

CLRS

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TEXAS NONSUBSCRIBER OPTION AND THE REAL DATA SAYS.....

September 17, 2019

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INTRODUCTIONS

Lisa Havens, J.D.

Chief Risk Officer, Senior Vice President - Legal Counsel

Baylor Scott & White

- Largest not-for-profit healthcare system in Texas
- 48 hospitals
- 800 patient care sites
- 7,800 physicians
- Over 47,000 employees
- Nonsubscriber since 2004
- 8,200 Texas Nonsubscriber claims in the last 5 years



INTRODUCTIONS

Russell Huber
Executive Vice President
PartnerSource

- Nation's largest Texas Nonsubscriber consultant
- 800,000 of 1.2M employees
- 25 years
- Work with all major brokers
- Industry's largest database



AGENDA



What is Texas Nonsubscriber Option?



What are the Risks?



What are the Rewards?



Results of Actuarial Study





OVERVIEW OF TEXAS NONSUBSCRIBER OPTION



TEXAS INSURANCE COVERAGE ALTERNATIVES

OFF-THE-JOB

EXCHANGES

GROUP HEALTH
BENEFIT PLANS
(ERISA PLATFORM)

NOTHING
(PART-TIMERS, ETC.)

ON-THE-JOB

WORKERS'
COMPENSATION

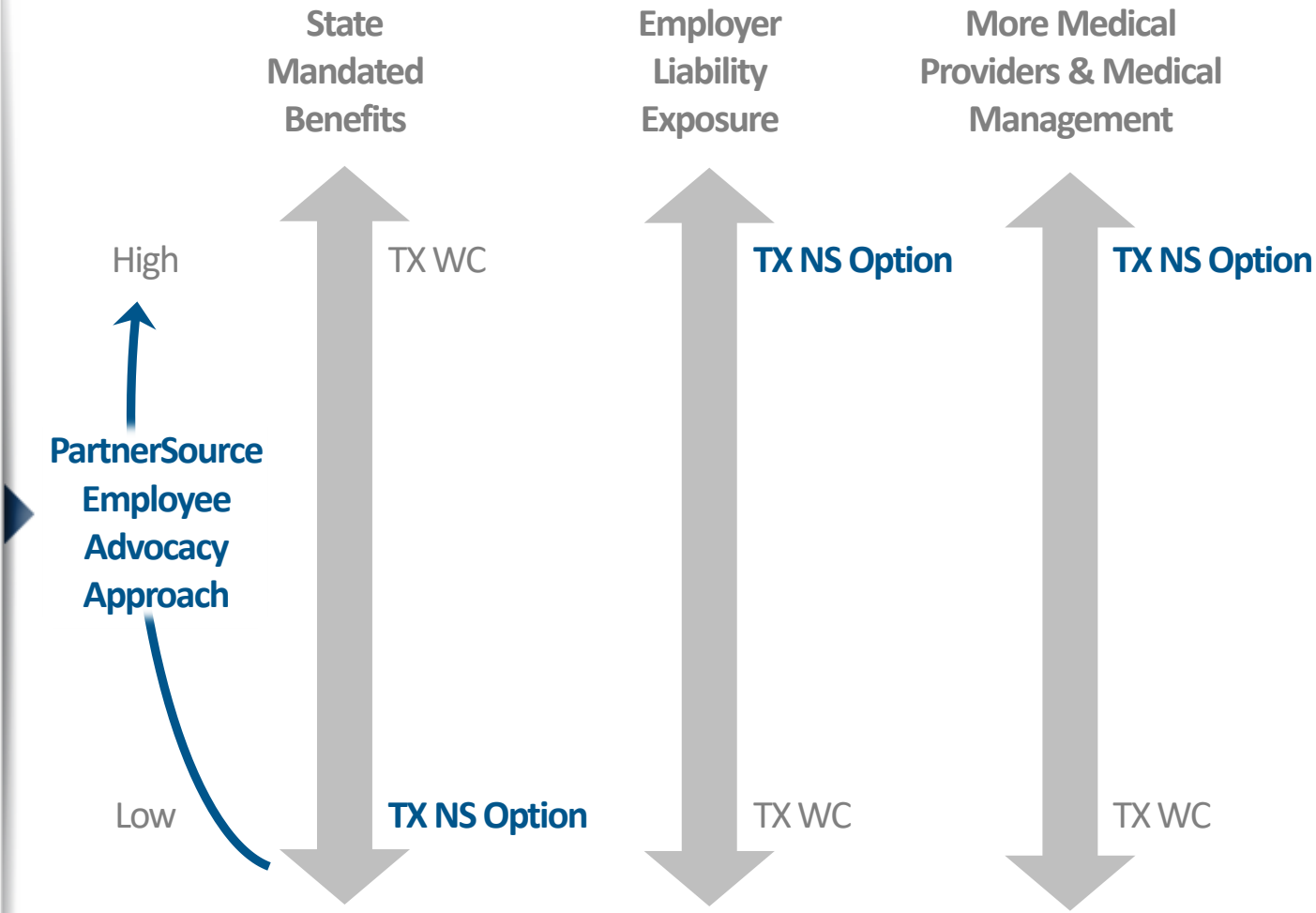
TEXAS
NONSUBSCRIBER
OPTION
(ERISA PLATFORM)

~~NOTHING~~
(NOT A REALISTIC
OPTION)

105,000 EMPLOYERS
NOT PERMANENT DECISION



COMPARISON TO WORKERS' COMPENSATION



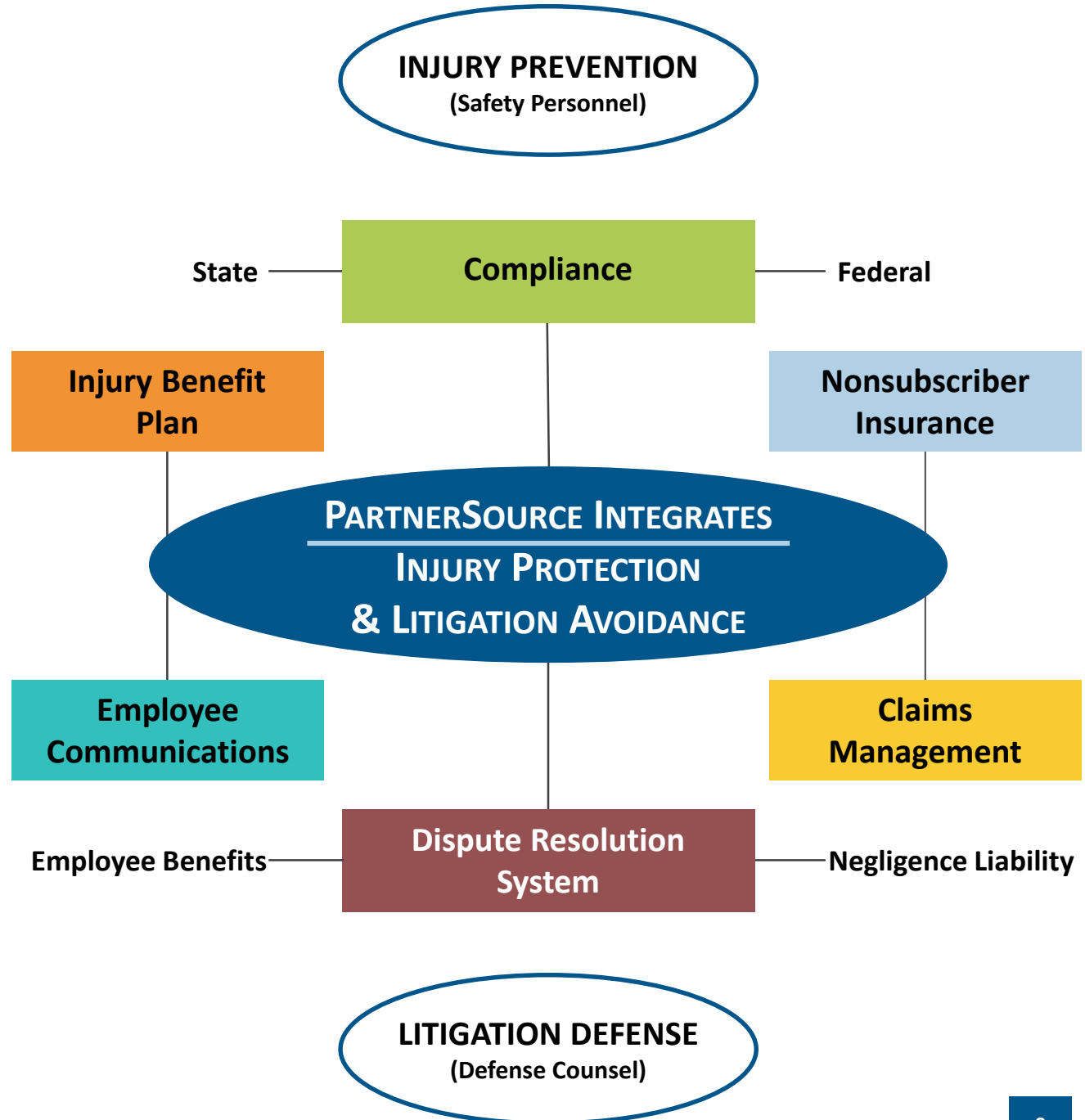
WHY CONSIDER NONSUBSCRIBER OPTION?

TOP 5 REASONS:

1. Access to More Providers
 - 64% of TX doctors will not accept work comp
2. Stable
 - 105,000 Employers
 - Big TPAs & Insurers
3. Good for Employees
 - Better Benefits & Doctors = Better Outcomes
4. Good for Employer – Substantially Lower Cost
 - Without adding staff
 - No increased employee benefit cost
 - No collateral on insurance
5. Claim Resolution
 - Ability to settle



COMPONENTS OF NONSUBSCRIBER OPTION





RISKS

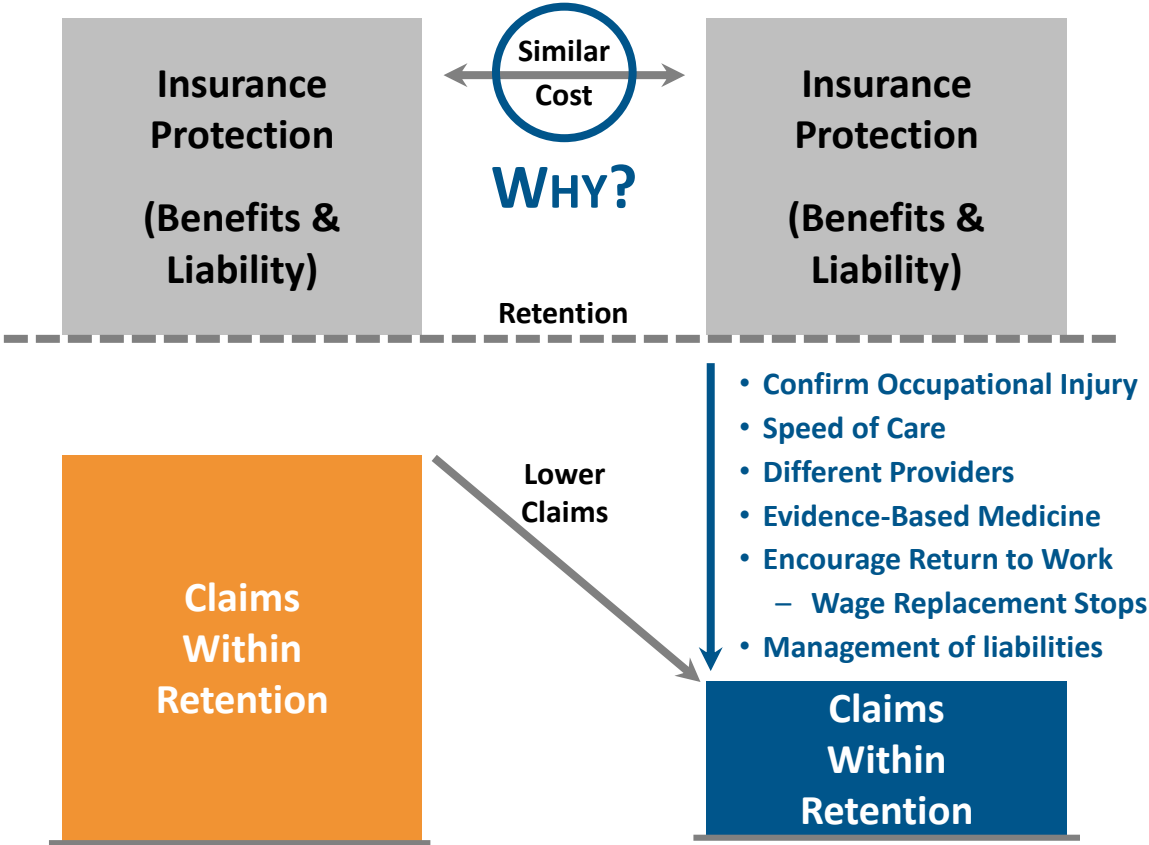


COMPARING THE CHOICES

RISKS

TX Workers' Compensation

TX Nonsubscriber Option



CLAIM ANALYSIS MODEL

RISKS



Injury Benefits

No Fault

ERISA
(Federal Law)

If Denied

Appeal

Federal Court

Negligence Liability

Whose Fault?

State Law

State Court

Arbitration*

Employment Status

- Employee Handbook
- ADA
- FMLA
- Etc.



* May Not Apply to Interstate Transportation

NONSUBSCRIBER NEGLIGENCE LIABILITY EXPOSURE

LIABILITY EXPOSURE

- Duty
- Breach
- Causation
- Foreseeability
- Damages
- Loss of Certain Common Law Defenses
 - Negligence of Fellow Employees
 - Etc.

LIABILITY PROTECTIONS

- Plan Design & Approach
- Statutory Defense (Intoxication, etc.)
- Case Law
 - Sole Cause
 - Failure to Follow: Instructions/ Safe Alternatives
 - Not Course/Scope
 - Normal Job
 - Obvious Hazard
- ERISA Preemption
- Arbitration
- No Collateral Source
- Insurance

Gross
Negligence
Death Claim

**BALANCE
RESTORED**

IMPACT: ATTORNEY INVOLVEMENT IN 15/1,000 NONSUBSCRIBER CLAIMS

MANAGEABLE/INSURABLE EXPOSURE





NONSUBSCRIBING INDUSTRY'S LARGEST SETTLEMENTS & JUDGMENTS

Based on PartnerSource Research since 1989

January 2019

\$1 Million - \$2 Million		\$2 Million - \$5 Million		Over \$5 Million
\$1,000,000 ¹	\$1,300,000 ²⁶	\$2,000,000 ⁵⁰	\$2,700,000 ⁷³	\$5,000,001 ⁹³
\$1,000,000 ²	\$1,300,000 ²⁷	\$2,000,000 ⁵¹	\$2,750,000 ⁷⁴	\$5,028,875 ⁹⁴
\$1,000,000 ³	\$1,300,000 ²⁸	\$2,000,000 ⁵²	\$2,916,238 ⁷⁵	\$5,202,664 ⁹⁵
\$1,000,000 ⁴	\$1,312,000 ²⁹	\$2,030,000 ⁵³	\$2,950,000 ⁷⁶	\$5,250,000 ⁹⁶
\$1,000,000 ⁵	\$1,312,518 ³⁰	\$2,031,451 ⁵⁴	\$3,000,000 ⁷⁷	\$5,300,000 ⁹⁷
\$1,000,000 ⁶	\$1,362,309 ³¹	\$2,056,867 ⁵⁵	\$3,000,000 ⁷⁸	\$6,000,000 ⁹⁸
\$1,000,000 ⁷	\$1,426,550 ³²	\$2,063,016 ⁵⁶	\$3,000,000 ⁷⁹	\$7,083,418 ⁹⁹
\$1,000,000 ⁸	\$1,471,227 ³³	\$2,106,442 ⁵⁷	\$3,000,000 ⁸⁰	\$8,000,000 ¹⁰⁰
\$1,000,000 ⁹	\$1,500,000 ³⁴	\$2,248,927 ⁵⁸	\$3,100,000 ⁸¹	\$8,590,000 ¹⁰¹
\$1,080,514 ¹⁰	\$1,500,000 ³⁵	\$2,250,000 ⁵⁹	\$3,073,613 ⁸²	\$8,601,496 ¹⁰²
\$1,093,445 ¹¹	\$1,500,000 ³⁶	\$2,251,592 ⁶⁰	\$3,400,000 ⁸³	\$9,120,000 ¹⁰³
\$1,143,141 ¹²	\$1,500,000 ³⁷	\$2,333,108 ⁶¹	\$3,500,000 ⁸⁴	\$10,250,000 ¹⁰⁴
\$1,150,000 ¹³	\$1,702,709 ³⁸	\$2,450,000 ⁶²	\$3,630,000 ⁸⁵	\$11,293,080 ¹⁰⁵
\$1,161,790 ¹⁴	\$1,750,000 ³⁹	\$2,495,330 ⁶³	\$3,800,000 ⁸⁶	\$11,900,000 ¹⁰⁶
\$1,179,670 ¹⁵	\$1,750,000 ⁴⁰	\$2,500,000 ⁶⁴	\$4,000,000 ⁸⁷	\$12,450,000 ¹⁰⁷
\$1,200,000 ¹⁶	\$1,750,000 ⁴¹	\$2,500,000 ⁶⁵	\$4,050,000 ⁸⁸	\$15,300,000 ¹⁰⁸
\$1,200,000 ¹⁷	\$1,800,000 ⁴²	\$2,500,000 ⁶⁶	\$4,003,286 ⁸⁹	\$16,000,000 ¹⁰⁹
\$1,228,593 ¹⁸	\$1,800,000 ⁴³	\$2,500,000 ⁶⁷	\$4,700,000 ⁹⁰	\$17,000,000 ¹¹⁰
\$1,250,000 ¹⁹	\$1,804,000 ⁴⁴	\$2,500,000 ⁶⁸	\$4,800,000 ⁹¹	\$17,751,748 ¹¹¹
\$1,260,000 ²⁰	\$1,896,000 ⁴⁵	\$2,500,000 ⁶⁹	\$4,800,000 ⁹²	\$20,413,428 ¹¹²
\$1,266,569 ²¹	\$1,898,126 ⁴⁶	\$2,550,000 ⁷⁰		\$22,707,000 ¹¹³
\$1,298,800 ²²	\$1,900,000 ⁴⁷	\$2,631,568 ⁷¹		
\$1,300,000 ²³	\$1,900,000 ⁴⁸	\$2,684,026 ⁷²		
\$1,300,000 ²⁴	\$1,918,895 ⁴⁹			
\$1,300,000 ²⁵				

CLAIMS W/ PLAINTIFF ATTORNEY REPRESENTATION

NONSUBSCRIBER OPTION RISKS

15 / 1000 claims (1.5%)

Activity

Less 11 claims
(1.1%)

Attorney Withdrawal

Less 2-3 claims
(0.2 - 0.3%)

Settled

Leaves 1-2 claims
(0.1 - 0.2%)

Arbitrated
or Court





REWARDS



WHAT ARE THE REWARDS?



Employee Satisfaction – Better Benefits, Better Doctors



No Collateral



Improved Outcomes



Lower Cost



EMPLOYEE ADVOCACY APPROACH

BETTER BENEFITS

Take Great Care of Legitimately Injured Workers

	TX Workers' Compensation	Actual PartnerSource Client Averages
Wage Replacement Waiting Period	7 Days	98% 0 Days
Wage Replacement Max Weekly Benefit	\$938	88% No Max
Wage Replacement %	70% (non-taxable)	92% Wage Replacement



OPTION: EASY WAY TO INCREASE BENEFITS



EASY WAY TO TAKE GREAT CARE OF THE WORKER

IMPACT OF WAGE REPLACEMENT (WR) PERCENTAGE ALONE:
WHICH PROGRAM PAYS A HIGHER BENEFIT?

Texas						
	10 th Percentile Wage	25 th Percentile Wage	50 th Percentile Wage (Median)	Mean Wage (Average)	75 th Percentile Wage	90 th Percentile Wage
	\$18,080	\$22,890	\$35,480	\$47,770	\$58,190	\$90,710
100% WR	Option	Option	Option	Option	Option	Option
95% WR	Option	Option	Option	Option	Option	Option
90% WR	Option	Option	Option	Option	Similar	Option
85% WR	Option	Option	WC	WC	WC	Option

92% PARTNERSOURCE AVERAGE WAGE REPLACEMENT PERCENTAGE

IMPROVED OUTCOMES

TEXAS NONSUBSCRIBER OPTION ACTUARIAL DATA ANALYSIS



Performed by:

- Leigh J. Halliwell, FCAS, MAAA
 - National Council of Compensation Insurance
 - Independent at time of evaluation



Scope:

- 160,000 Texas Nonsubscriber claims
- 33 different sources
- 10-year period – 2005-2015



Data Comparisons:

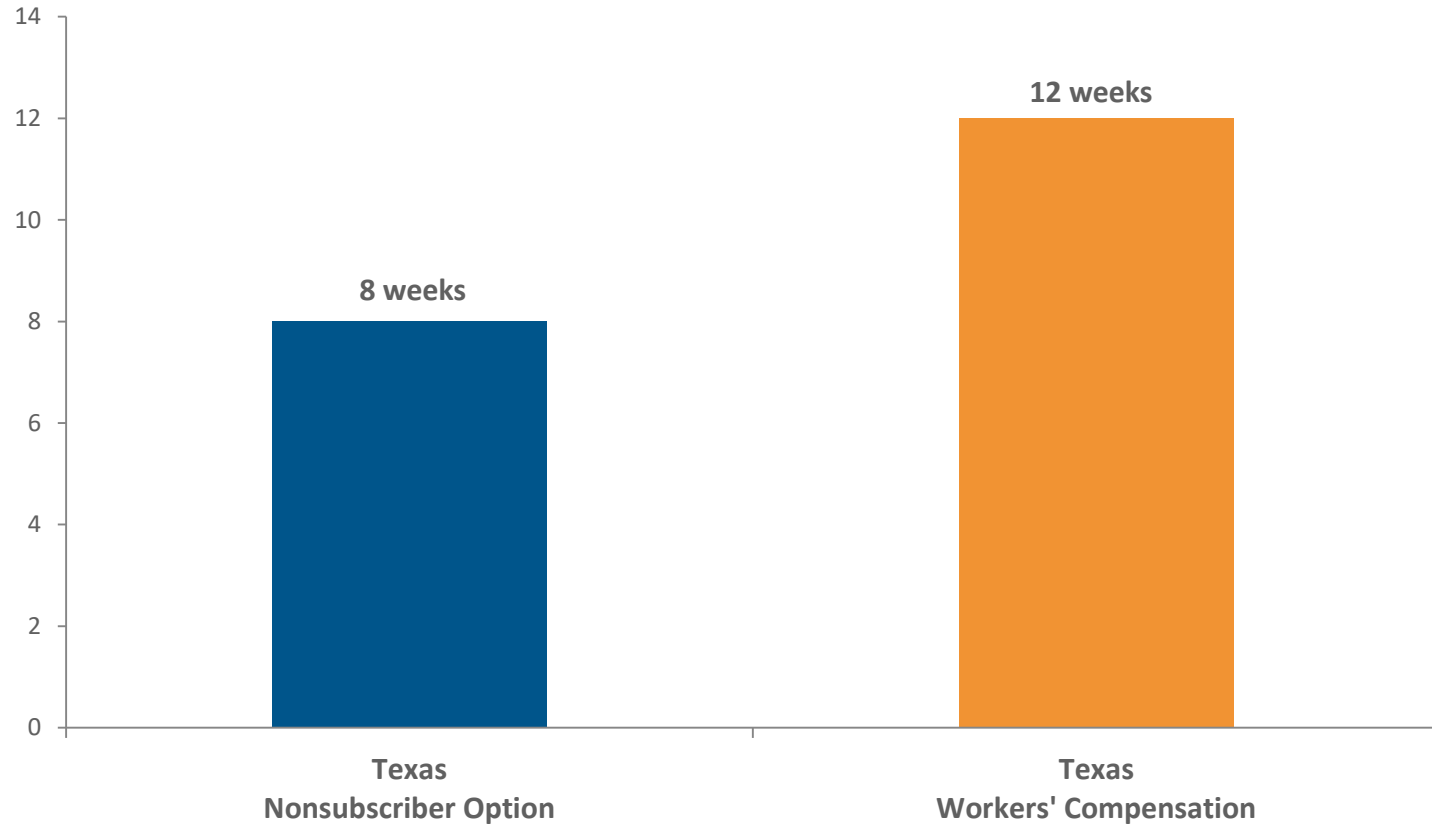
- Workers' Compensation Research Institute
- Texas Department of Insurance



Released December 2016



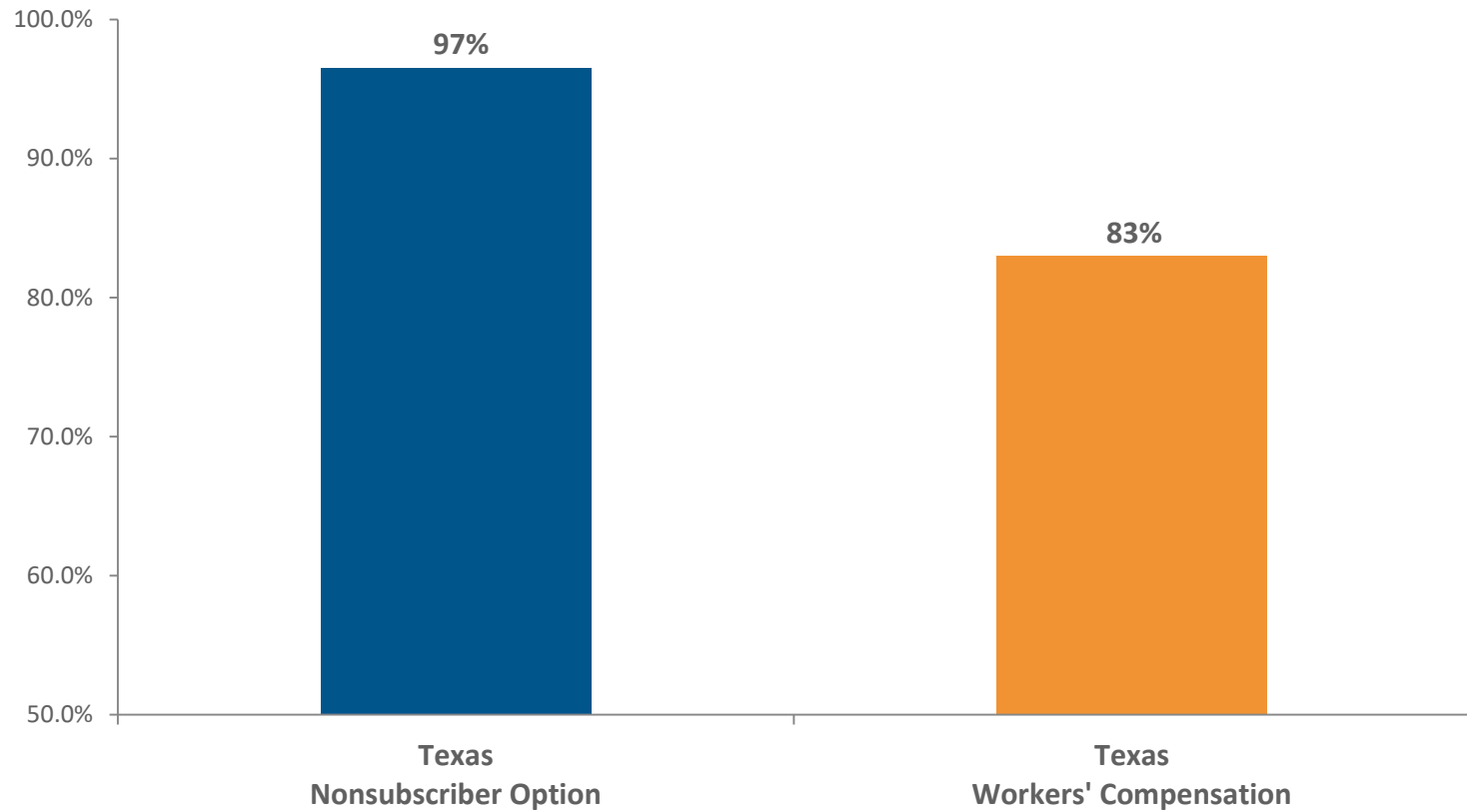
SHORTER DURATION OF DISABILITY*



* See [WCRI Average Duration of Temporary Disability \(in Weeks\) for Claims with More Than 7 Days of Lost Time, 2013/2014.](#)



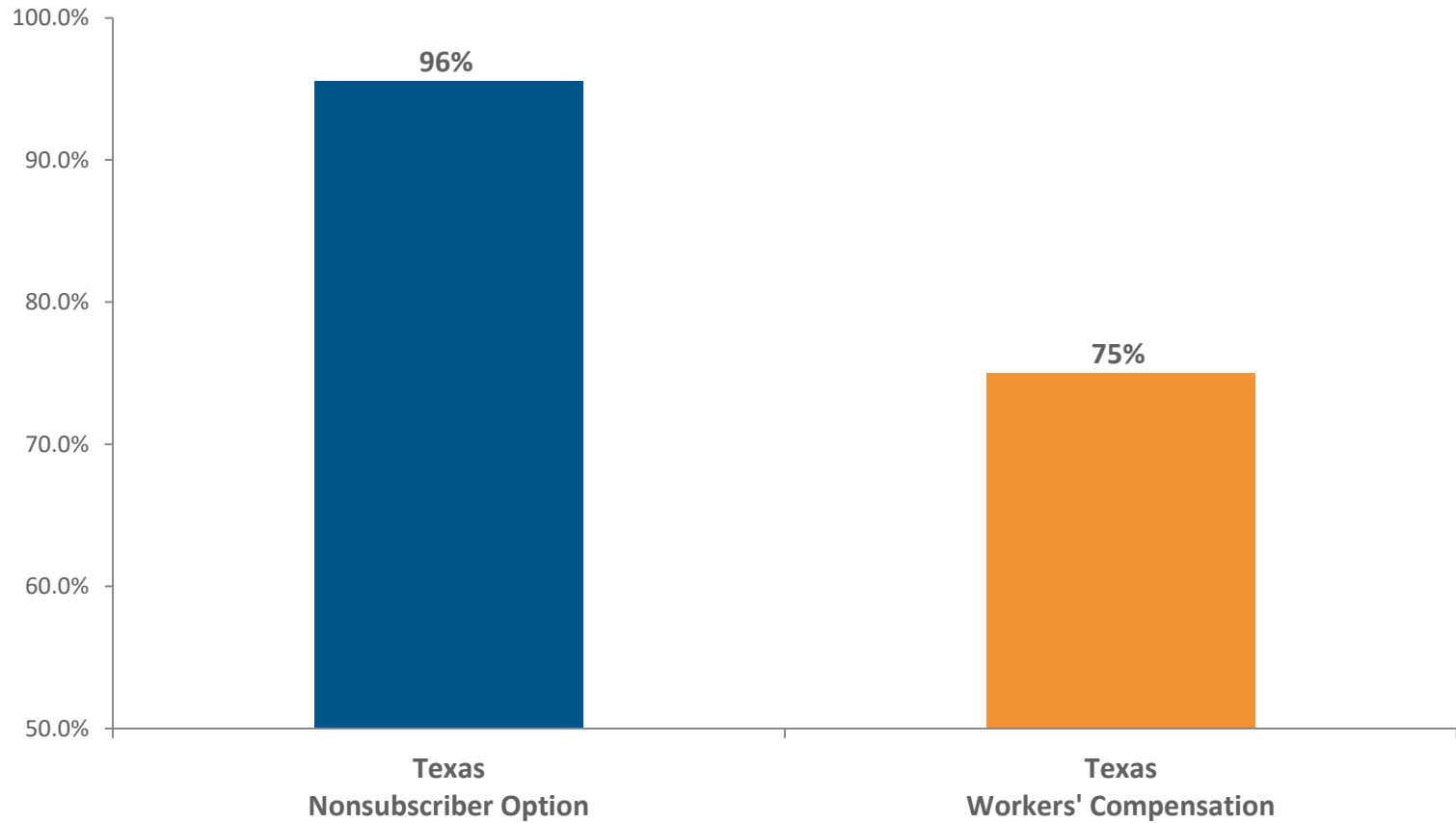
INITIAL RETURN TO WORK AT 6 MONTHS*



* See [Return to Work in the Texas Workers' Compensation System](#), (2015).



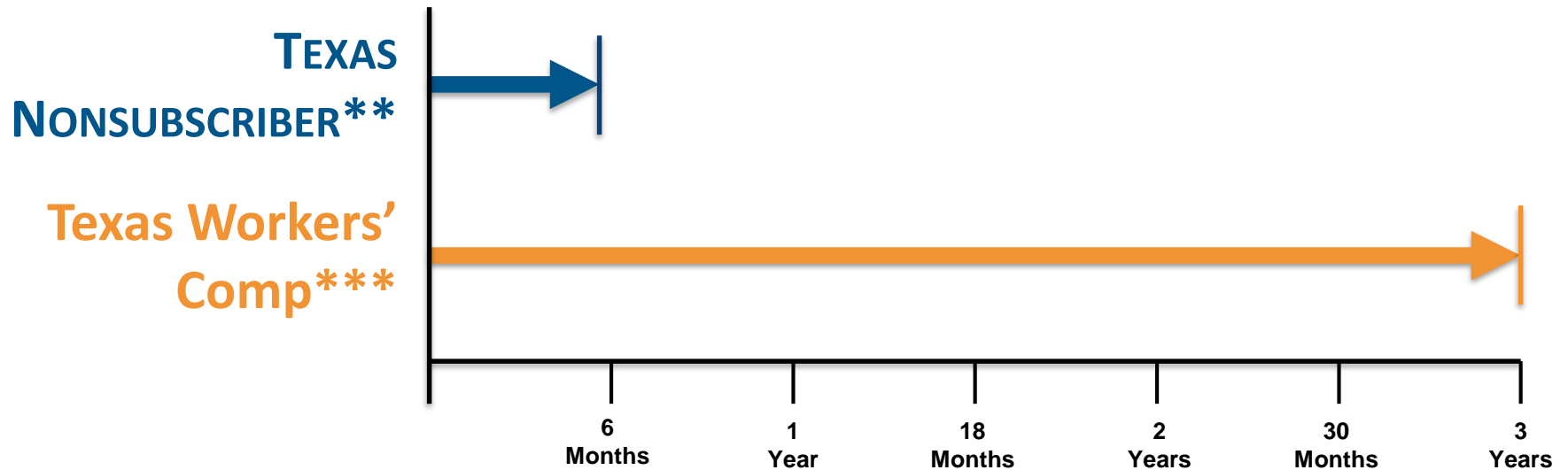
SUSTAINED RETURN TO WORK AT 6 MONTHS*



* See [Return to Work in the Texas Workers' Compensation System](#), (2015).



TIMEFRAME TO REACH 95% INITIAL RTW*



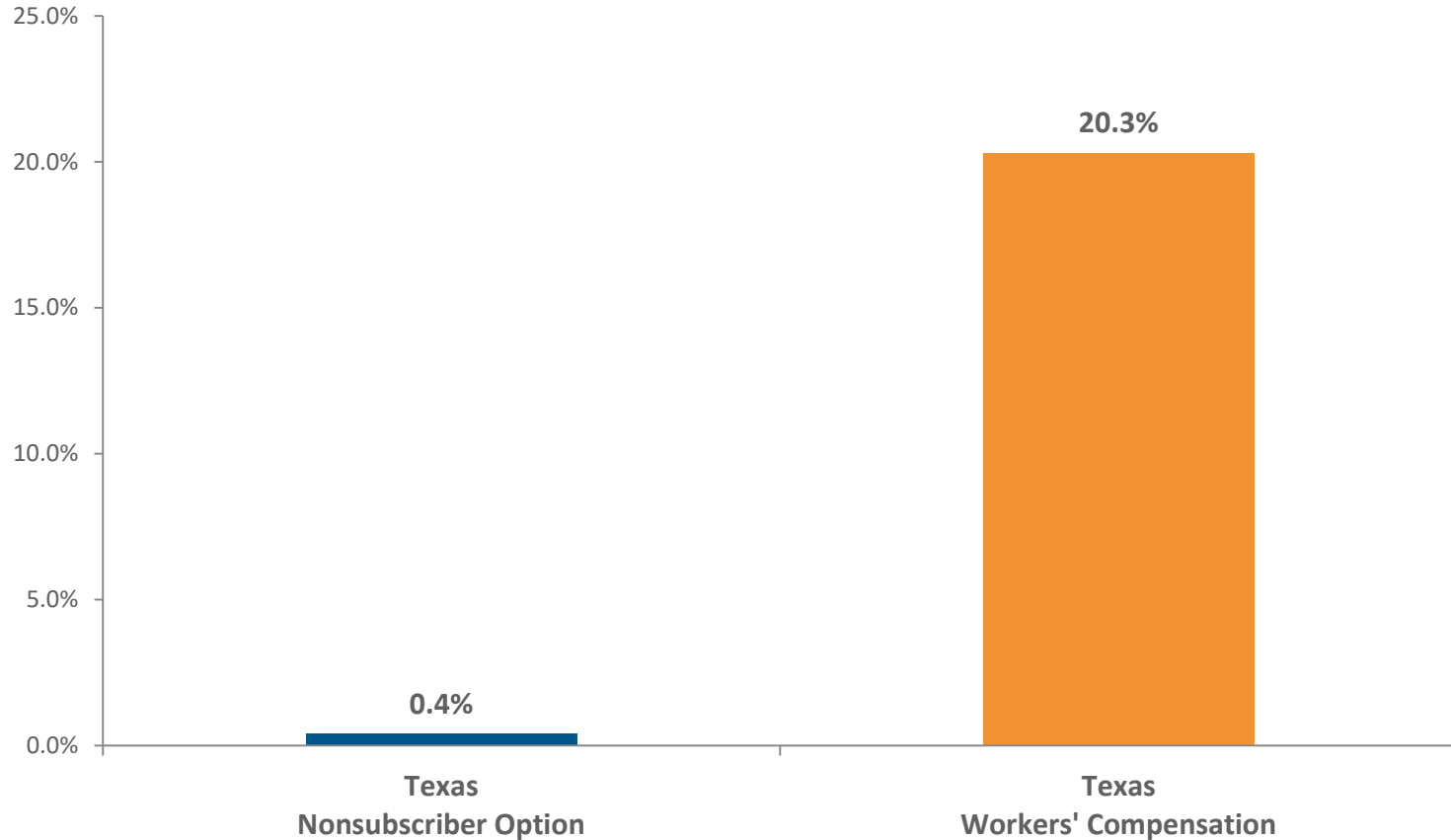
* Data Normalized for 8-day reporting by Texas Department of Insurance

** Texas Nonsubscriber Option Actuarial Data Analysis – Fact Sheet December 07, 2016

*** Texas Department Of Insurance Workers' Compensation Research And Evaluation Group, December 1, 2018, Table 7.1 Page 63



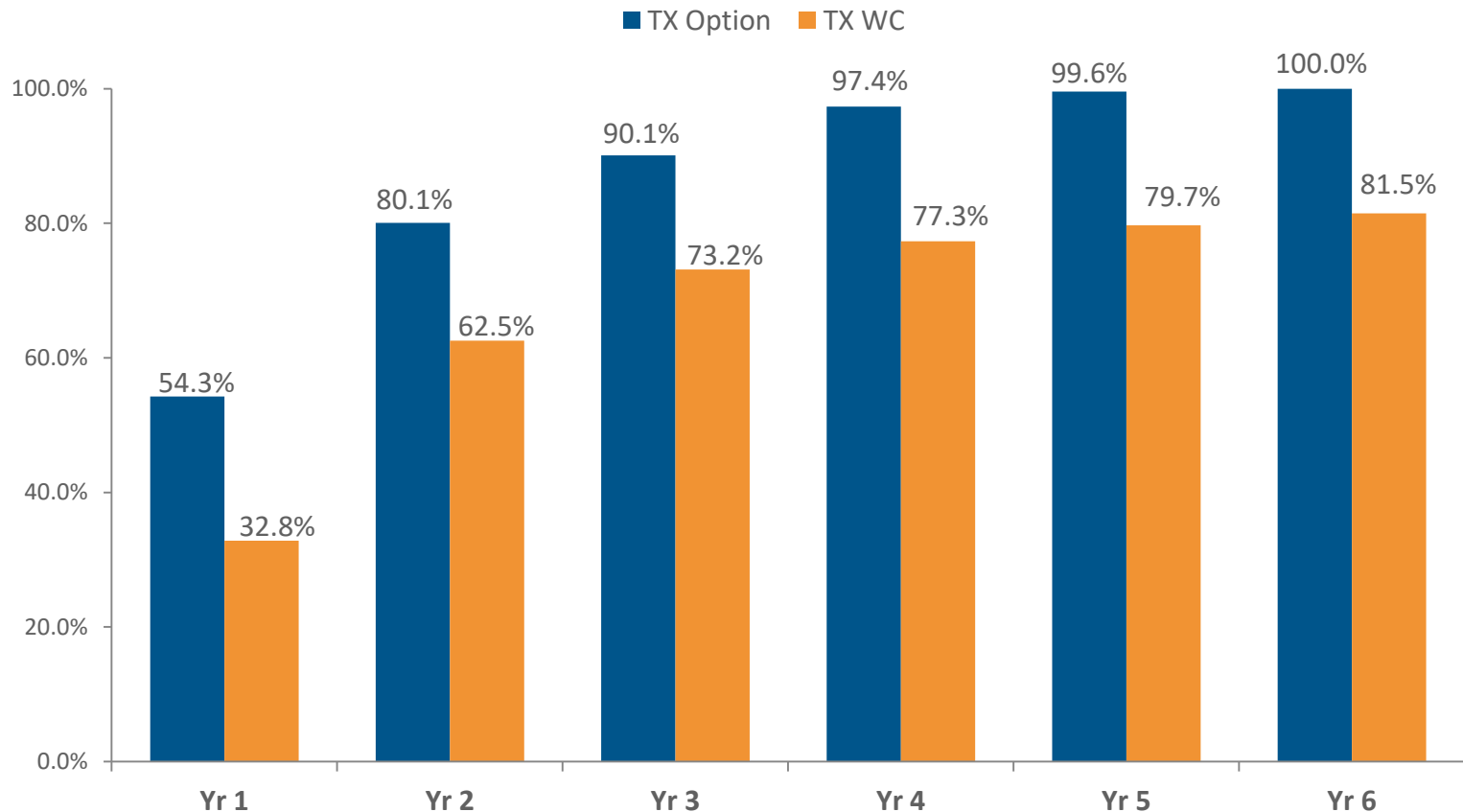
UNPAID AFTER 5 YEARS*



* Nonsubscriber Option and Workers' Compensation incurred LDFs are similar in the first couple of years, but WC has a long tail that does not exist in NSO. At the end of 5 years, NSO is virtually closed, while WC has only paid 80% of the claim costs. NSO LDFs are based on PartnerSource patterns and WC LDFs are based on data from *National Council on Compensation Insurance, Annual Statistical Bulletin, 2015 edition*.



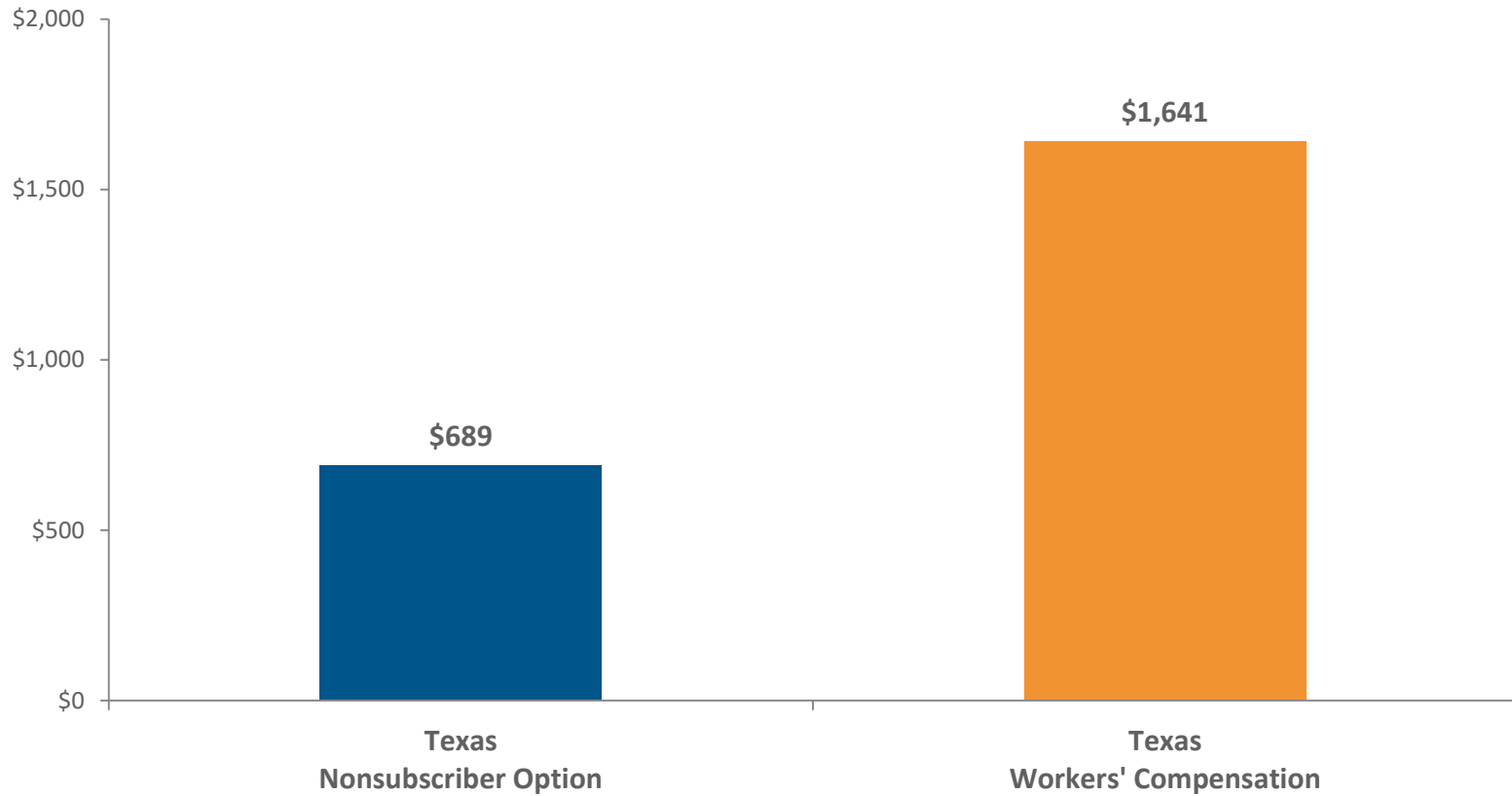
CLAIM PAYOUT PATTERNS*



*Texas workers' compensation performance is based on data from *National Council on Compensation Insurance, Annual Statistical Bulletin, 2015 edition*. This chart indicates that on average, at the end of the first year, over half of the cost of the Texas nonsubscriber Option claim has been paid, compared to only 33% of the workers' compensation claim. At the end of year 3, only 10% of the Texas nonsubscriber Option claim is still outstanding, while 27% of the workers' compensation claim is still outstanding. By year 6, the Texas nonsubscriber Option claim is completely paid, while the workers' compensation claim still has 18% to go. Incurred loss development patterns are consistent with this paid loss development pattern.



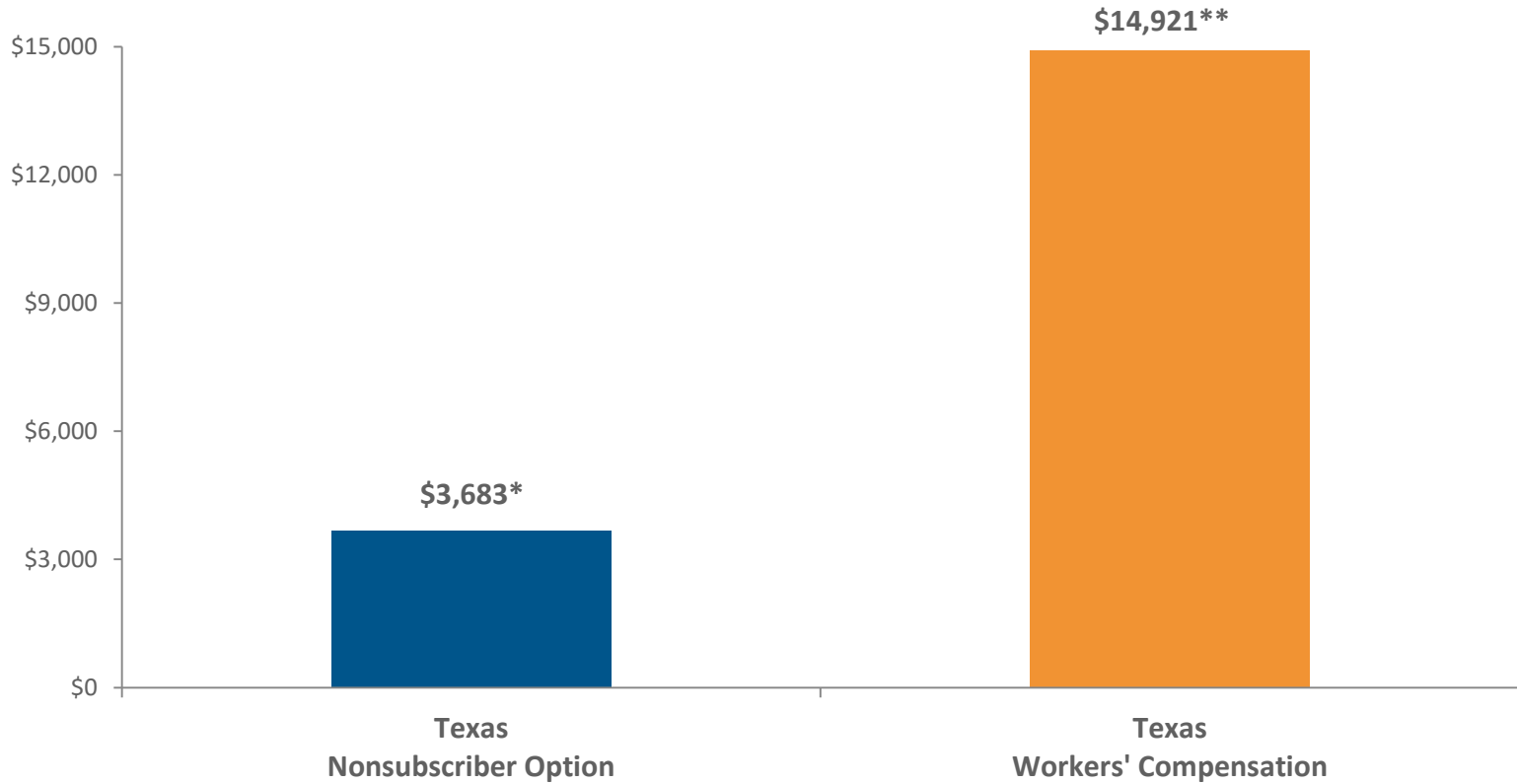
ALLOCATED LOSS ADJUSTMENT EXPENSES PER CLAIM*



* NS Option is based on actual claim data. WC is estimated based on NCCI medical and indemnity claim costs for Texas and an ALAE factor of 11% based on information from Best's Aggregates and Averages.



AVERAGE DEVELOPED CLAIMS COST



* PartnerSource loss development factors utilized. Results identified are trended to 2016 levels and are greater than the range identified by actuary (\$2,994 to \$3,147). Includes allocated loss adjustment expense (ALAE), legal costs, settlements and judgments.

** Based on NCCI claim costs and adding an 11% ALAE cost based on information from Best's Aggregates and Averages.





EMPLOYER SAVINGS EXAMPLES



COST

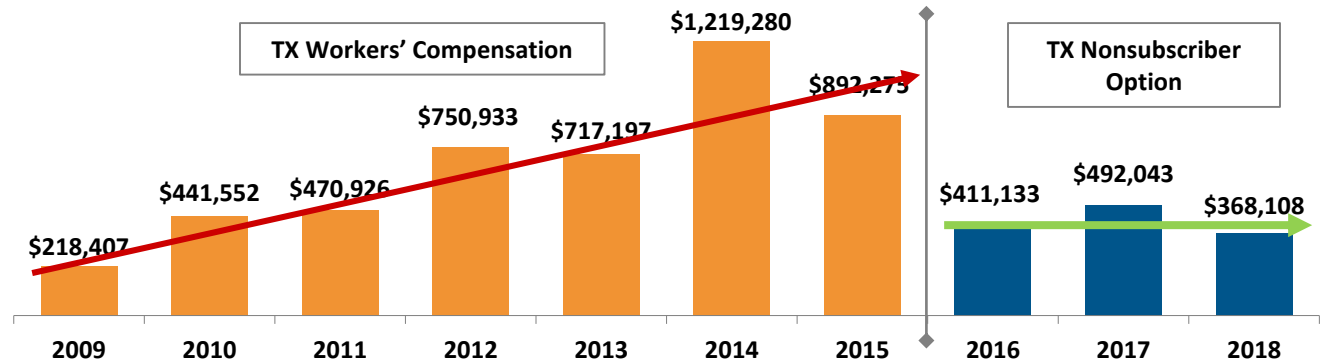
COMPARISON

Total Incurred Claims

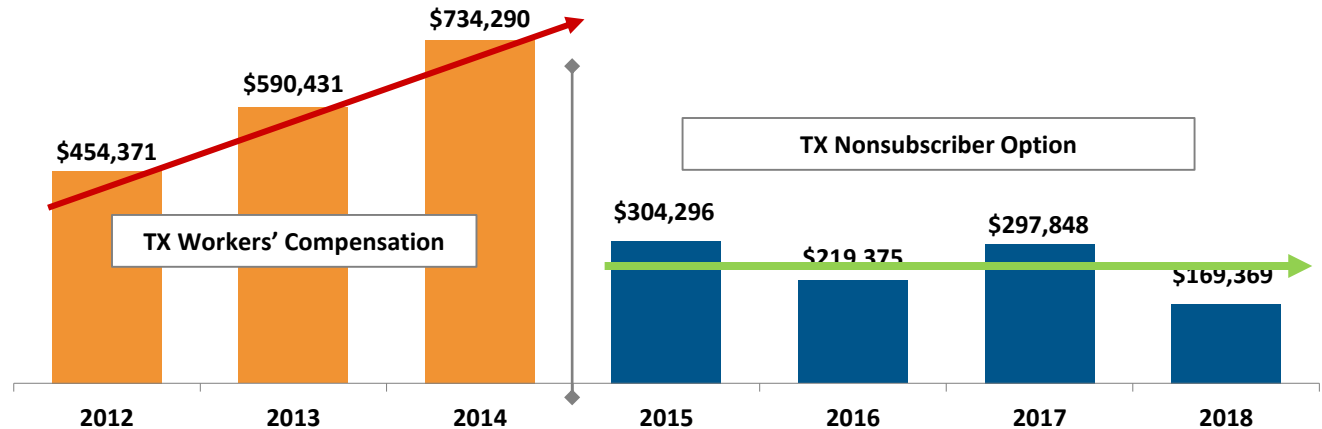
INCLUDES LIABILITY
AWARDS/SETTLEMENTS/
DEFENSE COSTS



ABC COMPANY



DEF COMPANY



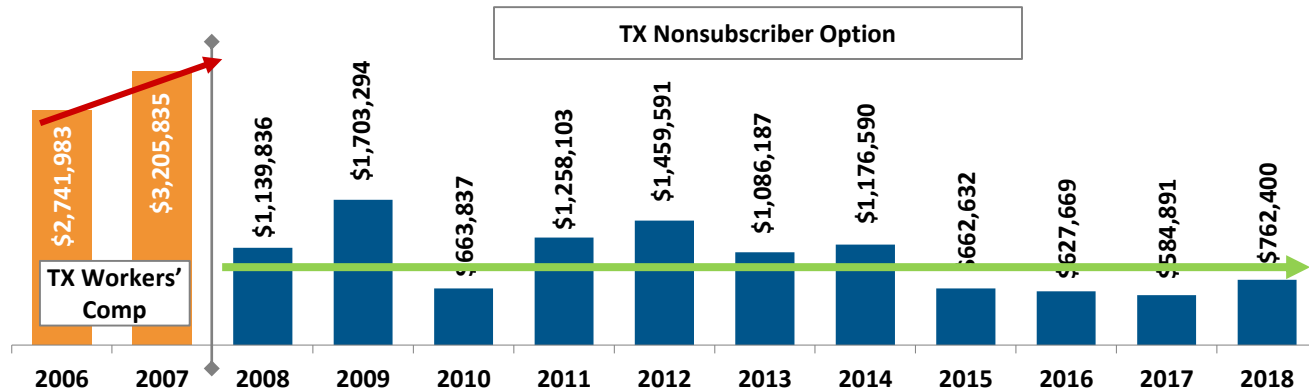
COST COMPARISON

Total Incurred Claims

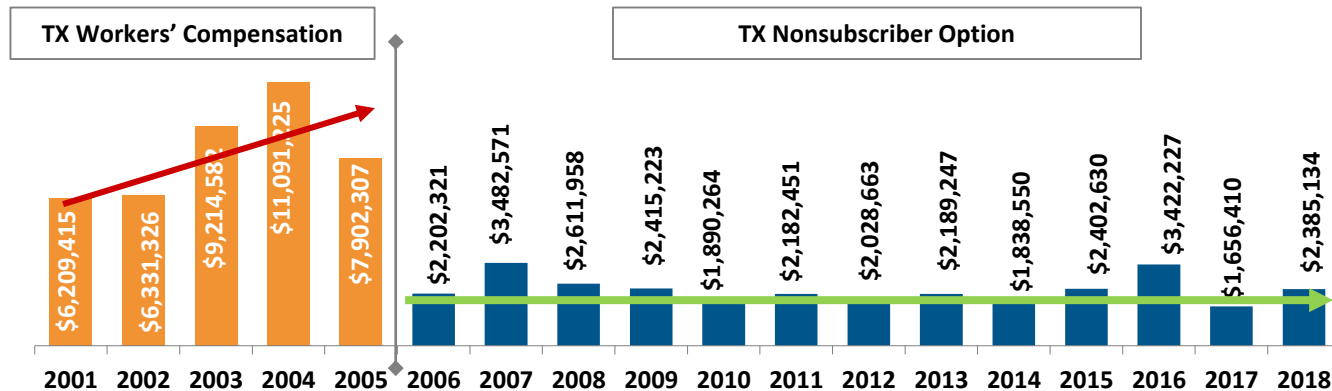
INCLUDES LIABILITY AWARDS/SETTLEMENTS/ DEFENSE COSTS



GHI COMPANY



JKL COMPANY



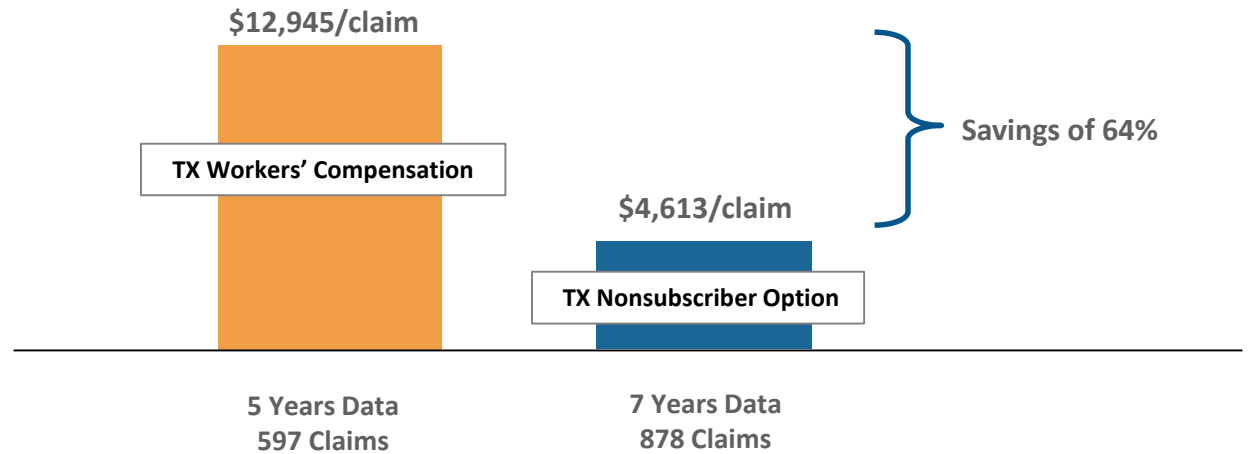
COST COMPARISON

Average Cost per Claim
Developed & Trended

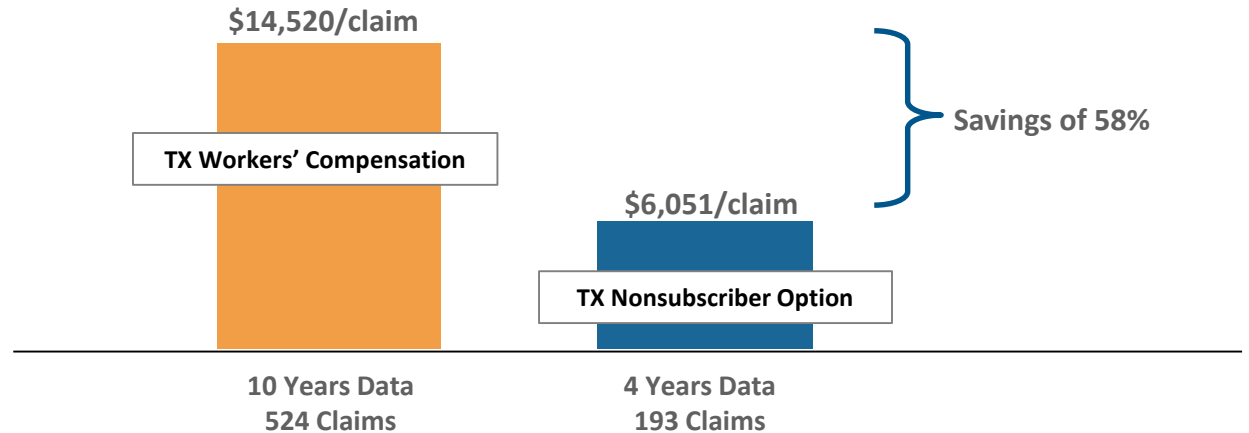
INCLUDES LIABILITY
AWARDS/SETTLEMENTS/
DEFENSE COSTS



ABC COMPANY



DEF COMPANY



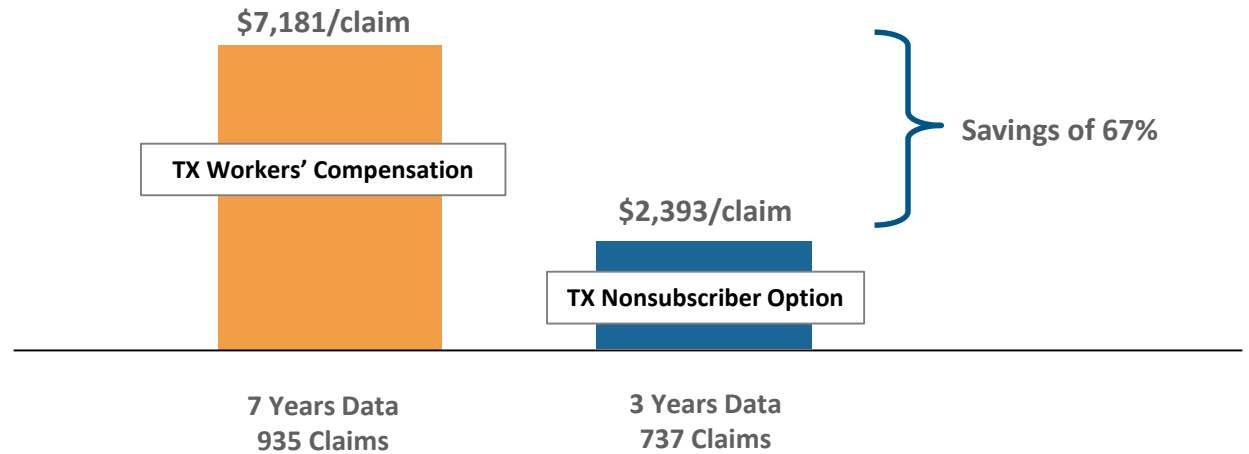
COST COMPARISON

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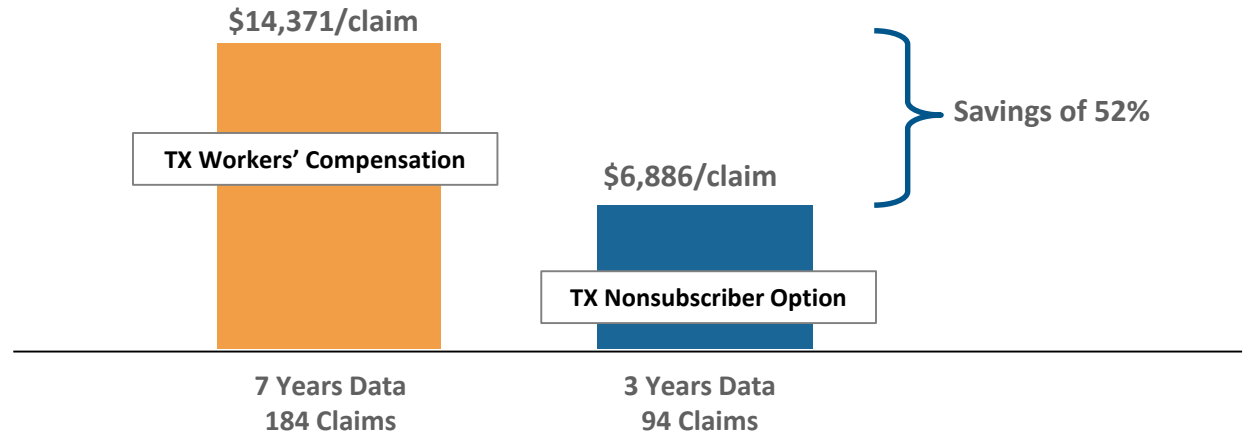
INCLUDES LIABILITY
AWARDS/SETTLEMENTS/
DEFENSE COSTS

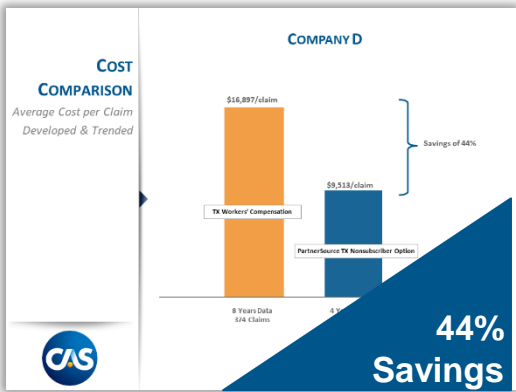
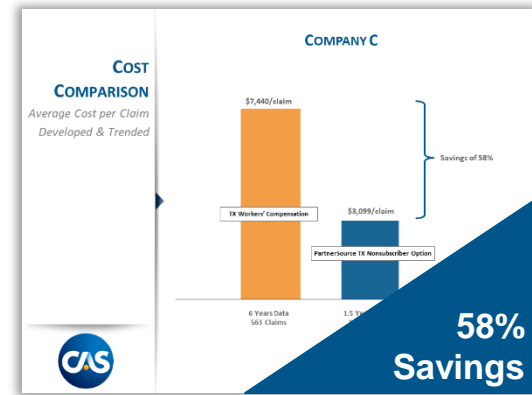
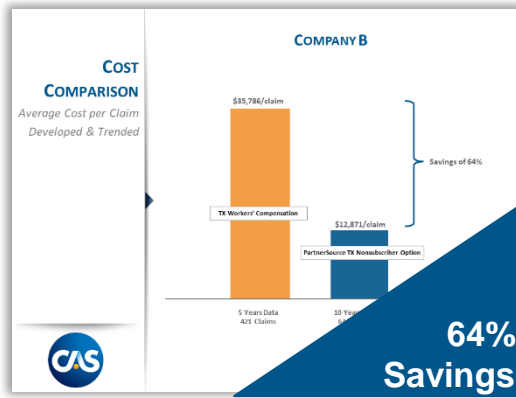
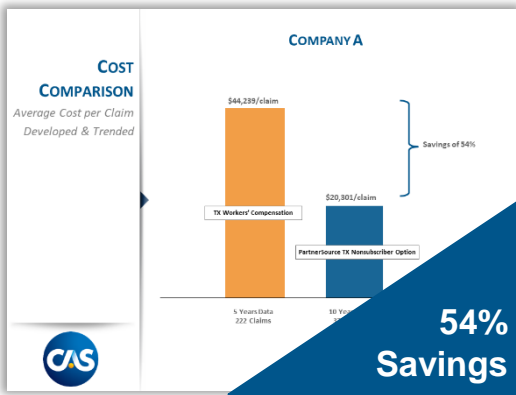


GHI COMPANY

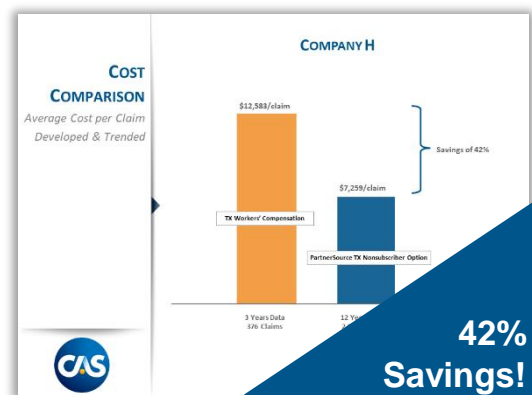
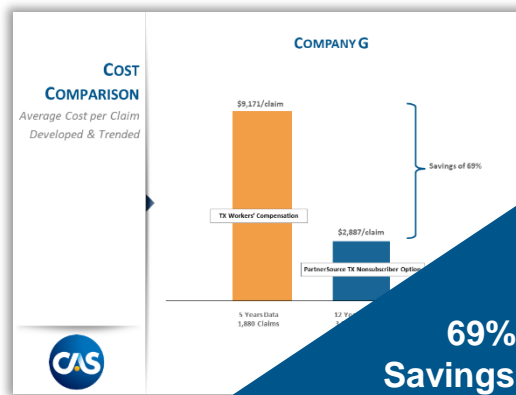
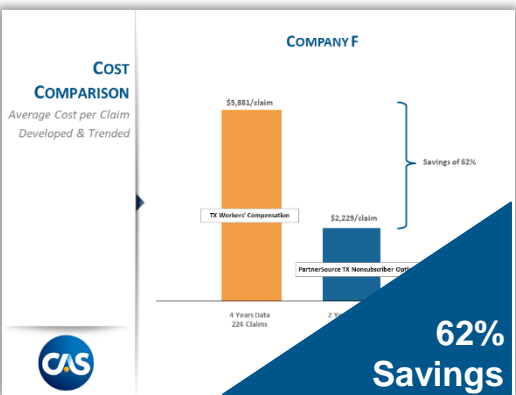
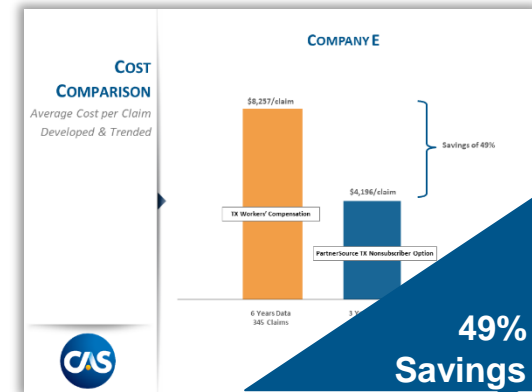


JKL COMPANY





CONSISTENT SAVINGS



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QUESTIONS?



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