



PENNSYLVANIA CATASTROPHIC LOSS BENEFITS CONTINUATION FUND

ANNUAL REPORT

July 1, 2018-June 30, 2019



Prepared by the Catastrophic Loss Benefits Continuation Fund and TRISTAR Risk Management

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EXECUTIVE SUMMARY

The Pennsylvania Insurance Department's Bureau of Special Funds (Bureau) manages and oversees the administration activities of the Catastrophic Loss Benefits Continuation Fund (CAT Fund). The Bureau has the fiduciary responsibility to assure that all eligible claimants receive benefits in accordance with the Motor Vehicle Financial Responsibility Law (MVFRL). The MVFRL was enacted February 12, 1984 and amended by Act 24, which created the continuation of the CAT Fund on July 1, 1989.

A third-party administrator, TRISTAR Risk Management, is contracted to manage the claims administration activity daily. The current contract has been in effect since April 1, 2019. Prior to this transition, Claims Management Services were provided by AmeriHealth Casualty/ACS

The CAT Fund has the fiduciary responsibility to continue providing benefits to all eligible claimants and to evaluate any new applications for benefit eligibility. These claims are administered in a manner consistent with the MVFRL and the insurance industry's best claim practices to include:

- Researching and investigating the eligibility of new CAT Fund applicants in accordance with the eligibility criteria set forth in the MVFRL
- Recommending payment of CAT Fund benefits in a timely manner for medical treatment and rehabilitative services, in excess of \$100,000, deemed medically necessary, reasonable and accident related
- Recommending denial of CAT Fund benefits for services which do not meet the criteria
- Working closely with the CAT Fund and legal counsel should a denial be appealed and disputed/tried at the Insurance Department's Administrative Hearings level
- Transferring all invoices for CAT Fund benefits deemed medically necessary, reasonable, and accident related that are recommended for payment to the Commonwealth for payment by the Commonwealth's Department of Treasury
- Seeking Fund approval for recommended expense payments for other related services such as legal fees, and other allocated expenses, etc.

As of June 30, 2019, the CAT Fund had an outstanding claim reserve of \$74,805,239. Ongoing claim reviews and re-evaluation assist the Bureau and the Bureau's actuary in determining the appropriate dollar funding requirements to meet the CAT Fund's fiduciary responsibility.

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FUND BACKGROUND

In accordance with the Motor Vehicle Financial Responsibility Law (MVFRL) enacted on February 12, 1984 and amended by Act 24 on July 1, 1989, the Pennsylvania legislature established the Catastrophic Loss Benefits Continuation Fund (here forward referred to as CAT Fund). Coverage is provided by the CAT Fund for eligible individuals who suffered catastrophic losses arising from the maintenance or use of a motor vehicle on or after October 1, 1984 to June 1, 1989, with limited eligibility through December 31, 1989.

The CAT Fund assures that all eligible claimants receive benefits funding in accordance with the Motor Vehicle Financial Responsibility Law (MVFRL).

The CAT Fund has the fiduciary responsibility to provide claims investigation and timely payment of medical benefits to any claimant deemed eligible in accordance with the MVFRL. The CAT Fund's purpose is to ensure that every eligible claimant of the Fund is treated fairly in accordance with MVFRL's requirements, and to complete its responsibilities in a cost effective, cost efficient and responsible manner.

The MVFRL 75 Pa. C.S. created the Catastrophic Loss Trust Fund effective October 1, 1984. Act 144 of 1988, 75 Pa C.S. 1761-1769, repealed the provisions of the MVFRL but it did not address the continuation of benefits under the funding established by the MVFRL. Act 4 of 1989, 75 Pa. C.S. 1798.1 and 1798.2 terminated eligibility effective June 1, 1989 and provided for limited continued eligibility through December 31, 1989.

Act 24 of 1989 created the continuation of benefits for those individuals who were catastrophically injured in accordance with the MVFRL. In addition, Act 24 imposed

surcharges on motor vehicle violations (such as speeding tickets and moving violations) ranging from \$30 to \$300 and required the monies be used to pay for the continuation of benefits and administration of the CAT Fund. Act 13 of 2002 redirected these surcharges to a different Commonwealth program effective January 1, 2004.

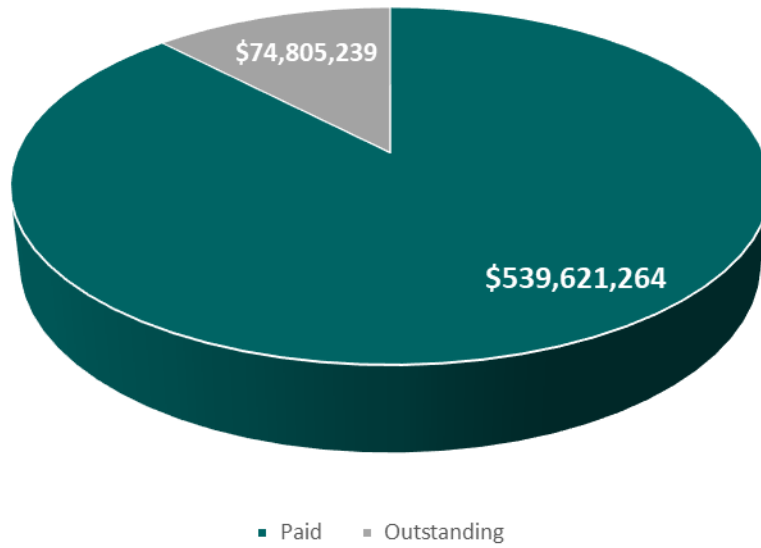
As of June 30, 2019, since its inception, the CAT Fund has provided a total of \$539,621,264 in benefits for medical treatment and rehabilitative services on behalf of 1,884 eligible claimants.

The Pennsylvania Insurance Department's Bureau of Special Funds oversees the administration of the CAT Fund. A contracted third-party administrator, TRISTAR Risk Management, provides claims administration services for the CAT Fund.

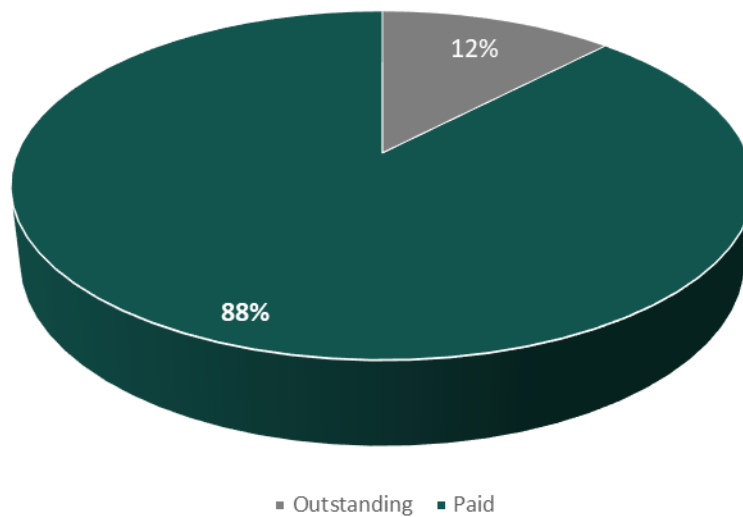
Today, a similar benefit called the Extraordinary Medical Benefit is offered by law through automobile insurance as a voluntary coverage. To find out more about the Extraordinary Medical Benefit, contact your insurance agent or insurance carrier.

Total Paid and Outstanding Benefit Dollar

Incurred Dollars as of June 30, 2019



Incurred Percentage as of June 30, 2019



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BENEFIT ELIGIBILITY

An individual who has suffered injuries in a motor vehicle accident may apply for CAT Fund benefits if the individual meets the following eligibility criteria:

1. The individual was a resident of this Commonwealth at the time of the accident.
2. The injury was the result of the maintenance or use of a motor vehicle and the accident occurred on or after October 1, 1984, and prior to June 1, 1989. Eligibility may continue between June 1, 1989 and December 31, 1989 only if the accident involved a motor vehicle for which the CAT Fund fee had been paid and the accident occurred during the registration year for which the charge was paid. Other restrictions may apply.

Most motor vehicle injuries eligible for CAT Fund benefits occurred in 1988 (512) followed by 1987 (440) and 1986 (396). Today 62.1 percent of the open eligible claimants are between ages of 41 and 60.

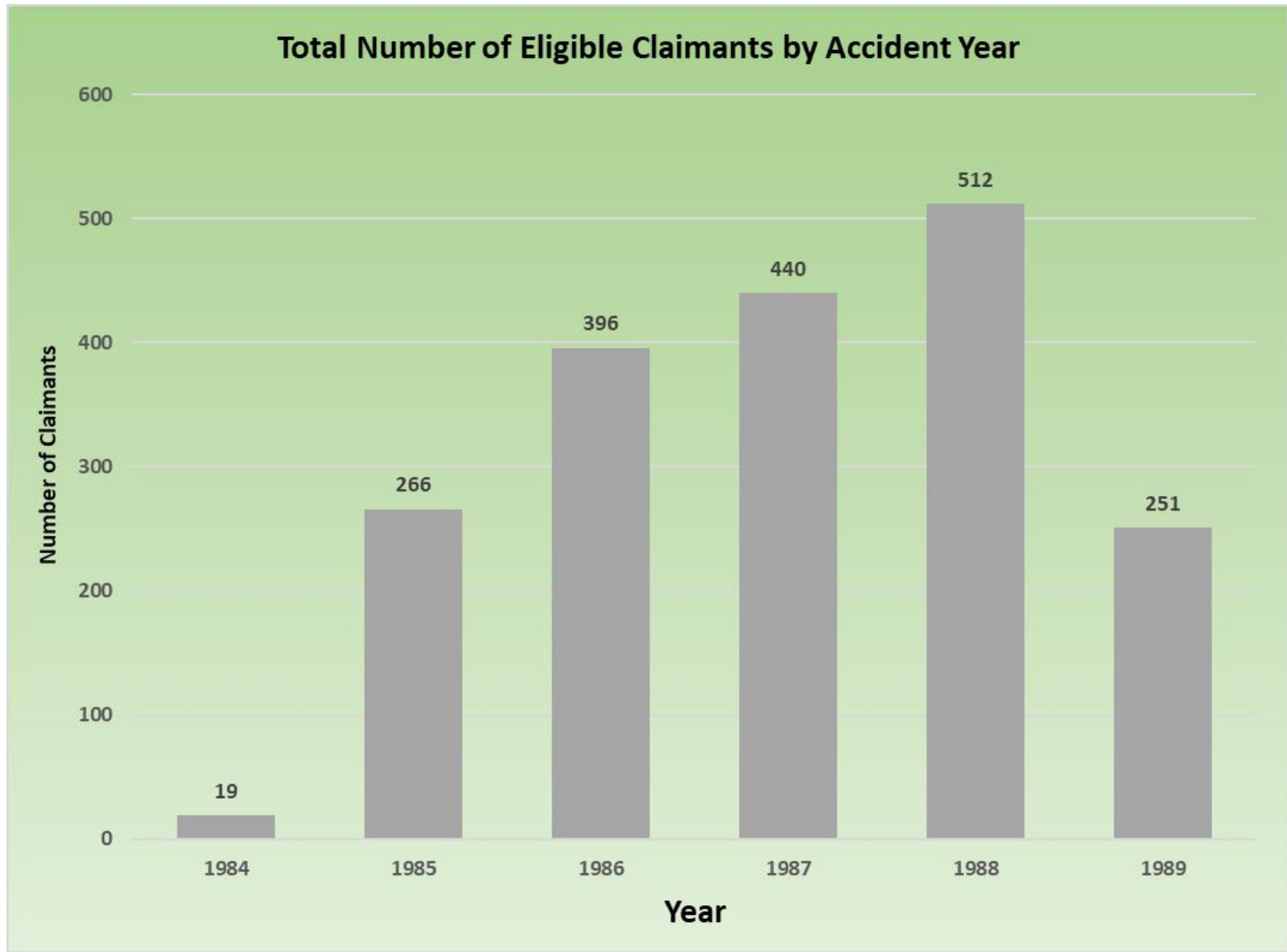
3. The auto accident occurred in the United States, its territories or possessions or Canada.
4. The injured person was not the driver or occupant of a recreational vehicle not intended for highway use, a motorcycle, a motorized pedal cycle, a motor-driven cycle or any vehicle required to be registered under 75 PA.C.S (relating to the Vehicle Code) but not subject to the CAT Fund charge.
5. As a result of the motor vehicle accident, the individual incurred reasonable and medically necessary medical and rehabilitative expenses exceeding \$100,000.

The majority of the injuries sustained by the CAT Fund claimants are of a catastrophic nature and include head injuries, multiple fractures, quadriplegia and paraplegia.

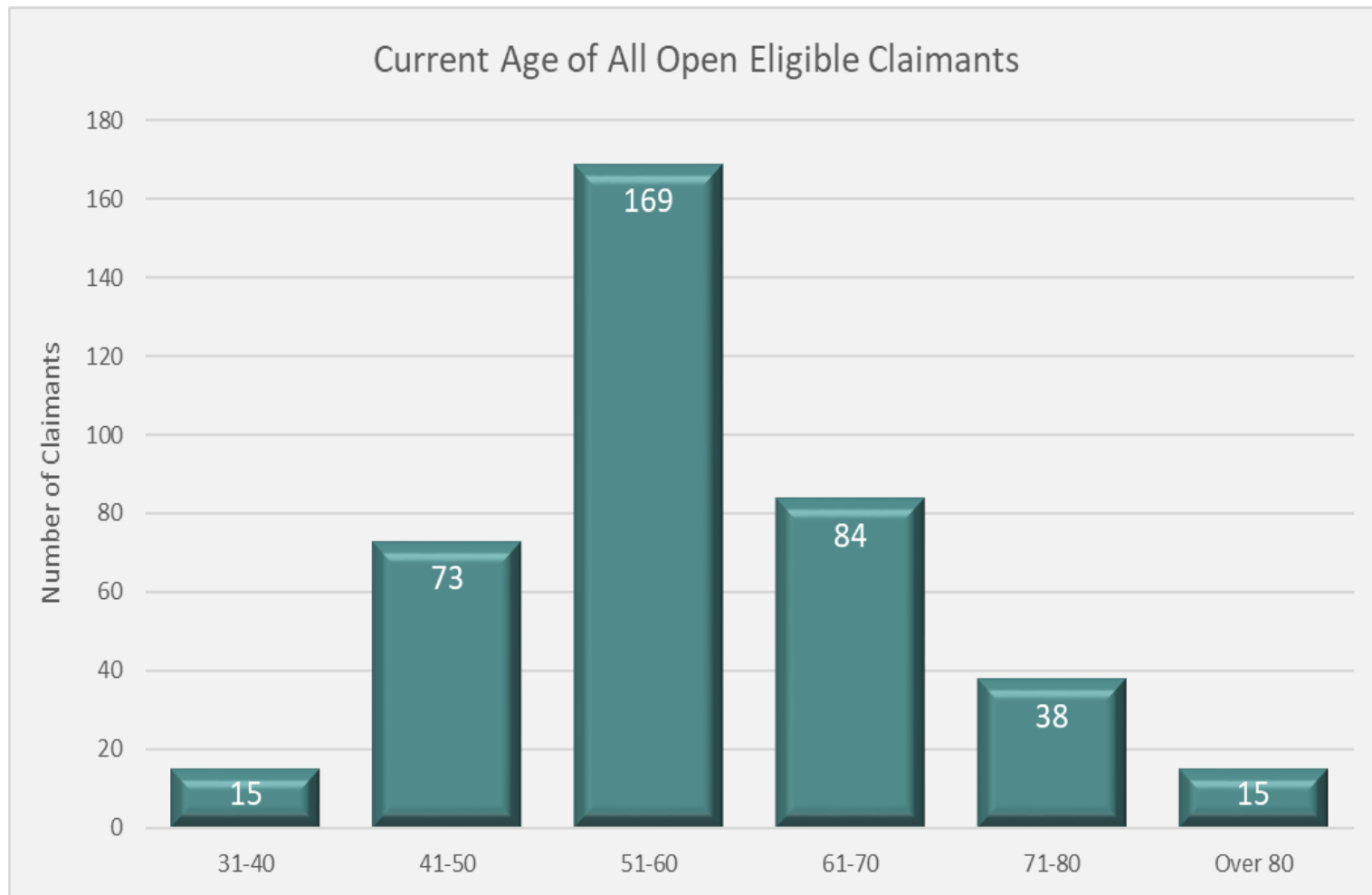
6. The individual's medical and rehabilitative expenses were not covered by workers' compensation.
7. The individual's medical and rehabilitative expenses were not covered by a policy issued under the Pennsylvania No-fault Motor Vehicle Insurance Act (Repealed).
8. The individual complied with the registration requirement of the PA Vehicle Code (Chapter 13) and had paid the applicable CAT Fund charge for any vehicle registered in the Commonwealth of Pennsylvania.

The CAT Fund continues to receive new applications for CAT Fund benefits. Out of a total of 2,875 claimants, 984 are considered ineligible, 7 are under review for eligibility and a total of 1,884 are considered eligible. Currently, 394 of those considered eligible are open and actively receiving ongoing benefits.

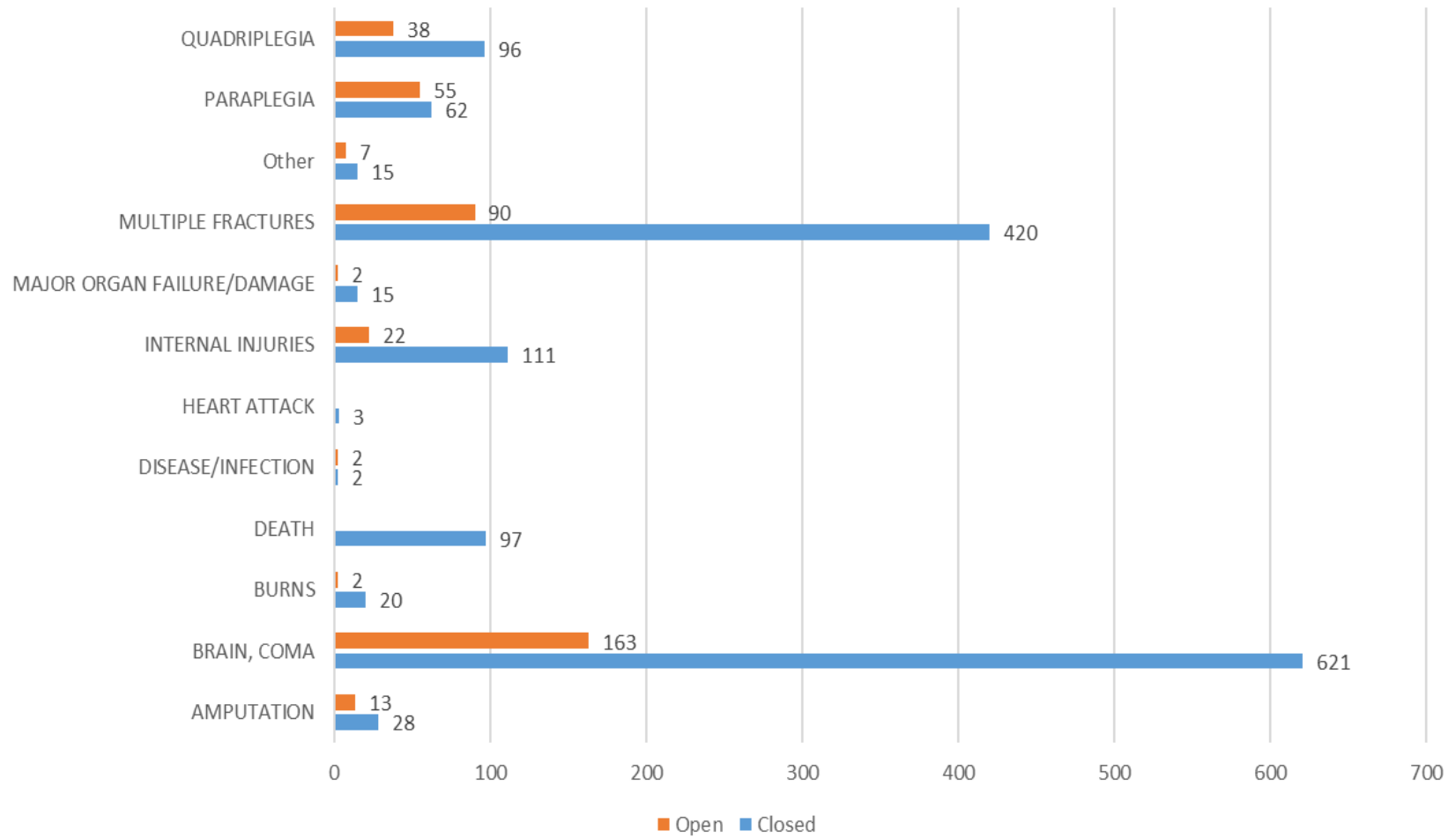
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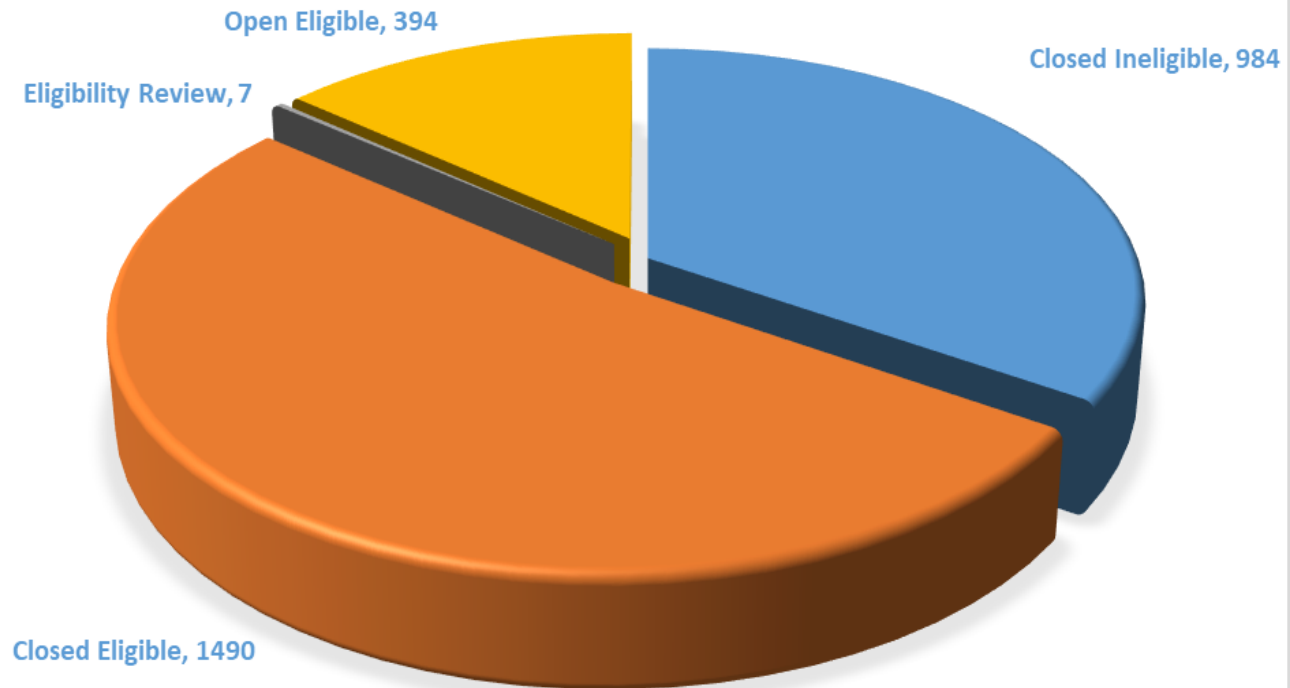


Total Number of Eligible Claimants by Catastrophic Injury



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Total Number of Claimants by Eligibility (Open & Closed)



BENEFIT FUNDING

As the third-party administrator for the CAT Fund, TRISTAR makes a recommendation relative to the eligibility of the claimant. Once a claimant's eligibility has been established, TRISTAR reviews all requests and invoices for benefits to determine if the medical treatment or rehabilitative service is deemed medically necessary, reasonable and accident related. TRISTAR also reviews such requests and invoices to see that the medical treatment or rehabilitative service represents the most prudent expenditure of funds.

CAT Fund benefits are provided to eligible claimants at the catastrophic level of coverage or for payment of expenses for medical treatment and rehabilitative services in excess of \$100,000. The CAT Fund is not responsible for the first \$100,000 of expenses for medical treatment and rehabilitative services incurred by an eligible claimant.

The maximum benefit paid by the CAT Fund on behalf of any one eligible claimant is \$50,000 per annual limit year and \$1,000,000 lifetime aggregate. During the first 18 months after the motor vehicle accident, benefits are provided without regard to the \$50,000 per annual period limit but subject to the \$1,000,000 lifetime aggregate.

Through June 30, 2019, the CAT Fund has provided over \$539 million in benefits for medical treatment and rehabilitative services on behalf of the 1,884 eligible CAT Fund claimants.

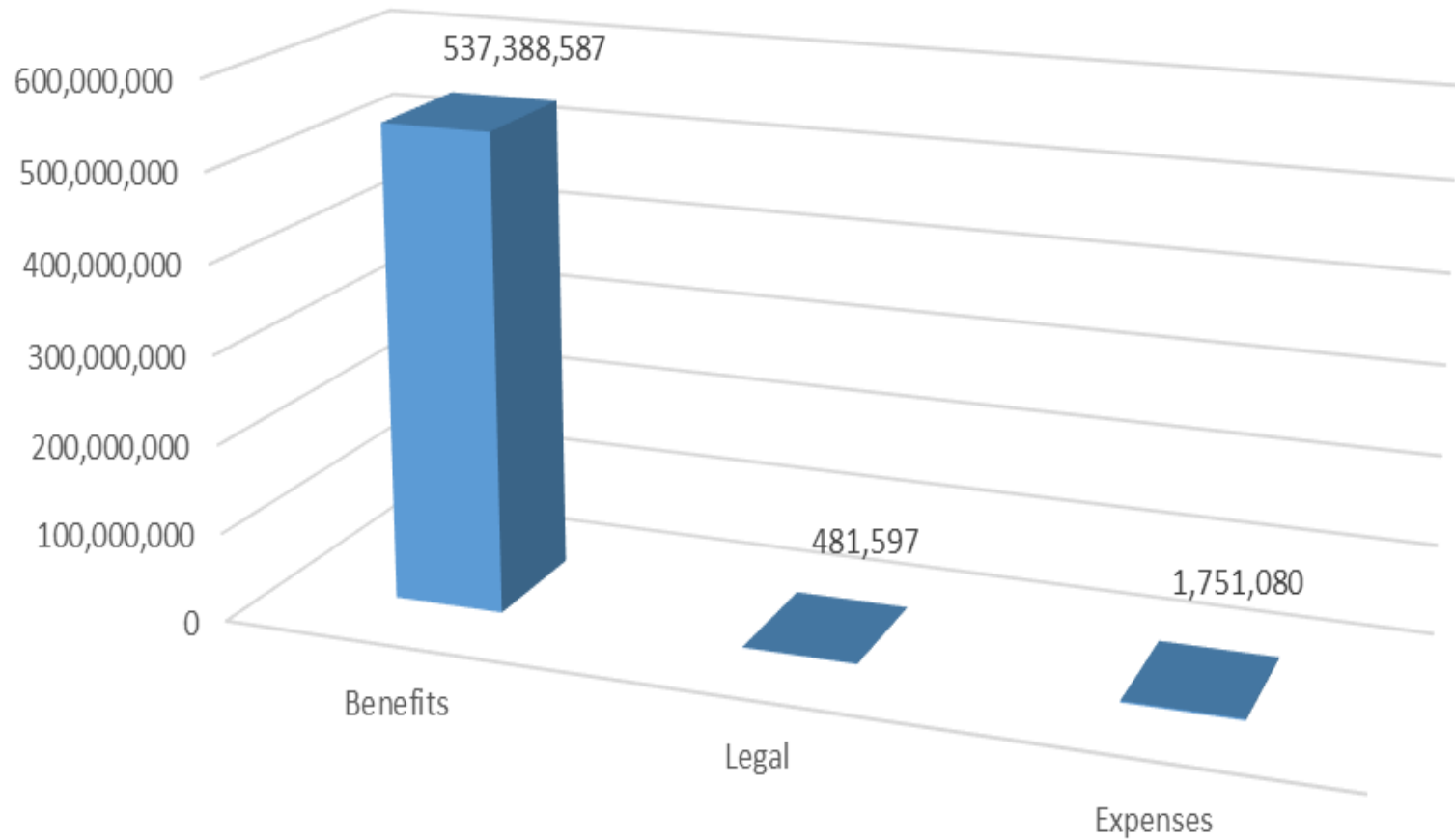
The CAT Fund is the primary funding source for medical treatment and rehabilitative expenses deemed medically necessary, reasonable and related to an eligible claimant's motor vehicle accident. The CAT Fund coordinates with the claimants' secondary funding sources such as Medicare, Medicaid, private and/or group health insurance carriers. Insurers may confirm whether the CAT Fund is the primary payer on a claim by contacting TRISTAR.

To date, 133 claimants have reached the \$1,000,000 maximum benefit expenditure. In the next year, 1 claimant is expected to expend the lifetime maximum as well. Over the last year, the CAT Fund closed 6 claims. There were no new open claims or reopened claims.

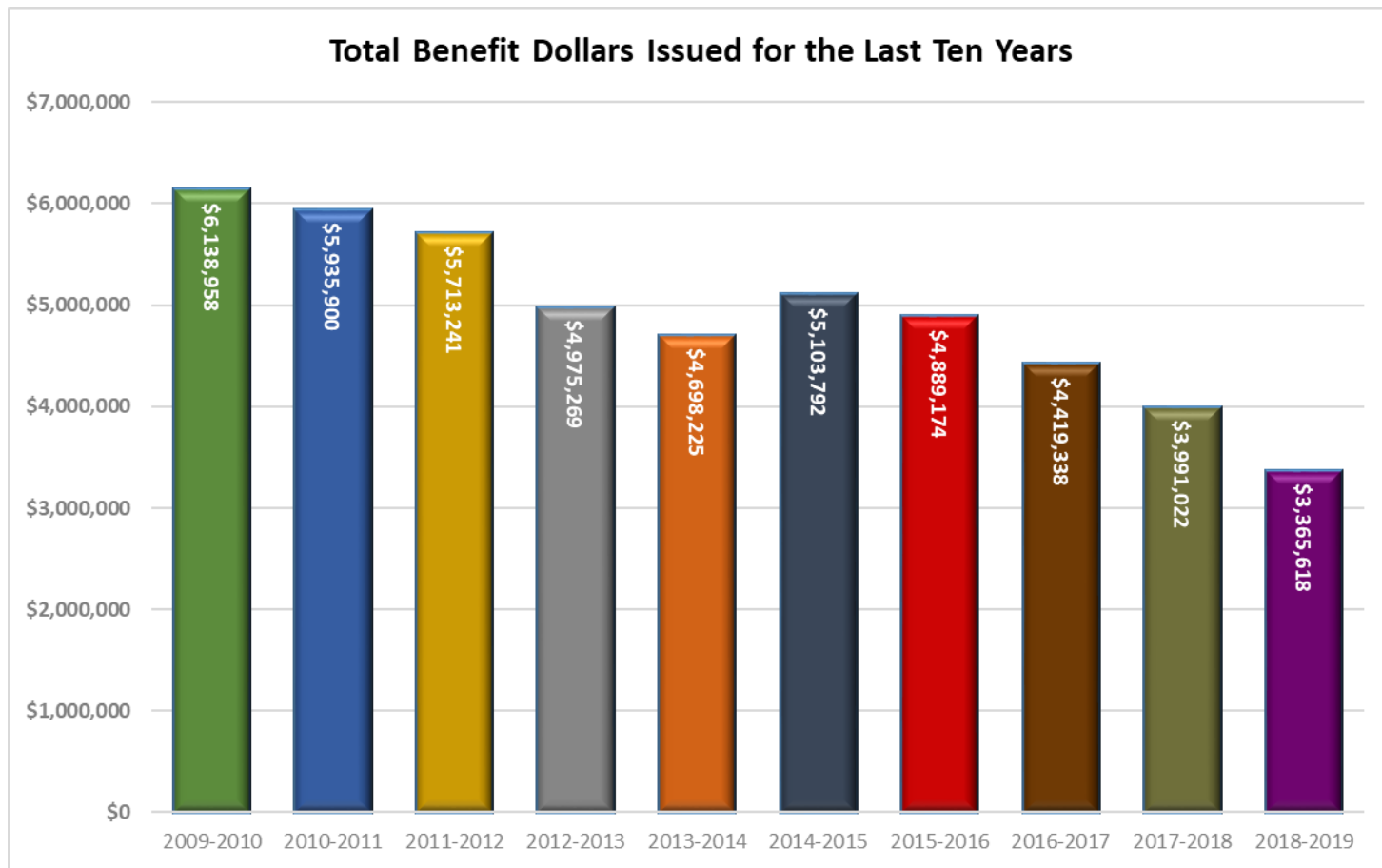
All requests or invoices for CAT Fund benefits should be forwarded to:

TRISTAR Insurance Group
PO Box 2805
Clinton, IA 52733-2805

Total Payments by Financial Category as of June 30, 2019



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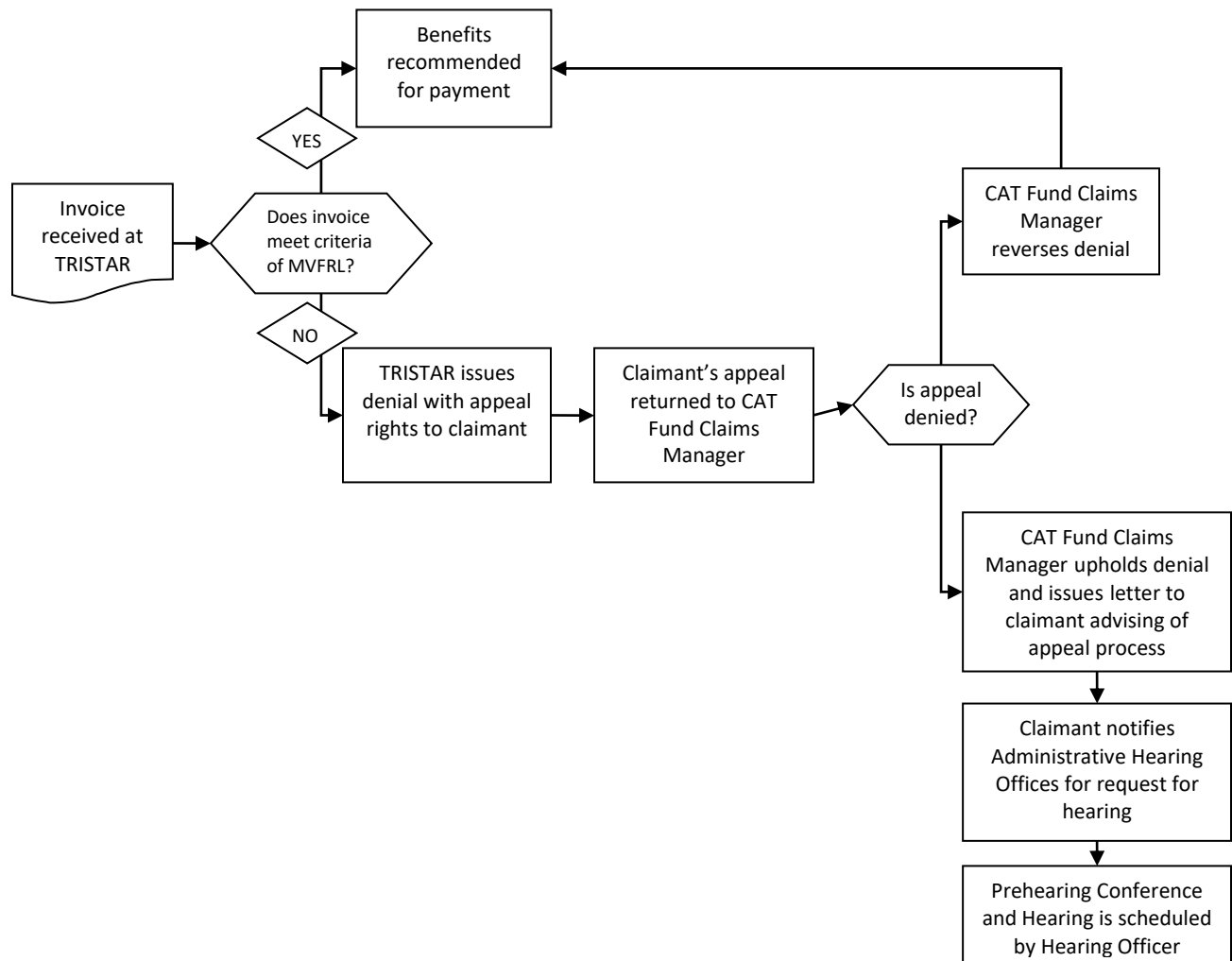
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APPEALS AND THE ADMINISTRATIVE HEARING PROCESS

Claimants who do not agree with a determination made by the CAT Fund may dispute the determination as outlined in the regulations of Pennsylvania Insurance Department, 31 Pa. Code 67.6.

If a claim is denied, the claimant or authorized representative will receive specific written instructions on the appeal process. At the first level of the appeal process, a claimant is issued written notification from the CAT Fund Claims Manager advising if the denial is upheld or reversed. If the denial is reversed, the invoice is processed for payment.

If the denial is upheld, the claimant receives written instruction on how to request a formal administrative hearing. A formal administrative hearing is conducted before a hearings officer appointed by the Insurance Commissioner. It is the claimant's responsibility to prove that the service(s) in dispute is/are medically necessary, reasonable and accident related.



HIGHLIGHTS OF 2018-2019

NEGOTIATED SAVINGS

The CAT Fund utilizes cost saving programs to conserve benefit dollars for its claimants. A portion of the cost saving programs includes concepts from past legislative amendments contained in the MVFRL 1990 Act 6 amendment.

By using ACT 6 repricing information, TRISTAR negotiates payment amounts with providers of medical treatment and rehabilitative services including hospitals, doctors, physical therapists, and orthotic/prosthetic suppliers.

As illustrated in the chart below, using the negotiated savings process has allowed the CAT Fund to save a total of \$779,761.02 in claimant benefits. In instances where a provider does not accept Act 6 repricing, the CAT Fund proactively contacts providers to negotiate and secure an agreed upon bill amount for services rendered.

<i>MONTH</i>	<i>CHARGED</i>	<i>PAID</i>	<i>SAVINGS</i>	<i>NEGOTIATION FEES</i>	<i>NET SAVINGS</i>
July-2018	\$91,041.00	\$48,119.65	\$2,288.85	\$632.50	\$42,288.85
August-2018	\$ 43,602.77	\$24,908.61	\$18,053.66	\$640.50	\$18,053.66
September-2018	\$161,815.66	\$70,334.39	\$90,754.29	\$705.50	\$90,775.29
October-2018	\$118,250.61	\$59,900.83	\$29,091.44	\$1,112.24	\$29,091.44
November-2018	\$409,539.86	\$150,301.88	\$258,145.48	\$1,071.50	\$258,166.48
December-2018	\$54,140.72	\$26,643.50	\$26,104.50	\$532.00	\$26,111.50
January-2019	\$133,172.03	\$54,530.58	\$80,709.98	\$301.00	\$80,835.98
February-2019	\$294,501.08	\$106,742.16	\$186,731.92	\$1,016.50	\$186,742.42
March-2019	\$103,685.71	\$55,486.81	\$47,695.40	\$503.50	\$47,695.40
Totals	\$1,409,749.44	\$596,968.41	\$779,575.52	\$6,515.24	\$779,761.02
Monthly Average	\$156,638.83	\$66,329.82	\$86,619.50	\$723.92	\$86,640.11

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PRESCRIPTION DRUG PROGRAM

Prior to the transition of services to TRISTAR/Optum beginning on April 1, 2019, the Auto CAT Fund had a Memorandum of Understanding with PACE to provide prescription medication program services to the CAT Fund in a continuing effort to effectively manage benefit dollar savings for prescription drugs. The PACE program is widely known for its comprehensive pharmaceutical cost management directives which include the elimination of out of pocket expenses for claimants. PACE used Magellan Health Services as its administrator.

Optum provides the adjusters with various tools to assist in managing the claimants' prescriptions. These tools include:

- VitalPoint – provides the ability to manage claim-level formulary
- SmartRouting – prior authorizations for multiple medication types are routed directly to TRISTAR for clinical review prior to approval
- Point-Of-Sale Limits – flexible point-of-sale edits to limit target medications at key points in the life of a claim
- Prior Authorization – for high-cost or high-risk medication and medications not typically found in auto claims

TRISTAR adjusters closely monitor the prescription benefits and serve as the central contact to verify that the prescribed medications meet the benefit criteria. The Fund oversees the adjuster's ability to approve or deny prescription eligibility statuses as necessary by phone, email or online via the website. Claimants and pharmacies have access to customer service by phone.

The CAT Fund utilizes various processing edits available via the Optum system to monitor pharmaceutical use by claimants receiving CAT Fund benefits. This coordinated effort between Optum, and the CAT Fund results in more control over potential abuse of narcotics, duplicate therapeutic medications, and excessive prescriptions for medications in the elderly. When providers consider alternative medications, or switch from brand name to generic drugs, this can mean a substantial savings for the claimant.

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PRESCRIPTION DRUG PAYMENT SUMMARY

Prior to transition of pharmaceutical services to Tristar/Optum effective April 1, 2019, the majority of prescriptions paid for by the CAT Fund were dispensed through PACE or TechHealth. The chart below reflects the total number of prescription payments, total savings, and the number of prescriptions dispensed through each of these programs.

Outside of the PACE and TechHealth programs, an additional \$ 48,741.71 was paid to providers, pharmacies and/or claimants for reimbursement of their out-of-pocket expenses. The majority of these payments (77%) made outside of PACE and TechHealth were paid directly to providers for pain pump medication refills.

PACE		TECHHEALTH	
Charged	\$861,886.00	Charged	\$395,007.00
Reduction	\$368,724.00	Reduction	\$118,050.00
Paid	\$493,161.00	Paid	\$276,957.00
Admin. Charge	\$21,930.00	Admin. Charge	\$0.00
Number Dispensed	2619	Number Dispensed	1000

Considering only the PACE and TechHealth programs, PACE processed 72% of the total number of prescriptions and 64% of the dollar value of prescriptions. TechHealth processed 28% of the total number of prescriptions and 36% of the total cost. PACE generated 40% net savings under the charged amount. TechHealth was able to generate 30% savings under the charged amount. Overall, both programs result in significant savings for the CAT Fund claimants and the CAT Fund.

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**CENTERS FOR MEDICARE & MEDICAID SERVICES/
MEDICARE SECONDARY PAYER RECOVERY CONTRACTOR**

TRISTAR identifies the CAT Fund claimants which are Medicare beneficiaries and reports them, as required, to CMS as part of Section 111 of the Medicare, Medicaid and SCHIP Extension Act (MMSEA) of 2007. In June of each calendar year, TRISTAR sends Consent to Release forms to Medicare eligible claimants along with the Annual Coordination of Benefits letter.

A CMS MSPRC Lien process was developed to respond to correspondence received from MSPRC, including but not limited to Conditional Payment Notice (CPN), Conditional Payment Letter (CPL) and Recovery Demand Letter. This past year, we received three Conditional Payment Notices and two Demand letters. We expect to continue to receive CMS MSPRC letters as most CAT Fund claimants are Medicare recipients.

INSURANCE FRAUD INVESTIGATIONS

Pursuant to Act 166 of 1994, the Office of Attorney General was granted specific authority to create an Insurance Fraud Section empowered to investigate and prosecute insurance fraud. The CAT Fund considers falsification of a request or invoice for CAT Fund benefits insurance fraud.

The CAT Fund continues to receive restitution for past fraudulent criminal activity. These payments are applied to the appropriate claimant's benefits account. TRISTAR monitors claims on a routine basis and will investigate any potential cases of fraudulent activity. Where appropriate, TRISTAR will refer the matter to the Office of Attorney General for criminal investigation.

ADMINISTRATIVE HEARINGS

There were no CAT Fund Administrative Hearings held during this fiscal year.