



### **WC Small Medical Claims Should Employers Pay? - Page 1**

It will depends on several factors.

- If the employer is in an ERA State or not.
- Employers expertise in paying according to state fee schedules.
- Is small deductible a better option?
- The rules of the state where located.
- Responsible Reporting Entity factors.
- How organized and detailed the employer is.

## Experience Rating Adjustment - (ERA) Page 1

- Traditionally agents recommended employers pay small claims.
- Rationale was frequency impacted the exp mod greater than severity.
- WC stakeholders worried database of loss experience was not complete and could lead to poor statistical data.
- Introduced ERA to entice employers to report all claims. (approved states - page 2)

3

## Effect on Mod in ERA State when Employer pays small medical claims. Page 2

<b>Illustration 1</b> <b>State Fee Schedule or Reasonable &amp; Customary % Decrease</b> <b>&amp;</b> <b>Insurance Carrier Network Discounts</b>			
<b>Total Medical Bills</b>	<b>Fee Schedule for the Treatment/ Procedure</b>	<b>Insurance Carrier Network Discounts</b>	<b>Final medical bill costs due to state fee schedule and carrier network discounts</b>
<b>\$13,981 (gross)</b>	<b>\$9,787</b>	<b>\$7,829</b>	<b>\$6,152 (net)</b>

4

## Small Deductibles – Page 10

### Example of Employers Total Cost (Premiums & Claim under Deductible)

Deductible	Premium	Losses Paid by Employer on Average Under the Deductible	Total Cost
None	\$450,000	\$0	\$450,000
\$1,000	\$440,000	\$8,949	\$448,949
\$2,500	\$430,000	\$19,911	\$449,911
\$5,000	\$425,000	\$35,537	\$460,537
\$10,000	\$400,000	\$62,329	\$462,329

5

## Small Deductibles – Page 11

- How do you decide if a small deductible is beneficial for the client?
- Run their losses for prior years at different loss levels. Add up how much they would have spent on the claims under the deductible versus the premiums savings for a small deductible.
- Evaluate the effect on the experience modification which can vary from state to state.

6

## Small Deductibles – Page 11

### Amount of Claims Under Varying Deductible Levels

2007 - 2008				
8/5/2007	\$833	\$833	\$833	\$833
1/27/2007	\$51,300	\$5,000	\$25,000	\$51,300
3/21/2007	\$27,879	\$5,000	\$25,000	\$27,879
4/24/2007	\$4,196	\$4,196	\$4,196	\$4,196
4/14/2007	\$124	\$124	\$124	\$124
<b>Totals</b>	<b>\$84,332</b>	<b>\$15,154</b>	<b>\$55,153</b>	<b>\$84,332</b>

## Experience Rating Adjustment

### Page 2

- Medical-Only (Injury 6 claims) are reduced by 70% in states where ERA is approved.
- 32 states have approved ERA.
- OH will be an ERA state July, 2012.
- CO is reversing and becoming non-ERA in 2011.

### **Potential Risk & Penalties to Employer**

#### **Page 3**

- Claim could become more serious – denial period invoked by some states may have passed.
- Illegal in some states and/or penalties.
- Need knowledge of rules for timely payments.
- Some states the doctor initiates a report to the state.

9

### **Potential Risk & Penalties to Employer**

#### **State Examples - Page 4**

- In August, 2009 AK issued a bulletin warning employers, insurers and WC stakeholders against the practice of paying small WC claims.
- WI issued a warning to employers on 3-24-09 to employers that they cannot pay claims as it constitutes a deductible which are not approved in WI.

10

## **Small Deductibles – Page 7**

- Whether or not claims under the deductible go in the experience modification depends on the state.
- Some states allow a premium credit for the deductible and do not include claims under the deductible in the experience modification.

## **Small Deductibles – Page 7 Gross Versus Net**

- Assume a \$500 deductible and a \$400 claim.
- In a Net plan the claim is reported as zero.
- In a Gross plan the claim is reported as \$400 even though the entire cost was paid by the employer.

## **Small Deductibles – Page 7 Gross Versus Net**

- Assume a \$500 deductible and a \$1,000 claim.
- In a Net plan the claim is reported as \$500.
- In a Gross plan the claim is reported as \$1,000 as if no deductible existed.

13

## **Secondary Payer – Cliff Notes Explanation Page 9**

- Medicare reimbursements have been around a long time for WC settlements.
- Secondary Payer ACT was passed by Congress under George Bush.
- Set up a formal method to report and recover what Medicare should be reimbursed for GL, AL and WC claims.

14

## **WC is Exempt for Minor Incidents**

### **Page 9**

Must meet ALL of the following criteria:

- The claim is for “medical only” and
- The associated “lost time” for the worker is no more than the number of days permitted by the applicable WC law for a “medical only” (or 7 calendar days if law has no limit) and
- All payment(s) have to be made directly to the medical provider and
- Total payment for medical does not exceed \$750.

15

## **Responsible Reporting Entity**

### **Page 10**

- If an employee is paying small medical claims and they do not meet the WC exempt requirements, they could be a “Responsible Reporting Entity”.
- Employer must follow all the rules for reporting and tracking in this case.

16



## **Small Deductibles NCCI Net States Page 11**

- AL, CO, FL (\$2,500 option only), GA, IL, Iowa, KS, KY, ME, NM (both), MT (both), OK, RI, SC (both) and SD (both).
- Both = both gross and net small deductibles. See state pages.