



A State Fund Mutual Companies publication for insurance agents

Agent Agenda

JUNE - JULY 2003

news briefs

Prescription program results

Early results look good for the prescription benefits management program launched by State Fund Mutual in January.

More than 40 percent of eligible claimants are using the pharmacy network, and about 50 percent of all prescriptions are being filled in it. Prescription costs billed through the program are running about 20 percent less than the levels SFM typically paid before.

Prescriptions are billed through St. Louis-based *ExpressScripts*, whose network includes about 600 pharmacies in Minnesota. SFM claimants are sent identification cards and encouraged to use the network pharmacies for prescription refills.

Employer Kit revised

State Fund Mutual is revising the SFM *Employer Kit* and expects to mail the revised kit to agents and policyholders in July.

New additions to the kit include:

- **Top 10 cost savers.** A concise, comprehensive set of best practices for controlling workers' compensation costs.
- **Online functions.** Shows employers how to save time by reporting injuries online and by using *CompOnline* to look up information about specific claims.
- **Accident investigation.** Provides steps to help employers figure out how to prevent accidents from happening again.

This user-friendly, award-winning kit contains many new tips to help employers prevent and respond to work injuries and take the right long-term steps to manage their overall workers' compensation costs.

'Extended services' available for employers who need to do more

State Fund Mutual will be introducing its "Extended Services Program" to agents and policyholders over the next few months.

A sample copy of SFM's Extended Services Program brochure for employers has been included with this *Agent Agenda* so you can see whether you'd like to order additional copies to use with clients.

While the Extended Services Program is new, the concept isn't. Fran Kaitala, vice president, Insurance Operations, says SFM has always had some policyholders who need and ask for onsite services that go beyond those priced into their insurance policies.

"We've always tried to accommodate those requests," says Kaitala. "What's different now is that we've begun a more formalized 'Extended Services Program' through which we can deliver these additional services at break-even cost."

For example, pre-loss services such as workplace consultations, employee training sessions or multiple workstation evaluations not included in the employer's SFM policy can be provided through the Extended Services Program on a fee-for-service basis.

How the program works

Typically, the level of loss control services available to a policyholder is proportionate to the size of its policy. The larger the premium, the more hours of service the employer receives as part of its insurance package. Smaller premium policies receive fewer hours of service as part of the package.

However, for some policyholders, SFM may suggest certain loss control measures to accompany their policy renewal, and they may purchase those services through the Extended Services Program.

What agents can do

You can look for opportunities with clients who want to or need to get a better handle on loss costs. SFM's extended services are available to any employer.

For more information about the program or to request a written proposal for an employer who may need loss control services, call SFM's Director of Risk Management Services Mary Wells at (952) 838-4240. For copies of the brochure, call Policyholder Services at (952) 838-4325.

New DOLI commissioner

Gov. Pawlenty recently appointed Scott Brener as commissioner of the Minnesota Department of Labor and Industry.

Most recently, Brener has been a lobbyist with his own firm. Previously he was an assistant commissioner and general counsel for the Department of Labor and Industry, an assistant commissioner for the Department of Trade and Economic Development and the deputy director of cabinet affairs for Gov. Arne Carlson.

Brener lives in Edina with his wife Maureen.

In related news, Brener announced June 11 to the Workers' Compensation Advisory Council that he has appointed Beth Hargarten, former DOLI legislative liaison and staff attorney, as the department's new assistant commissioner for workers' compensation.

Legislative session

Despite considerable public policy debate on further medical cost-containment in workers' compensation, no substantive legislation was passed in the 2003 session.

Reimbursement levels under the medical fee schedule have risen to well over 200 percent of Medicare reimbursement levels and about 170 percent of group health levels. A Legislature-mandated task force is expected to study and make a recommendation prior to the 2004 legislative session on whether the fee schedule should be adjusted.

The task force also will study hospital reimbursement levels and consider whether negotiation of lower rates should be permitted for healthcare in networks that injured workers now can be required to use.

One legislative proposal that did pass this session drained the Minnesota Special Compensation Fund's remaining \$15 million to help balance the state budget. Last year, the Legislature took \$250 million from the SCF.

Correction

The February *Agent Agenda* article "Who needs to provide work comp coverage" misstated the law's coverage provisions for the relatives of a closely held corporation or limited liability company manager who is automatically excluded from coverage. The officer's spouse, parents and children are automatically excluded from coverage. Relatives within the third degree of kinship—such as aunts, uncles, nephews, nieces and great grandchildren—can be excluded by filing a written election with the state Department of Labor and Industry.

Recent reports say injuries are down, medical costs up

The number of Minnesota workers injured on the job has decreased somewhat while the cost to treat them has increased sharply, according to recent state reports.

More than 126,000 Minnesotans were hurt at work in 2001, representing a 12 percent decrease from the prior year, according to a report recently released by the Minnesota Department of Labor and Industry.

Of those injured employees, 34,500 lost time from work, representing a 9 percent decrease in lost-time claims, the report said.

Among industry groups, construction followed by agriculture and manufacturing had the most claims. Health services had the most lost-time claims.

Sprain, strains and tears of muscles, joints and tendons accounted for 44 percent of the most common injuries. The back was the most common body part affected.

Despite the decrease in claim frequency, sharply escalating medical treatment and prescription drug costs are driving up the costs of workers' compensation coverage.

For instance, prescription drug spending for healthcare overall grew 17.3 percent in 2000, according to the Minnesota Department of Health, and the number of prescriptions dispensed grew 48 percent from 1997 to 2000.

Online resource catalog is a goldmine

Remember to call employers' attention to SFM's online "Resources catalog." It's a sort of virtual bookstore of helpful materials on an impressive range of workers' compensation topics.

The materials are available at no charge to SFM policyholders and agents. They are user-friendly, readable pieces developed by drawing on SFM's specialized legal, claims and loss prevention expertise.

Agents are invited to check out the online catalog. Go to www.sfmic.com, click "For agents," and look under the heading "Employer resources you can order" for an abbreviated listing. There's a link to the full list and an order form to request specific materials. Many of the pieces are linked to PDF documents so you can download and print them without having to order.

Policyholders can be directed to go to www.sfmic.com, click "For policy-

holders," then click "Resources catalog."

Most frequently ordered materials include:

- "Ergonomics" *Prevention Pak*.
- "Back care awareness" packet.
- "Screening job applicants for prior work comp claims" *Legal Advisory*.
- "When an injury occurs" quick reference card.
- "Supervisor work injury response" wallet card.
- Forms: "First Report of Injury" and "OSHA 300 log."

You might suggest to employers that they revisit the online catalog from time to time to look for new resources that have been added, such as the newly created "Investigating workplace injuries" *CompTalk*.

More on 2002

A lot of things increased last year, including SFM's financial strength

Bottom line on financial performance during 2002: State Fund Mutual grew its financial strength.

The February *Agent Agenda* reported the preliminary business results available right after year-end 2002. Complete business results have been developed since then. Here's the rest of the 2002 picture, in summary:

- Frequency of injuries declined somewhat, but claims costs increased significantly.
- Driving up claims costs: Higher medical costs to treat injured employees, slower return-to-work by employers, investment returns reflective of the sluggish economy.
- Projections were increased on the ultimate costs for new and old claims, and reserves strengthened accordingly.
- Pricing up 18.1 percent overall for SFM policyholders.

- Direct written premium of \$77.7 million, up from the prior year mostly because of higher pricing.
- Respectable growth in policyholder surplus.
- 99.3 percent combined ratio, which compares loss costs and expenses to premium.

That keyhole look at SFM's performance also recognizes the benefits of the many services provided directly to policyholders by SFM representatives or indirectly through behind-the-scenes processes.

For employers and their agents, the results of 2002 show continued growth in SFM's financial strength, and they show that SFM continues to be a reliable market even through swings in the economy and industry.

HIPAA rule hasn't created any significant problems

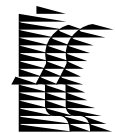
For State Fund Mutual, the privacy regulations of the federal Health Insurance Portability and Accessibility Act that went into effect in April have not raised significant issues in securing needed medical information from medical providers.

The HIPAA privacy rules do not apply to workers' compensation insurers. However, the medical providers that treat injured employees are subject to the rules, and concerns had been expressed that providers who are unsure about the application of the rules may be reluctant to release medical information to workers' compensation insurers and third party administrators.

But SFM has experienced only a few minor situations, in which some providers either were confused or decided to treat all requests for information the same.

HIPAA should not add any new impediments to the flow of medical information needed to manage and pay workers' compensation claims in Minnesota. HIPAA authorizes medical providers to disclose information to the extent already allowed by state workers' compensation law. Minnesota law permits medical information related to a current workers' compensation claim to be disclosed to the insurer without prior written approval by any party to the claim. It allows medical information not directly related to the claim to be disclosed only with the employee's prior approval.

Agents or policyholders with questions about HIPAA may call SFM General Counsel Bob Lund at (952) 838-4224.



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