



AGENDA MEMORANDUM

Future item for the City Council meeting of May 12, 2015
Action Item for the City Council meeting of May 19, 2015

DATE: April 28, 2015
TO: Ronald L. Olson, City Manager
FROM: Miles Risley, City Attorney
MilesR@cctexas.com
826-3361

Interlocal Agreement for Worker's Compensation panel

CAPTION:

Resolution authorizing the City Manager or designee to execute an Interlocal Agreement to participate in My Texas Direct with other Texas local governments to provide for a physician panel for workers' compensation medical benefits as authorized by Chapter 504 of the Texas Labor Code, and provide for expenditures pursuant to said agreement in an amount of \$11.50 per medical bill, estimated to be \$39,433 per year.

PURPOSE:

Currently, some medical providers increase worker's compensation costs and lengthen treatment periods by slowing the return-to-work process of worker's compensation. In addition, truly injured employees are denied effective guidance when attempting to locate medical professionals who will effectively treat their medical conditions. Texas law allows cities to resolve these problems with a provider panel of physicians for work-related injuries or illnesses. This resolution will authorize the City of Corpus Christi to work with other public entities to create this physician panel.

BACKGROUND AND FINDINGS:

The Texas Department of Insurance, through the Division of Workers' Compensation allows three options for employers:

- No network - which is currently utilized by the City
- 1305 Certified Healthcare Network-not recommended
- 504 Physician Panel-recommended

No Network

In a No-network scenario, the burden of locating a medical provider is placed on the employee. The employee must locate a medical provider who accepts workers' compensation. This is difficult for our injured employees as many of them are unfamiliar with medical physicians and/or their family physician does not accept workers' compensation patients. The injured employee often finds themselves searching for physicians or locating a treating physician through word-of-mouth from other injured employees. Medical providers in No-network systems are not as closely monitored by the Division of Workers' Compensation, thus leading to longer treatment periods, over utilization of medical treatment, longer return-to-work time and increased costs. In addition, medical providers who are not licensed physicians are allowed to act as primary treating physicians. These non-physicians medical providers are often insufficient in their efforts to encourage employees to return-to-work, which lengthens treatment periods and can lead some employees to attempt to game the system.

1305 Certified Healthcare Network

The enactment of Chapter 1305, Insurance Code under Article 4 of House Bill 7 (79th Legislature, Regular Session, 2005) requires the Texas Department of Insurance (Department) to certify workers' compensation health care networks and allows insurance carriers (including insurance companies, certified self-insured employers, group self-insured employers and political subdivisions) to contract with or establish certified workers' compensation health care networks (certified networks). Chapter 1305 further authorizes those certified networks to provide or arrange to provide medical services to injured employees. Texas Insurance Code S1305.051 states that a person cannot operate or perform the acts of a network unless the network is certified in accordance with Chapter 1305 and Department rules.

Risk Management has looked into the creation of a 1305 network. Evaluation of the 1305 Certified Healthcare Network resulted in findings that administrative costs were estimated to be as high as **\$319,690 per year**. In addition, the Division of Workers' Compensation found that 11 out of 13 Certified Healthcare Networks had higher overall medical costs than that of the 504 Physician Panels.

504 Physician Panel

Texas law allows public entities to establish their own workers' compensation physician panels. Texas Labor Code 504.053(b) provides

- (b) If a political subdivision or a pool determines that a workers' compensation health care network certified under Chapter 1305, Insurance Code, is not available or practical for the political subdivision or pool, the political subdivision or pool may provide medical benefits to its injured employees or to the injured employees of the members of the pool:
- (1) in the manner provided by Chapter 408, other than Sections 408.001(b) and (c) and Section 408.002, and by Subchapters B and C, Chapter 413; or
 - (2) by directly contracting with health care providers or by contracting through a health benefits pool established under Chapter 172, Local Government Code.

504 physician panels are different from 1305 networks in that 504 panels:

- are for public entities only
- have fewer regulatory restrictions
- do not have a requirement for number of providers that must be contracted per medical service area
- can say no to a provider without a requirement for specific justification
- have no specific credentialing requirement, My Texas Direct will have a credentialing process
- have no lengthy state filings, more appealing to physicians

Due to the simpler requirements, a 504 panel can be established with projected administrative cost of only **\$39,433 per year**.

Interlocal Agreement:

"My Texas Direct", a 504 Physician Panel program, will be formed when two or more political subdivisions enter into the attached Interlocal Agreement. Members can withdraw from the Interlocal Agreement at any time. Once created, other Texas political subdivisions can join My Texas Direct as members, in order to avail themselves of the provisions of Texas law that provides for a physician panel in managing and controlling costs and outcomes in their self-insured workers' compensation programs. Licensed physicians of varied specialties, who treat employees for work-related injuries and illnesses will be included on the panel and agree to have their medical outcomes monitored. Employees will enjoy having the panel list at their fingertips in order to choose their treating Physician. All primary treating Physicians, will be licensed as a medical doctor, which in turn will lead to improved medical outcomes for injured employees and reduced medical expenses.

Projected Savings:

Based on the experience of other 504 panels, our workers' compensation administrator estimates the City will realize a \$140,000 reduction in medical costs in the first year of implementation. The projected annual expense is based on a per bill fee and is estimated at \$39,433. This will result in an estimated net savings of \$100,000.

ALTERNATIVES:

Continuation of current system.

OTHER CONSIDERATIONS:

None

CONFORMITY TO CITY POLICY:

Conforms to all city policies.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

Legal

FINANCIAL IMPACT:

X Operating Revenue Capital Not applicable

Fiscal Year: 2014-2015	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		\$2,154,430		\$2,154,430
Encumbered / Expended Amount		\$945,399		\$945,399
This item		\$20,000		\$20,000
BALANCE		\$1,189,031		\$1,189,031

Fund(s): Liability and Employee Benefits Fund-Workers' Compensation

Comments: The projected annual expense is estimated to be \$39,433, however this is expected to be off-set by cost savings of \$140,000. This will result in an estimated net savings of \$100,000. As noted above, current fiscal year expense is estimated to be \$20,000.

RECOMMENDATION:

Staff recommends approving the Interlocal Agreement.

LIST OF SUPPORTING DOCUMENTS:

Interlocal Agreement
Certified WCHN Memo