



California Customers

Travelers Response to CA DOI July 2009 Reports

In April and June of 2009, the Department of Insurance held public hearings to investigate the 23.7% pure premium rate recommendation made by the Workers' Compensation Insurance Rating Bureau (WCIRB). As a result of those hearings, the Department of Insurance issued a rate recommendation of 13.5%. In both cases, increased medical costs were the main drivers. Insurance Commissioner Poizner rejected both numbers and recommended no increase. In California, the Commissioner has no authority to set rates, but his recommendations are heavily weighed by the industry. Out of the hearings came numerous recommendations.

What did the Department of Insurance Recommend?

On the legislative front, the Department recommended:

- Revising Medical Provider Network (MPN) mandates to focus on return to work and cease requiring 25% of the network providers to primarily treat non-occupational medicine.
- Certifying MPNs directly instead of through insurers, allowing employers to retain their MPN when changing insurers.
- Requiring billings to be paid in accordance to state fee schedules.
- Setting fee schedules as the maximum allowable amount.
- Revising the physician fee schedule to incorporate a Resource-Based Relative Value Scale (RBRVS).
- Implementing procedures before medical liens can be filed.
- Establishing a statute of limitations for filing liens.

On the regulatory front, the Department recommended:

- Implementing pharmacy network regulations.
- Curtailing physician-dispensing of drugs.
- Mandating the use of generic drugs.
- Adopting a state drug formulary.
- Adopting an electronic billing process.

For the judiciary, the Department recommended:

- Reversing the decisions in *Almaraz*, *Guzman*, and *Ogilvie*.
- Consistently uphold the application of evidence-based treatment guidelines.
- Considering replacing the Workers' Compensation Appeals Board with an Independent Medical Review Board to adjudicate medical issues.

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For insurers and self-insured employers, the Department recommended:

- That insurers work more efficiently with their insureds to control costs.
- Developing and using pharmacy networks.
- Customizing medical provider networks.
- Improving communications with network providers.
- Decreasing the use of utilization review.
- Developing methods to measure return-to-work outcomes and MPN cost-effectiveness.
- Focusing less on network utilization and more on patient outcomes.
- Developing methods to measure utilization review programs effectiveness and outcomes.

What is Travelers doing?

At the request of the Commissioner, Travelers was pleased to have been a participant in the Commissioner's public hearings as it served as an opportunity to present critical information supporting many of the recommendations:

- Travelers has had a pharmacy network in place for several years that has been successful on many fronts. Early on, we tackled the issues of physician-dispensing and the use of repackaged and compound drugs. We believe we could achieve even more success if regulations were promulgated. The lack of regulations severely hampers our ability to enforce pharmacy network utilization.
- To assist the state, we are working with industry partners to develop proposed regulations surrounding pharmacy networks and drug formularies for submission to the DWC. The proposed regulations will also address physician-dispensing and compound drugs.
- We are also working to educate industry groups and the California Department of Workers' Compensation (DWC) about concerns surrounding the increasing usage of compound drugs.
- Travelers has also had a successful Medical Provider Network (MPN) in place for several years, offering quality medical coverage throughout the entire state. Ahead of the curve, we are in the process of customizing our Medical Provider Network to include both durable medical equipment and a pharmacy program. The custom network certification process is scheduled, and we plan to roll in February 2010.
- We constantly monitor and measure our MPN and pharmacy networks, as well as our utilization review program. Unlike many of our competitors, our highly skilled Claim and Nurse Case Managers are able to address more than 70% of submitted bills at the desk level, bypassing the need for external utilization reviews (UR). This results in substantial UR savings and speedy treatment authorizations.
- We are working closely with industry organizations and lobbyists such as the California Workers' Compensation Institute and the American Insurance Association to recognize issues and promote legislative reforms.
- We directly participate in various state advisory boards to help promulgate needed regulations, such as successfully amending proposed MPN notice regulations to allow employers to serve notice by email.
- Being one of the first insurers to submit *amicus* briefs in the *Almaraz*, *Guzman* and *Ogilvie* decisions, Travelers has developed an internal "Appeals Committee" to address flawed judicial

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decisions and consider appropriate actions. With the recent WCAB Opinions on Reconsideration, we intend to play a continued role. For more on these decisions, click [here](#).

What can I do?

- Let us know of any difficulties your employees may encounter with their claim, medical provider, or prescriptions. Our goal is to provide you superior service and your input is crucial.
- Consider working with your own trade associations to advocate to the Legislature and submit briefs. You may wish to also contact your state representative and voice your support for further reforms.

Please contact Darcy Lincoln [dlincoln@travelers.com or 909-612-3237] or Carol Swirsky [cswirsky@travelers.com or 860-954-3021] in the Workers Compensation Product Group if you have any questions or need additional information.