\$88,882	\$2,041	\$86,841
Mar-11	\$301,460	\$177,396	\$124,064	\$2,523	\$121,541
Apr-11	\$291,941	\$192,130	\$99,812	\$1,874	\$97,938
May-11	\$166,360	\$82,073	\$84,287	\$1,229	\$83,058
Jun-11	\$309,654	\$222,813	\$86,840	\$1,250	\$85,590
TOTALS	\$4,158,627	\$2,785,017	\$1,375,610	\$20,644	\$1,354,966
Monthly					
Average	\$346,552	\$232,085	\$114,634	\$1,720	\$112,914

#### PRESCRIPTION DRUG PROGRAM

In an effort to save the CAT Fund, and its claimants, additional benefit dollars, the CAT Fund utilized the services of a prescription billing program, from August 1, 2009 until June 30, 2010, TechHealth. TechHealth continued to supply prescriptions as the claimants transitioned to the prescription medication program, PACE. During this transition period Tech Health saved the CAT Fund claimants: \$115, 957.21.

As of July 1, 2010 the CAT Fund contracted with the prescription medication program, PACE, administered by Magellan Health Services, with the anticipation of even greater benefit dollar savings. This new program provides the CAT Fund claimants access to a comprehensive pharmaceutical cost management program with no out of pocket expense to the claimant. In order to more efficiently track and manage claimants' medications, Prescription ID cards were issued to all eligible claimants during August 2010.

CSI/ACS Claim Service, Inc. adjusters monitor the prescription benefits closely and serve as the central contact to verify that the prescribed medications meet the benefit criteria. The adjusters have immediate access to approve or deny prescription eligibility statuses as necessary by phone, email or online via the website. Claimants and pharmacies have access to customer service by phone.

#### **PACE Auto CAT Payments**

Drug cost at AWP (Drug Cost divided by .88) \$765,134 Total Actual Pay Outs for Medication \$696,001 Savings realized to date \$69,133 or 9.9%

This program, which launched July 1, 2010, has the potential for benefit dollar savings as the program continues to evolve and adjust in order to offer maximum efficiency to the CAT Fund and its claimants. Currently, Magellan is working towards fully enrolling Blackburn's to process and provide medical supplies in addition to prescriptions, resulting in greater benefit dollar savings.

The program also provides the adjuster with direct access to a pharmacist as well as close communication with the Magellan Health administrators, allowing for increased efficiency in managing claimants' prescription formularies. In addition to these benefits, the program will begin offering reports to assist the adjusters in managing their claimants' prescriptions. These reports include:

- Opiate Review monitoring for potential abuse.
- Max Dose flagging claimants that hit or exceed the maximum adult or elderly dose.
- Therapeutic Duplication assessing if claimant is using more than 1 drug in a class.
- Gender Restriction ensuring that prescribed drugs are gender appropriate.

#### CMS/MSPRC

CSI/ACS Claim service, Inc. identified the CAT Fund claimants that are Medicare beneficiaries and reported them, as required, to CMS as part of Section 111 of the Medicare, Medicaid and SCHIP Extension Act (MMSEA) of 2007.

All claimants identified as Medicare beneficiaries were sent a Consent to Release form to complete.

A CMS MSPRC Lien process was developed to respond to correspondence received from MSPRC, including but not limited to (CPN) Conditional Payment Notice, (CPL) Conditional Payment Letter and Recovery Demand Letter. To date we have not received a Demand Letter.

### **INSURANCE FRAUD INVESTIGATIONS**

Pursuant to Act 166 of 1994, the office of Attorney General was granted specific authority to create an Insurance Fraud Section empowered to investigate and prosecute insurance fraud. The CAT Fund considers falsification of a request or invoice for CAT Fund benefits as insurance fraud.

The CAT Fund continues to receive restitution for past fraudulent criminal activity, which it restores to the appropriate claimant's benefits account. CSI/ACS Claim, Inc. continues to monitor claims and will investigate any potential cases of fraudulent activity. Where appropriate, CSI/ACS Claim Service, Inc. will refer the matter to the Office of Attorney General for criminal investigation.