

Memorandum

To: Carlos Valdez, City Attorney
Alison Logan, First Assistant City Attorney

From: Donna James-Spruce, Risk Manager

Date: May 14, 2013

Subject: Certified Workers' Compensation Healthcare Networks

Background: In 2005 the Texas Legislature adopted House Bill (HB) 7. This omnibus bill was established for the creation of certified workers' compensation health care networks, in hopes of controlling medical costs and holding doctors to a higher standard. Theoretically, injured workers' would have better outcomes and return to work quicker, compared to the "Any Willing Provider" status quo system. This bill would require Political Subdivisions to deliver health care using a workers' compensation certified network or justify why it is not practical for them to do so.

Over the past several years the Texas Department of Insurance (TDI) Division of Workers Compensation (DWC) began to develop and implement new rules associated with the certified network system. During this development phase, TDI-DWC began compiling data from these new networks as the networks became certified by the state. It took a considerable amount of time for the state to develop and implement the criteria by which networks would be certified and the process for certification. TDI-DWC began publishing a WC Network Report Card to compare certified health care networks' performance to each other, as well as that of the non-network (Any Willing Provider) claims data. (See attached)

Executive Summary: To comply with HB 7, the City took several steps to analyze whether to which to a certified network or continue with the non-network. In order to determine viability of a health care network, two significant factors were identified; 1) how employees and unions would perceive /receive being "forced" into the use of network medical providers, 2) the cost to the City.

Initially, the City conducted a survey of other Political Subdivisions in Texas to gather information as to how they were making decisions whether to change to

a certified network. Results of the survey clearly show that other self insured public entities in Texas don't plan on moving to the use of certified networks.

Risk Management also analyzed the Workers' Compensation Network Report Card in order to determine the viability and practicality of WC certified networks.

Through assistance from the City's current Workers' Compensation Third Party Administrator, it was found that there would be increased administrative burdens to administer a network and the acceptance of a network environment by two employee Unions and non-Union employees which led to the conclusion that the certified network system is not justified or practical.

Benchmarking

Two School Districts, one County, two State entities and six Cities responded to questions regarding their plans to join or not to join a certified network. None of the public entities reported that they were planning on joining a certified network. When asked if the "Any Willing Provider" system was working well for them, the majority responded in the affirmative and none responded that they had plans to terminate the Any Willing Provider system.

The annual report card results were not readily available and data specific to the City of Corpus Christi was not specifically identified, which made it difficult to make comparisons of our outcomes compared to the outcomes of certified networks. Risk Management personnel requested TDI-DWC provide the City's specific data that the state used in the **WC Network Report Card**, so that comparisons could be made. In the 2012 report, the City of Corpus Christi overall medical costs were lower than all network and non-network costs and the average hospital cost for City of Corpus Christi was lower than all but one network.

Costs Associated With Certified Network Implementation

TDI/DWC has many rules and regulations applicable to networks. The City's current Third Party Administrator (TPA) was asked to provide some information of possible additional costs associated with the implementation of network duties. Currently, the TPA estimates that additional costs would include increased telephonic case management services, fees for all medical bills to comply with regulations, a fee per bill for network access and an additional fee per claim. Additionally, the regulations require the City to have all employees sign and maintain on file acknowledgement forms. The City would incur additional expenses related to implementing this system. The information below illustrates estimates on costs to the City;

Estimated Charges For Network; \$319,690

Estimated Additional City Expenses; \$2,000

Total

\$321,690

Conclusions

Risk Management recommends, like other Texas cities, allowing additional time for the State to continue refining and improving the workers' compensation network system and to elect not to participate in certified networks at this time. Risk Management also recommends releasing a Requests For Proposal (RFP) in conjunction with the Third Party Administrator RFP which will be issued in the summer of 2017.