

Office of Risk Management

March 16, 2004

Philip B. Dendy
Director,
(512) 499-4578

The Honorable Todd Staples
State Senator
State Capitol, Room E1.708
P.O. Box 12068
Austin, Texas 78711-2068

Dear Senator Staples:

As requested in your letter of March 4, 2004, below is additional information regarding questions that were raised during the February 26th hearing.

- Description of medical cost containment contract:

Medical Business Management Services, Inc. (MBMS) is engaged in the business of reviewing and auditing health care provider bills to ensure that medical fees are in compliance with reimbursement schedules or usual, customary and reasonable payment levels, as established or allowed by the Texas Workers' Compensation Commission. MBMS also screens claims to identify inappropriate medical codes, charges, or service patterns related to workers' compensation insurance claims and provide final recommendations for payment or referral for advanced utilization review or case management.

The amount of the contract is determined by the services provided below. The amount paid in FY 2003 for each service is noted at the end of each line item.

- Medical Fee Audit Services are paid by line item charges - \$234,543.
- Pre-Authorization services are paid by a separate flat fee for each type of pre-authorization request - \$74,275.
- Preferred Provider Network Organization (PPO) is paid up to 25% of savings beyond MBMS' recommendation for payment - \$28,711.
- Field Case Management/Utilization Review is paid on an hourly fee - \$127,384.

Payments to MBMS under the contract in FY 03 were \$464,913.

MBMS provided services to the U.T. System Workers' Compensation Insurance program resulting in savings of 65% of billed charges in FY 2003. In FY 2003, MBMS audited a total of 28,191 health care provider bills for U.T. System. It reconsidered 3,131 denials and referred for external case management 227 claims. Of the 28,191 bills MBMS audited in FY 2003 for U.T. System, only 100 bills were contested by health care providers in the TWCC Medical Dispute Resolution process.

- Description of use of state budget funds:

The Workers' Compensation Insurance (WCI) program funding is determined by actuarial analysis each year on an incurred claims basis. As described on page 8 of my presentation to the committee, funding this actuarial projection is then accomplished through a variable rating process that factors component loss history, payroll, and claim frequency into the rate that is charged to each component.

System-wide for the biennium of fiscal years 2004 and 2005, University of Texas components received \$3.8 million in general revenue each year. This amount funds the program for the proportion of employees paid with appropriated funds. This appropriation is a non-formula item and is a fraction of the estimated \$12.1 million in total premiums paid by the institutions.

The WCI program is funded in a manner similar to staff group insurance in that the state has historically provided funding for the fraction of university positions paid from appropriated funds. The remainder of the expenses necessary to operate these programs is paid from sources other than general revenue.

You asked if there are any anticipated changes due the passage of tuition deregulation in the 78th session and there are none. Tuition dollars are not used to pay any cost of operating the Risk Management or WCI programs.

Should you have any other questions, please feel free to give me a call.

Sincerely,

Phillip B. Dendy
Director, Office of Risk Management

PBD:blc:iaz

c: Mr. Randy Wallace
Mr. Roger Starkey
Mr. Paul Pousson
Mr. Javier Garza