New Workers' Compensation Law Impacts Members

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Additionally, the Workers' Compensation Commission was abolished and its duties transferred to the Texas Department of Insurance.

How does this law impact this Pool?

Self-insured political subdivisions and pools can provide medical benefits through a certified network, if the governing body of the political subdivision determines that proving benefits through a network provides quality service to the employee and is practical for the political subdivision.

A political subdivision may enter into interlocal agreements with other political subdivisions to establish or contract with networks. If a political subdivision or pool determines that a certified network is not available or practical, the political subdivision or pool may provide medical benefits to its injured employees by either directly contracting with health care providers, or through a health benefits pool.

The Pool, as well as workers' compensation carriers, will likely see higher costs resulting from initially joining a network or creating a network with the goal of ending unnecessary medical treatments. Eventually, the network concept will hopefully create a group of medical providers that provide quality treatment and return employees to work in a timely manner.

The Pool must have a system that provides available doctors statewide to all members in the Pool. The Pool has met with groups that are setting up operations to be certified networks. These networks have not been finalized, and their pricing structure on the cost to access a network is unknown. In order to get quality medical providers to return to the system, the fees must be sufficient to attract quality doctors.

This article provides some of the basics of the new law. The Pool will continue to provide updates and policy changes as it works its way through the implementation phase of the law. Should you have questions, please contact the Pool's Workers' Compensation Manager Mike Bratcher at 1-800-537-6655.

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TML Intergovernmental Risk Pool Newsletter
November 2005

$4.9 Million Liability Equity Return in November

This November the Pool will return $4.9 million in equity to members of the Liability Fund. Returns will be transmitted by check to qualified members whose accounts are current and by account credit for all other qualified members.

This equity return is a direct result of reduced losses over the past several years in the Liability Fund.

Distribution will be made to Members that have participated in the Liability Fund for three successive, complete years on September 30, 2005, and have Liability loss ratios no greater than 100% since joining the Pool or for the five years ending September 30, 2004, whichever produces the lower loss ratio. Distribution will be made to qualified Members that continue to be Members of the Liability Fund as of November 1, 2005.

Members with loss ratios of 80% or less will receive an amount equal to 15% of their 2004-05 contributions. Members with loss ratios of 81% to 85% will receive a distribution equal to 12% of their 2004-05 contributions. The remaining Members with loss ratios no greater than 100% will receive returns of 3% to 9%, depending on their loss ratios (see chart below). Approximately 1,830 Pool members will qualify for the maximum 15% equity return.

Loss Ratio	Equity Return as a % of 2004-05 Contributions
80% or below	15%
81-85%	12%
86-90%	9%
91-95%	6%
96-100%	3%
>100%	0

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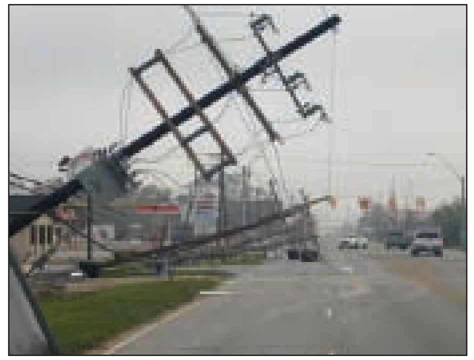
Board Appoints New Board Member

Harold Dominguez, from San Angelo, has been appointed by the Board to fill Place 12 on its Board of Trustees.

Harold Dominguez is the City Manager of San Angelo. He joined the city as Assistant City Manager. Shortly thereafter he served as Interim City Manager until July 2004 when he was appointed City Manager. Prior to his employment in San Angelo, he was Assistant to the City Manager in Lubbock. Mr. Dominguez is a member of the Texas City Management Association, and was president of the Urban Management Assistants of West Texas in 1999. He has a Bachelor's degree in History with a Minor in Political Science, and a Masters of Public Administration from Texas Tech University.

Hurricane Rita Causes Estimated $4.5 Million in Damage to Members' Property

Hurricane Rita caused extensive damage to Pool Members' property located in east Texas. Most of the damage occurred near the Beaumont-Port Arthur-Orange area where the storm entered Texas. Damage was reported as far north as the Nacogdoches area.



City of Nederland

Most of the loss was wind damage to roofs, and damage caused by fallen trees and flying debris. In addition to structures being damaged, computers, desks, and other contents were damaged by rain and wind entering the exposed buildings. The largest claim appears to have been generated from damage to several buildings in Silsbee, with an estimated cost of approximately $900,000.

Baytown Housing Authority

Within a day of the storm moving north, the Pool's Loss Prevention Department visited East Texas Pool Members, providing assistance, helping assess damage, and starting the claim process. The Liability and Property Claims department set up a team to work over the weekend to quickly begin processing claims.

Pool Members in the counties that border the Gulf of Mexico are considered "first tier" members. Their windstorm coverage is placed either with the State windstorm carrier (TWIA) or private windstorm insurers. Most of the claims that occurred in these "first tier" areas will be paid by the windstorm insurance providers.

The Risk Pool has set up over seventy claims for Hurricane Rita damages. These claims are primarily in areas that are inland from the "first tier" counties. The estimated cost of these claims is over $5 million.

City of Silsbee

$4.9 Million Liability Equity Return

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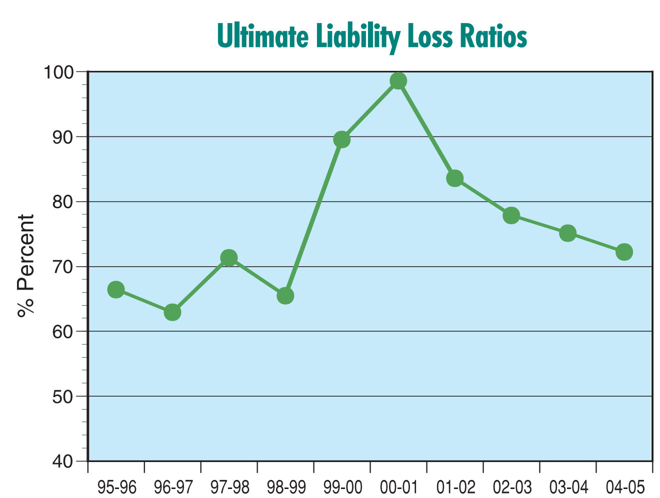
Members owing the Pool will have the amount owed deducted from their equity return and be issued a check for the difference.

Equity returns are based on each year's loss experience, they are not automatic or routine. Because the results of this Fund have been positive for the past several years, the Pool has returned equity in six out of the past twelve years, totaling $19.9 million.



Property Fund to Provide $4 Million Equity Return

A First for the Property Fund

In addition to the $4.9 million equity return in the Liability Fund, beginning in February of 2006 the Pool is scheduled to return approximately $4 million of equity from the Property Fund.

In January 2005, the Board of Trustees adopted an equity return policy for the Property Fund that is triggered if certain criteria are met with regards to reserve and contribution ratios and year-end fund balances.

Based on preliminary estimates, members should expect to receive an equity return of approximately $4 million. This amount would have been larger had it not been for Hurricane Rita that hit the Texas coast on September 24th. That storm produced over $5 million in losses, of which $3 million will be retained by the Property Fund.

The equity return for the Property Fund will be based on both loss experience and length of membership in this Fund. Members with loss ratios of less than 100% will qualify for a portion of the return. Members with progressively lower loss ratios will receive a progressively greater percentage of the return. There is also a component that recognizes the length of time a Member has participated in the Property Fund.

The formula that will be used to determine the return members will receive will be finalized based on financial results, length of membership, and loss ratios as of 9/30/05. The Pool's Board of Trustees will approve the recommended formula at the January Board meeting after it receives the 2004-05 audit.

New Workers' Compensation Law Impacts Members

Recognizing that Texas has one of the most expensive and least effective workers' compensation systems in the nation, the Texas legislature took action to reform the current system by changing the process of employee selection of doctors to network certified doctors that will be similar to the group health programs. The goal is to provide quality medical care to injured workers, return injured workers to gainful employment in a timely manner, and reduce unnecessary medical treatment.

What was wrong with the old system?

Some of the problems included:

- Injured workers were being treated for long periods of time, but did not have good return to work results.
- Because of the high administrative burden and uncompetitive compensation for treatments many physicians opted not to participate.
- Dentists refused to provide care unless guaranteed payment.
- Too often back surgery patients had poor results, required several additional corrective surgeries, or became addicted to pain medications.
- Employees could "shop for physicians" until they found one who would provide the result that they wanted.
- Chiropractors were allowed to treat burns, brain injuries, and feet, ankle and knee injuries, often with poor results.

What the new legislation does:

The legislature made substantial changes. To end "shopping for a doctor," employees will only be able to select a physician who is in an approved network and then will only be able to change from their selected physician once. Physician networks will be created and employees will have to choose a treating doctor from the network's list of doctors. If a third change is requested by the employee, that change must be approved by the affected network. The intent is to create networks of good doctors who will be compensated at fair rates and will provide quality medical care to injured employees.

Networks must adopt treatment guidelines that are outcome based and nationally recognized. Networks will pay medical providers based on contract language. Previously, the Texas Workers' Compensation Commission adopted fee guidelines, which were generally 125% of Medicare.

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