

## CareComp General Information

CareComp insures exclusively only Alabama nursing home facilities for statutory workers compensation benefits and employer's liability exposures. CareComp is governed by a six member Board of Trustees, who are Alabama nursing home owners. These Board chairs are on a rotating term basis and each rotating term chair is filled by the CareComp participating members' election and voting process at the annual ANHA convention.

CareComp was formed in 1993 as a direct result of the nursing home owners operating in the State of Alabama desiring to control their own destiny as well as to control the return of capital or premiums as a result of the owners' effective control of their facilities' workers compensation cost and exposures.

CareComp has been profitable every year since its inception. The philosophy of the Board of Trustees is to guarantee that all programs and all program decisions have the direct input of all owner members participating in this program. This encompasses input from the owners or their designated representatives in regards to all decisions in regards to settlements, settlement levels of authority as well as decisions to litigate and appeal. The Board of Trustees of CareComp requires the input of the facility's owner prior to any submission by the claims staff for settlement authority on any claim (the Board of Trustees approves every settlement after the owner of the concerned facility has had an opportunity to review the proposed settlement and provide the owner's input into the settlement proposal).

CareComp has been profitable every year since its inception and CareComp has returned, on average, the payment of dividends back to its qualifying members an average of 30% of premiums as cash dividends. This is one of the best dividend return percentages of any group association pool operating in the State of Alabama.

CareComp currently utilizes Millennium Risk Managers as its third party administrating company, to handle the claims process, claims payment systems, program implementations etc. all under the direction of the CareComp Board of Trustees. Millennium Risk Managers is Alabama owned and operated and has acted in this capacity as "TPA" since 1993.

CareComp currently has participating members of approximately 100 nursing homes in the State of Alabama. CareComp does not mass market this program; rather, this program is strictly underwritten for membership participation to ensure that risks are appropriately insured from facilities that have demonstrated internal control and safety mechanisms to minimize losses and exposures.

The funding philosophy is to adequately cover the risks with the least dollar in.....implement effective cost containment claims management so that the most dollar out in the form of dividends can be obtained.

Most funds do not give back the profits in cash; rather, they give back the profits as discounts, and those discounts are listed on the annual billings. CareComp gives back the dividends in cash, and those dividends are timed so that the effective listing of the distributions provides effective cost reporting to various agencies.

Since the inception of the CareComp program (1993), CareComp has given back, **in cash**, to the participating members \$29, 858,111. This represents a 24% dividend return to its members.

What's important to note is that the programs are strictly focused on Alabama nursing home loss preventions, and the losses are not comingled with other industry risks prior to declaration of dividends, which is what occurs in most other pools operating in the State of Alabama.

### **PREMIUM PAYMENT SCHEDULE**

CareComp produces the estimated billing (based upon the facilities' provided budgeted payroll) and bills the facility in 12 equal monthly installments (interest free unless the monthly payment is paid late).

CareComp's annual insuring term is for 1/1/2014 through 12/31/2014.

At the end of the 2013 calendar year, CareComp has an outside payroll auditing vendor to conduct an onsite payroll audit and that payroll audit is then utilized to calculate the facilities' final premium for the 2013 fund year.

### **DIVIDENDS**

Since the inception of the CareComp program, CareComp has given back to its members \$29,858,111 (which represents a 24% return of premium). This distribution is in cash, i.e. it is not a premium discount off of billing.....so it is important to always remember that the premium quote is for the full premium without any reduction for the cash distributions that the members receive annually.

The following is the protocol for cash dividend payments. This will give you an idea of the working parameters of actual dividend cash return and how that program works.

Dividends are declared, each year, by the Board of Trustees subsequent to financial due diligence being performed by the Board of Trustees (which includes, but is not limited to, full reserve audits, actuarial IBNR levels established and a complete financial review by the outside accounting auditing firm) and those dividends are paid back to the qualifying members in the form of cash at the ANHA annual convention.

CareComp separates out each premium dollar into an administration fund, and a claims fund. 25% of every premium dollar goes into the administration fund, and 75% of every premium dollar goes into the claims fund.

The administration fund covers the administration cost of the program, and CareComp enjoys one of the lowest administration costs in the State of Alabama, as far as administering a trade association workers' compensation program.

The claims fund covers the claims that are filed by the participating members.

The administration fund's remaining unexpended capital is generally declared as a dividend every year, and the claim fund's dividend is declared on any one past year as released by the actuaries; however, for the fund year to qualify for dividend distribution, two years must lapse prior to that year being eligible for dividend distribution calculations (this is because a workers' compensation claim has a statute of limitations of two years).

### **MEDICAL COST CONTAINMENT**

The critical component to the success of the CareComp program is the detailed cost containment programs that have been built strictly for the nursing home facilities' workers' compensation claims costs.

In addition to these comprehensive cost containment programs, effective claims dispute resolutions are effectively implemented on the files, and questionable events are thoroughly investigated with the assistance of the facility management staff through robust statement procedures, as well as effective utilization of surveillance.

In regards to medical procedures that the authorized doctor requests authority to perform, CareComp prides itself on effective questioning platforms as it relates to claimants who have pre-existing back conditions that injure those conditions and then attempt to have the work comp claim become a health insurance medical provider by treating the entire pre-existing condition for the rest of the claimant's life as a work comp event.

CareComp utilizes effective cost contract negotiations for the following:

1. Pharmaceutical cost contracts – CareComp participates in an RX contract, the pricing of which is based upon the purchasing power of 32 other state association workers’ compensation programs, so that we enjoy the lowest work comp reimbursement RX pricing in the State of Alabama.
2. AlaMed – CareComp enjoys the discounts provided by the AlaMed PPO (the largest work comp discounting contract program in the State of Alabama.....the only group larger in contract discounting dollars is Blue Cross Blue Shield), and these discounted savings are at no additional claims cost to the file.....in other words, when we discount the bill down to the AlaMed contract, we do not have to pay anybody for that percentage of savings discount.
3. RX Utilization Review (UR) – CareComp has a specially built utilization review pharmaceutical program that is sanctioned by the State of Alabama Department of Labor, whereby the RX prescriptions written by doctors (mainly, pain management doctors) are reviewed by an independent state certified UR pharmacist (Dr. Tim Covington, former Dean of Samford University School of Pharmacy) who, under the UR rules, can disqualify for RX dispensing, and can mandate RX generic dispensing versus name brand dispensing.
4. Treatment Utilization Review (TX UR) – As with the RX UR program, CareComp has a specially built treatment UR program, whereby procedures that are requested by the authorized doctor can be legally and effectively questioned for medical necessity and reasonableness, and legally deny those treatments that are not medically necessary pursuant to the Alabama UR Administration Rules. This is an effective program when we have surgery requests on pre-existing back conditions where our event merely temporarily aggravated that pre-existing condition, or where pain management doctors attempt to perform multiple block procedures, etc.
5. Effective Surveillance – We believe that if we have an employee who is attempting to exaggerate the extent of their injury, we effectively utilize surveillance for the sole purpose of demonstrating to the court that the employee is exaggerating.
6. Trial Attorneys – CareComp takes great strides in selecting the proper defense attorney for a particular venue, so that we have the best trial attorney in that venue who also has the best working knowledge of the trail judge hearing the case.

CareComp has spent 16 years “nailing down” cost containment programs that actually are functional within the nursing home facility that has a direct impact to reducing workers compensation cost and exposures.

Most importantly is that each facilities’ specific directives are implemented from the time the claim is reported to CareComp through the life of that claim until closure (this is the mainstay of CareComp i.e. the facility controls its claims destiny and has direct input on a day to day decision basis of the claim).

CareComp has designated Millennium Risk Managers to implement CareComp’s programs and the participating members’ programs and to process all claims.

CareComp’s claims system is designed so that all loss time claims are reviewed by Millennium Risk Managers’ in-house attorney prior to the adjuster receiving the claim file. This process allows for expert review from a legal standpoint, at the initial stage of the claim. During this “initial screening” process, directives are given to the adjusters so that a proper “position” or “inquiry” is maintained from the outset.

CareComp takes full advantage of the only right available to the employer (under the Work Comp Statute) in a workers compensation case which is the right of the employer to choose the physician that will treat the injured employee.

## **CLAIM REVIEWS**

We encourage each facility to participate in a claims review process, whereby, each facility reviews with the adjuster (and in house attorney) every open file.

This is accomplished by Millennium Risk Managers sending out a narrative “Executive Summary” of every open claim that contains all reserves, event facts and every written note indicating every aspect involving the claim from the outset. These reports are sent to the facility’s designated representative and a conference call is then held with the facility’s representatives (generally the facility’s workers compensation claims management team) and the adjuster handling that particular file. During this review, all current facts are communicated between everybody and excellent information is obtained from the facility and the claims staff. Decisions concerning case management, MMI, attorney selections, settlement potentials, surveillance implementation etc. are explored. This process is invaluable and CareComp is the only fund that conducts these reviews on a routine basis with its participating members.

## **SETTLEMENTS**

CareComp instructs the adjuster to contact the owner (or designated representative) to discuss, in detail, each claim that is postured for final resolution.

### **COMPUTER SUPPORT AND RISK MANAGEMENT INFORMATION SYSTEMS**

CareComp will provide monthly loss data as follows:

1. Individual Employer's Report detailing each location's claims by employee. This report specifies claim type, claim status, injury date, part of body injured, cause of injury, type of injury as well as payments made during the month, payments to date, reserve balances and total incurred in regards to compensation, medical rehab, and other expenses.

CareComp can also provide specialized reports based upon the requirements of our accounts. Examples are as follows:

1. Claims Analysis by Body Part – this specialized report indicates the total dollars incurred for all injuries by specific body parts.
2. Claims Analysis by Nature of Injury – this specialized report indicates the total dollars incurred by types of injury.
3. Claims Analysis by Cause – this specialized report indicates the total dollars incurred by immediate cause and basic cause.

Our computer automatically re-prices all medical bills to the State Fee Schedule at no additional cost to our clients. At any time, we can provide our clients with reports detailing by each medical bill the actual dollar savings that have been provided by CareComp re-pricing system.

### **CONCLUSION**

Understanding the cost containment programs, as well as the extensive robust cost containment programs that are implemented on each case, as well as the facility's ability to be an active claims manager on each claim, is invaluable.