

Pennsylvania Catastrophic Loss Benefits Continuation Fund Annual Report



Pennsylvania
Insurance Department

PENNSYLVANIA CATASTROPHIC LOSS BENEFITS CONTINUATION FUND ANNUAL REPORT

July 1, 2024 – June 30, 2025



Prepared by the Catastrophic Loss Benefits Continuation Fund and Inservco Insurance Services, Inc.

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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).

A third-party administrator, Inservco Insurance Services, Inc. (Inservco), is contracted to manage the claims administration activity. The current contract has been in effect since July 1, 2022.

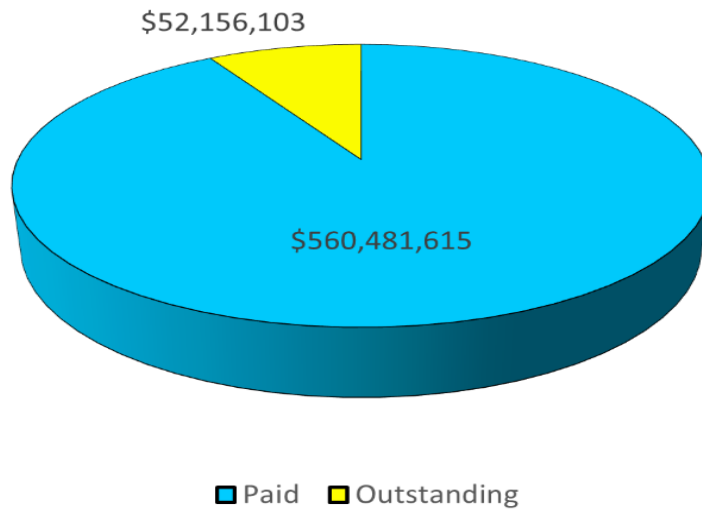
The CAT Fund has the fiduciary responsibility to continue providing benefits to all eligible claimants and to evaluate any new applications for benefit eligibility. These claims are administered by Inservco in a manner consistent with the MVFRL and the insurance industry's best claim practices to include:

- Researching and investigating the eligibility of new CAT Fund applicants in a cost-effective manner 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 which are deemed medically necessary, reasonable and accident related once the total payments exceed \$100,000.
- Recommending denial of CAT Fund benefits for services which do not meet the criteria for payment.
- 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.
- Submitting 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 Department of Treasury.
- Seeking CAT Fund approval for recommended expense payments for other related services such as legal fees and other allocated expenses.

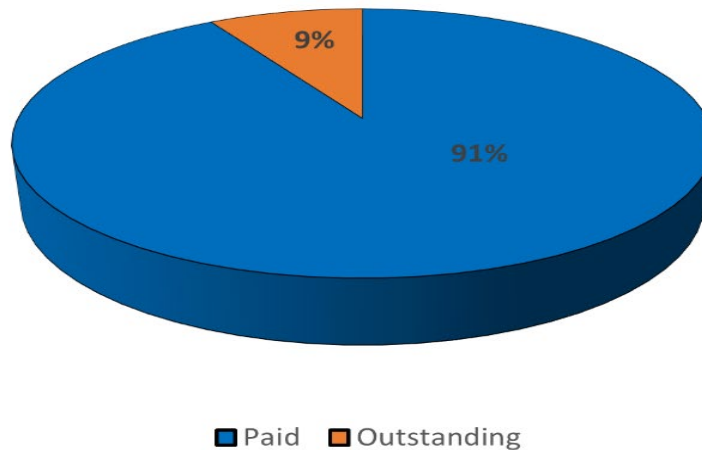
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As of June 30, 2025, the CAT Fund had an outstanding claim reserve of \$52,156,103, or 9% of the total amount incurred, defined as reserves plus payments, over the lifetime of the program. Ongoing claim reviews and re-evaluations assist the Bureau and the Bureau's actuary in determining the appropriate funding required to meet the CAT Fund's fiduciary responsibility.

Incurred Dollars as of June 30, 2025



Incurred Percentage as of June 30, 2025



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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 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 MVFRL 75 Pa. C.S. §§ 1701, *et seq.* created the Catastrophic Loss Trust Fund effective October 1, 1984. Act 144 of 1988, 75 Pa C.S. §§ 1761-69, 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. §§ 1798.1-1798.2, 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. Additionally, 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, 2025, the CAT Fund has provided a total of \$558,027,646 in benefits for medical treatment and rehabilitative services on behalf of 1,885 eligible claimants since its inception. The Pennsylvania Insurance Department's Bureau of Special Funds oversees the administration of the CAT Fund. A contracted third-party administrator, Inservco, provides claims administration services for the CAT Fund.

Today, a similar benefit known as 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.

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.
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. CAT Fund benefits are provided to eligible claimants at the catastrophic level (when payment of expenses for medical treatment and rehabilitative services exceed \$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.

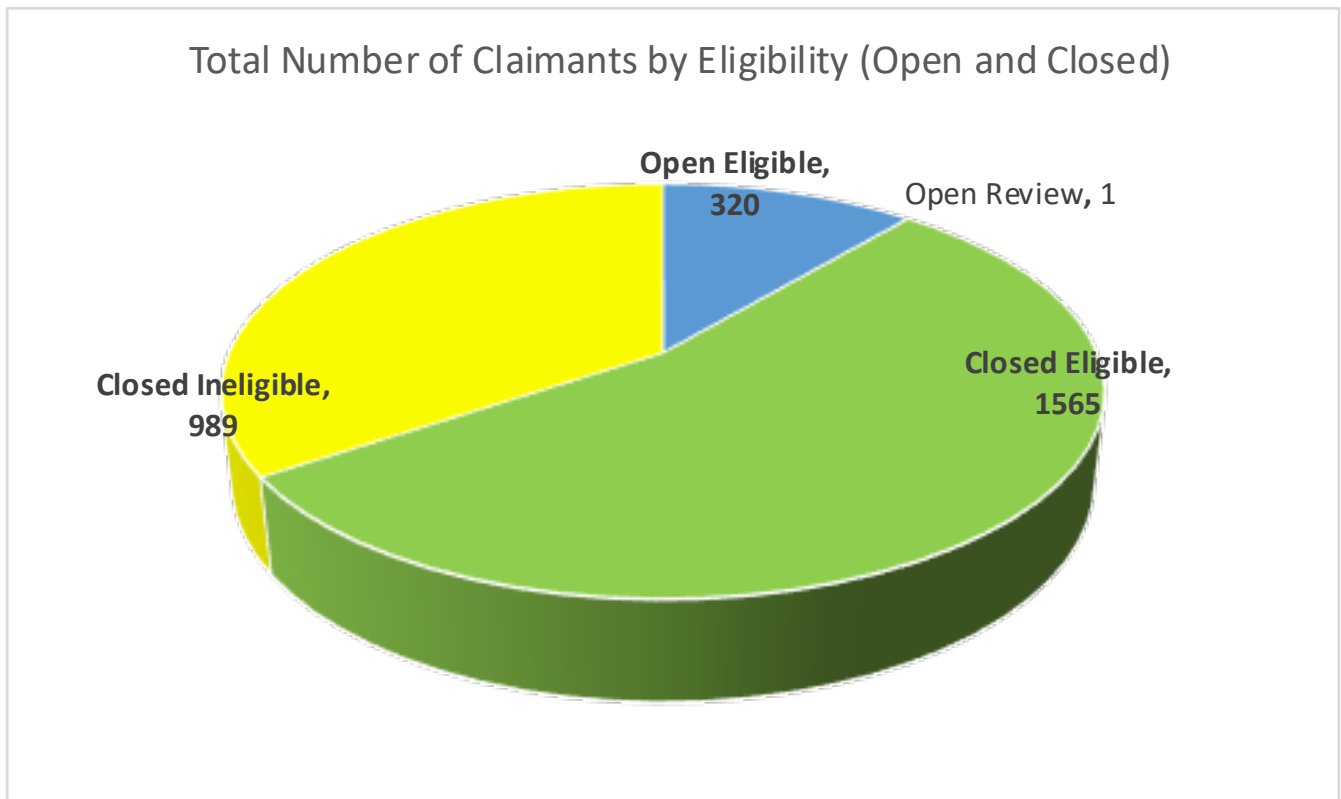


The majority of injuries sustained by the CAT Fund claimants are of a catastrophic nature and include head injuries, multiple fractures, quadriplegia and paraplegia.

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.

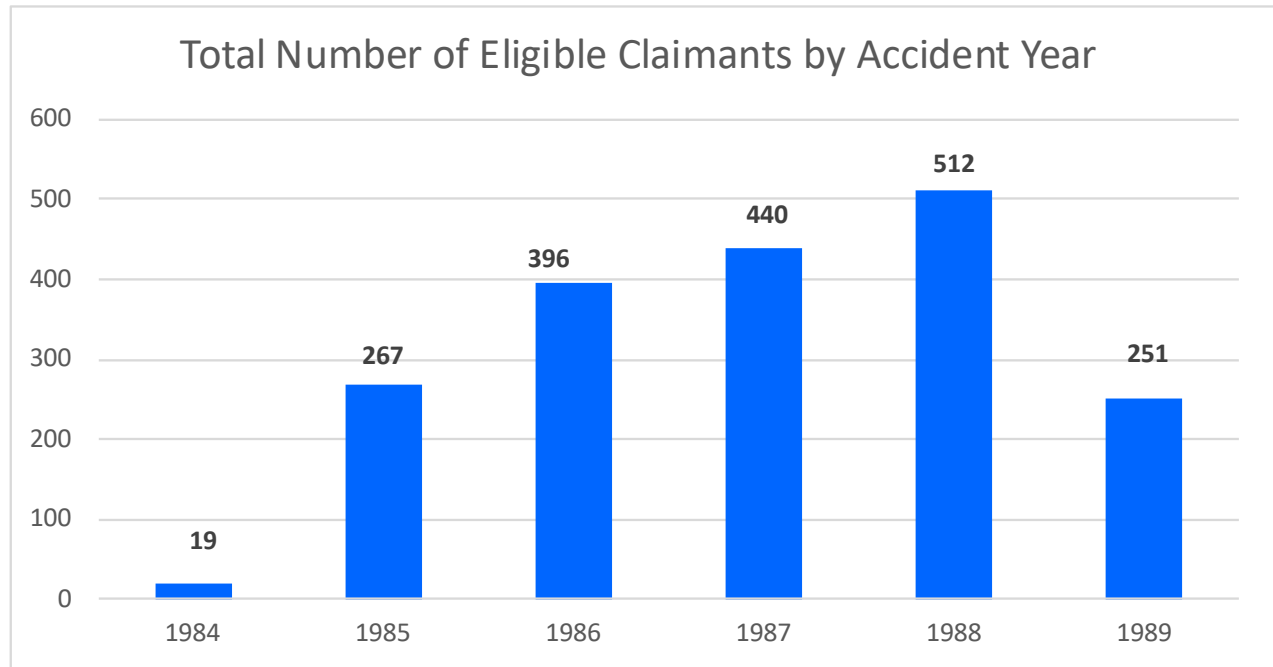
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The CAT Fund continues to receive new inquiries for CAT Fund benefits. The CAT Fund has a total of 2,875 claimants of which 989 are considered ineligible for benefits. One claim is under review for eligibility and the remaining 1,885 claims are considered eligible for benefits. As of June 30, 2025, there are 320 claims open and actively receiving benefits.



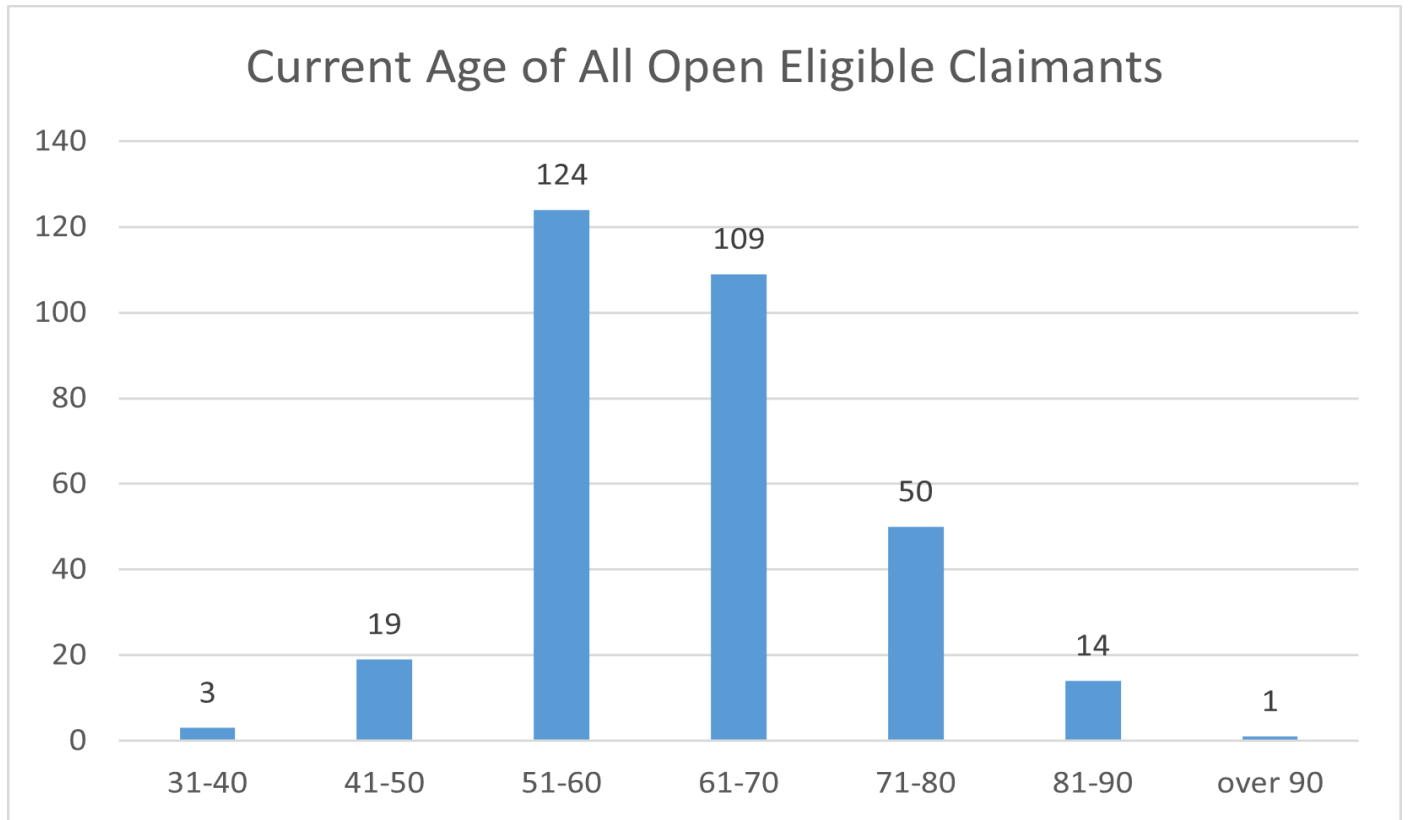
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The highest number of eligible claimants for CAT Fund benefits occurred in 1988 with 512 claimants followed by 1987 (440 claimants) and 1986 (396 claimants).



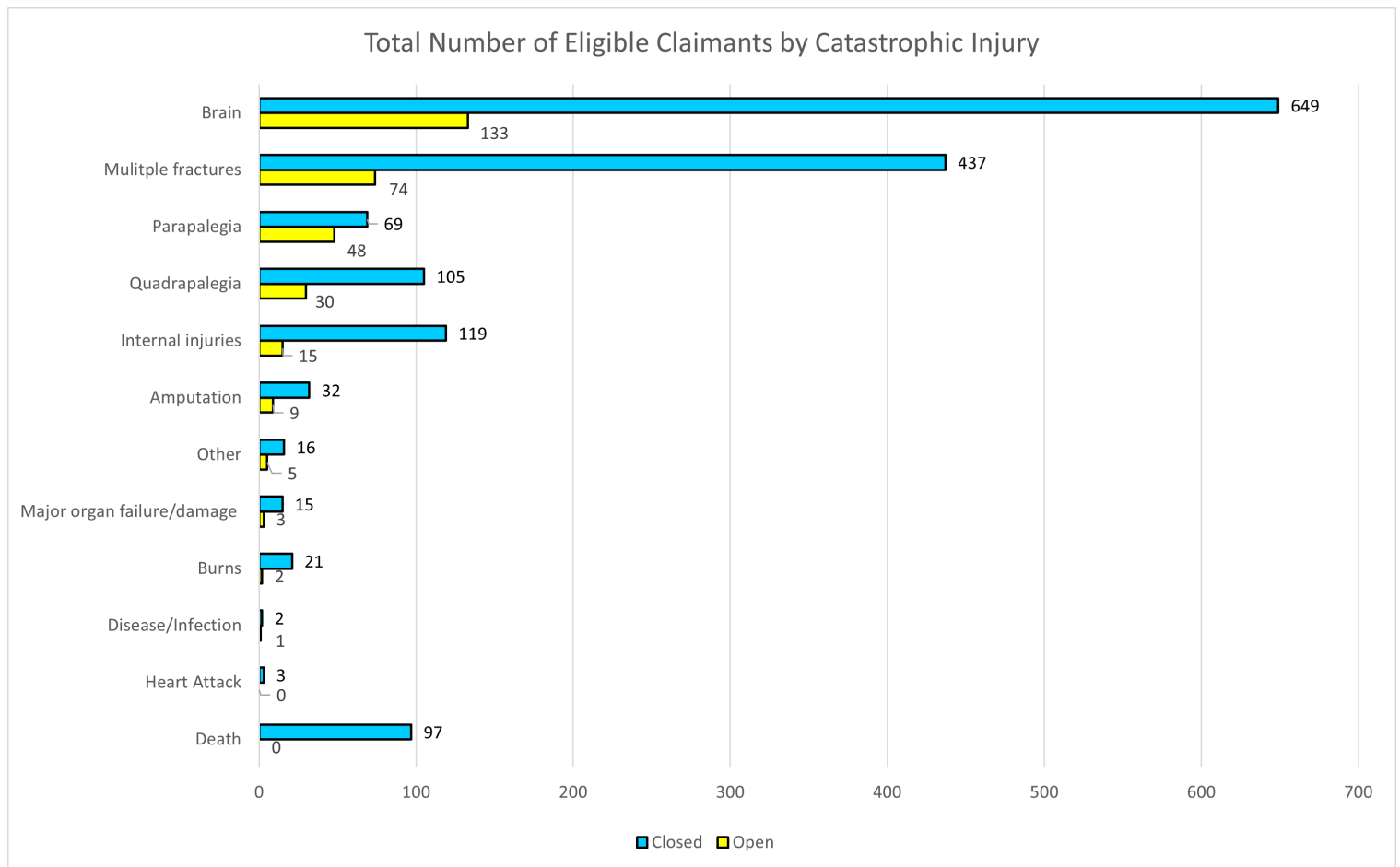
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Of the 320 open claims eligible for benefits, 124 claimants are between the ages of 51-60 followed by 109 claimants between 61-70 years of age. There is only 1 claimant remaining in the over 90 years of age category.



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Brain injuries continue as the largest number of CAT Fund eligible claims by Catastrophic Injury type accounting for 782 of the total 1,885 eligible claims. This category is followed by 511 claims due to multiple fractures and the least number of claims by Catastrophic Injury type is 3 claims for heart attack and 3 claims for disease/infection respectively.



BENEFIT FUNDING

As the third-party administrator for the CAT Fund, Inservco makes a recommendation relative to the eligibility of the claimant. Once a claimant's eligibility has been established, Inservco reviews all requests and invoices for benefits to determine if the medical treatment or rehabilitative service is deemed medically necessary, reasonable and accident related. The injury dates for CAT Fund claimants occurred more than 40 years ago. As a result, it requires a great deal of time to review current treatment and rehabilitation needs to determine if there is a direct causal relationship between the MVA related injuries and unrelated treatment related to our aging claimant population. Inservco also reviews such requests and invoices to see that the medical treatment or rehabilitative service represents the most prudent expenditure of funds.

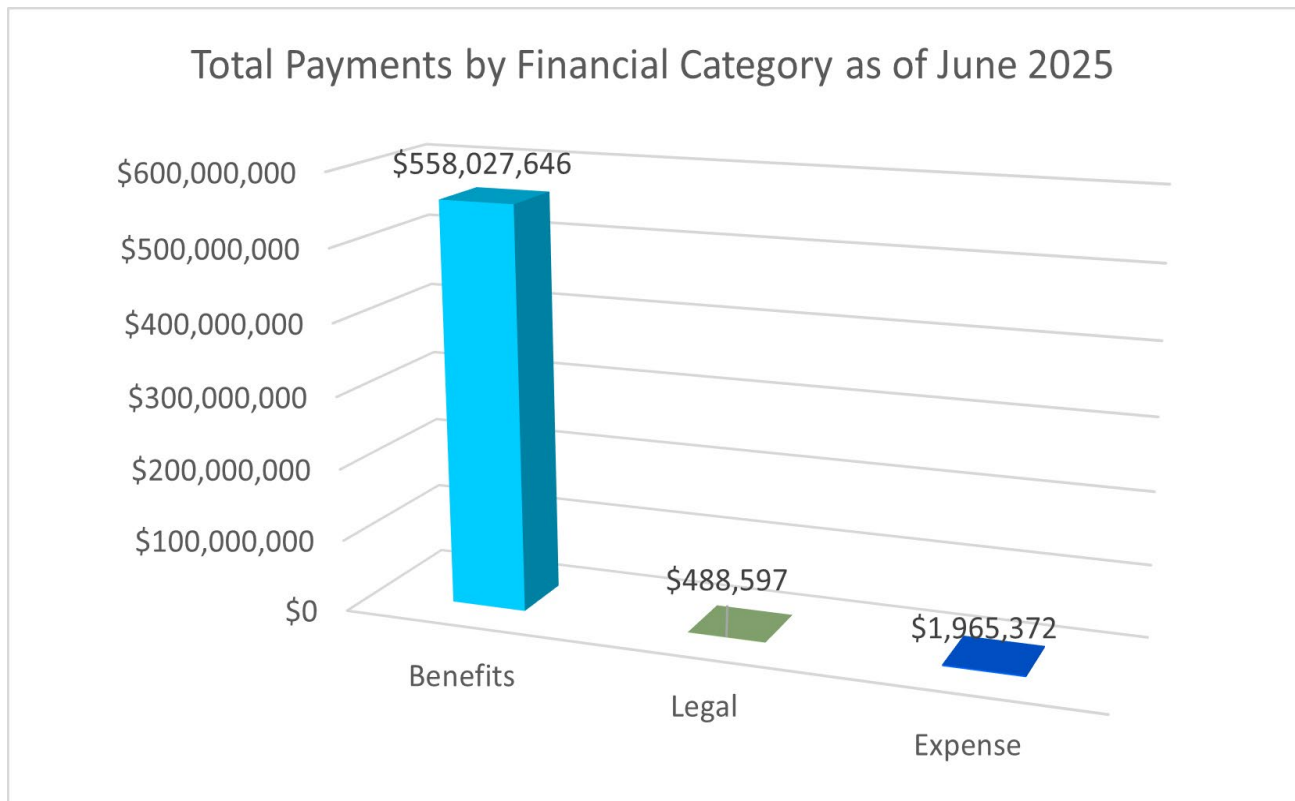
The maximum benefit paid by the CAT Fund on behalf of any one eligible claimant is \$50,000 per annual limit year and \$1,000,000 lifetime aggregate. During the first 18 months after the motor vehicle accident, benefits are provided without regard to the \$50,000 annual period limit but subject to the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

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, and private and/or group health insurance carriers. Insurers may confirm whether the CAT Fund is the primary payer on a particular claim by contacting Inservco.



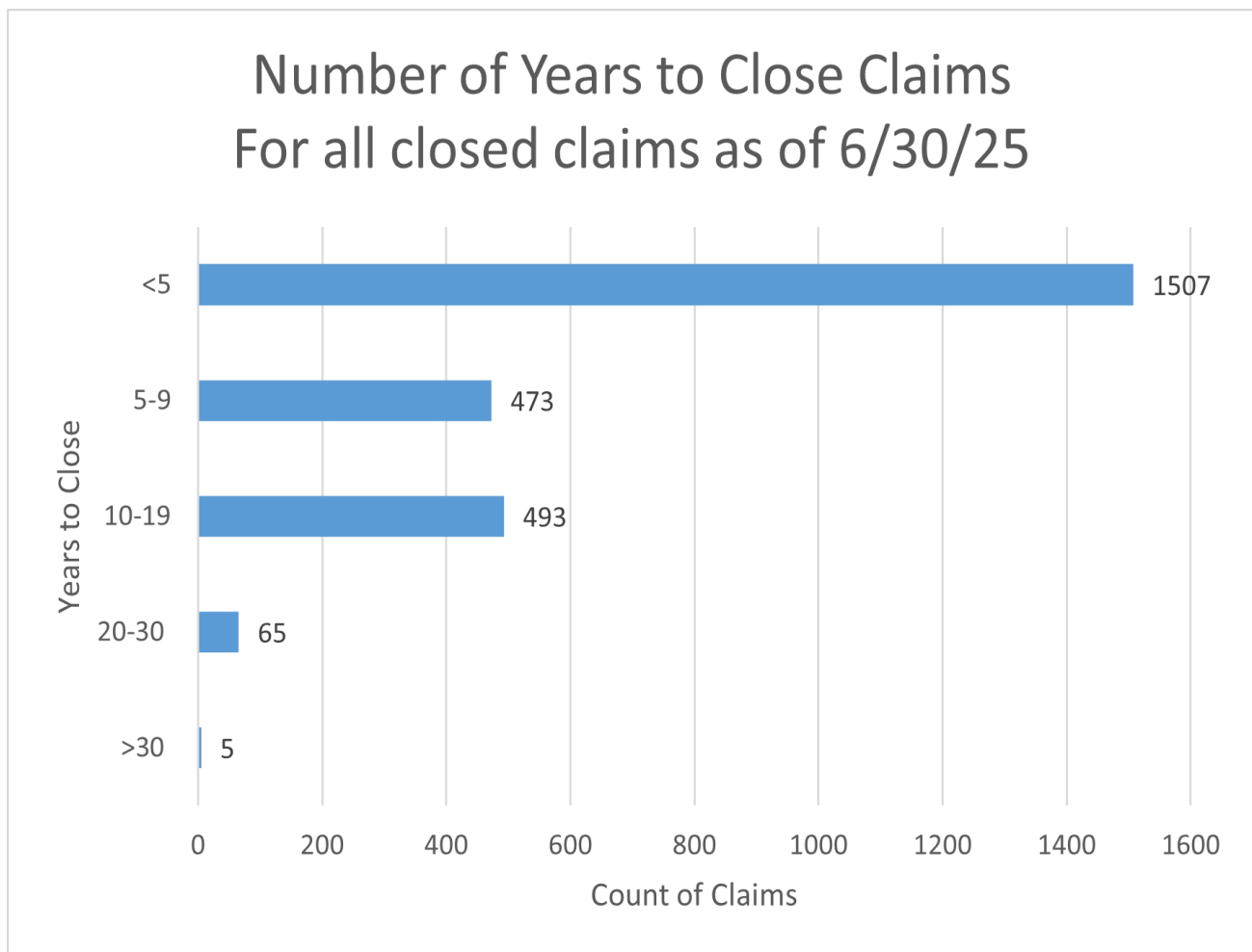
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Through June 30, 2025, the CAT Fund has provided over \$558 million in benefits for medical treatment and rehabilitative services on behalf of the 1,885 CAT Fund claimants that have been deemed eligible for benefits since the program's inception.



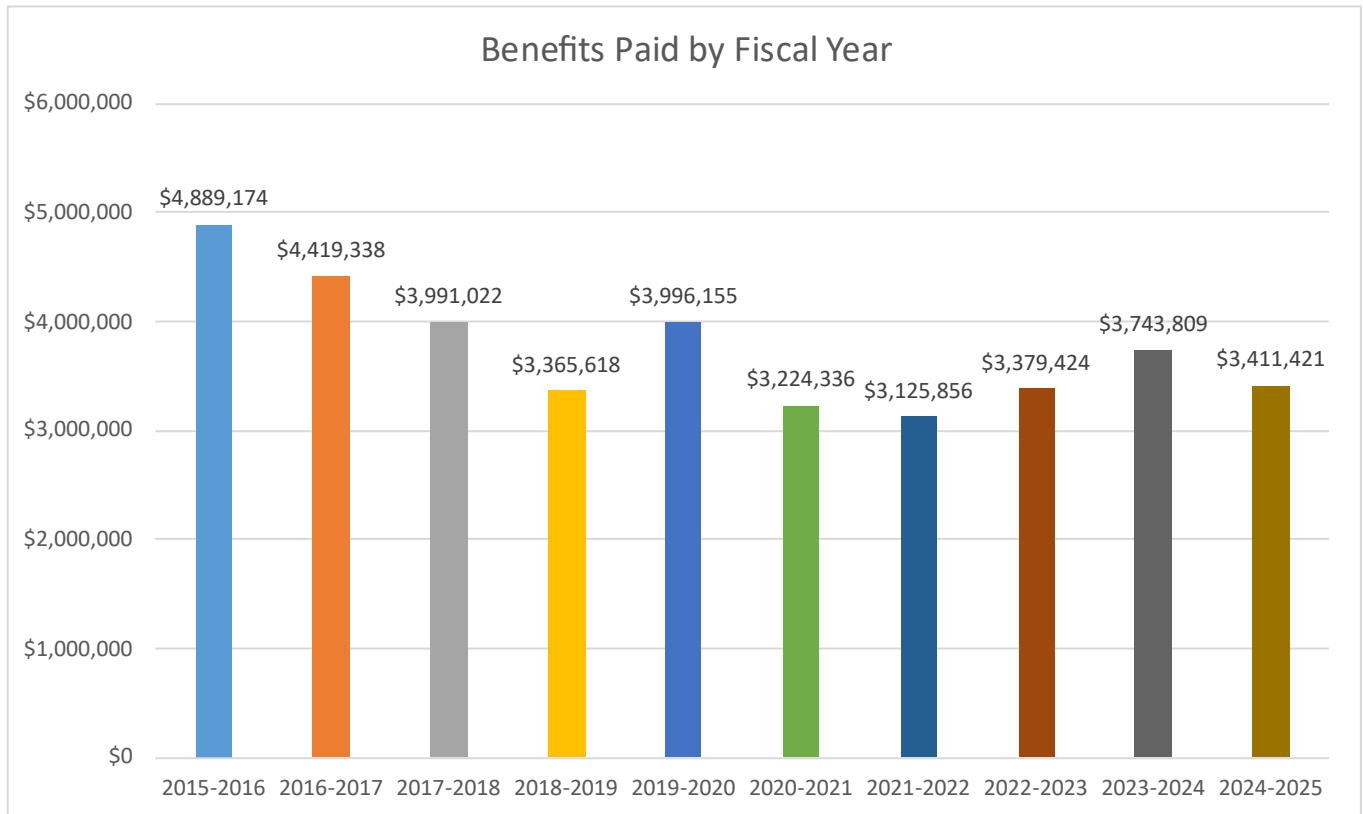
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To date, 148 claimants have reached the \$1,000,000 maximum benefit expenditure. In the next year, 8 claimants are expected to expend the lifetime maximum. Over the last year, the CAT Fund closed 9 claims and reopened 1 claim. The CAT Fund did not open any new claims during this fiscal year.



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Benefits Paid totals have varied over the last 10 fiscal years as depicted in this report. The paid amounts ranged from \$3,125,856 to \$4,889,174 with the highest paid total occurring in fiscal year 2015 - 2016.

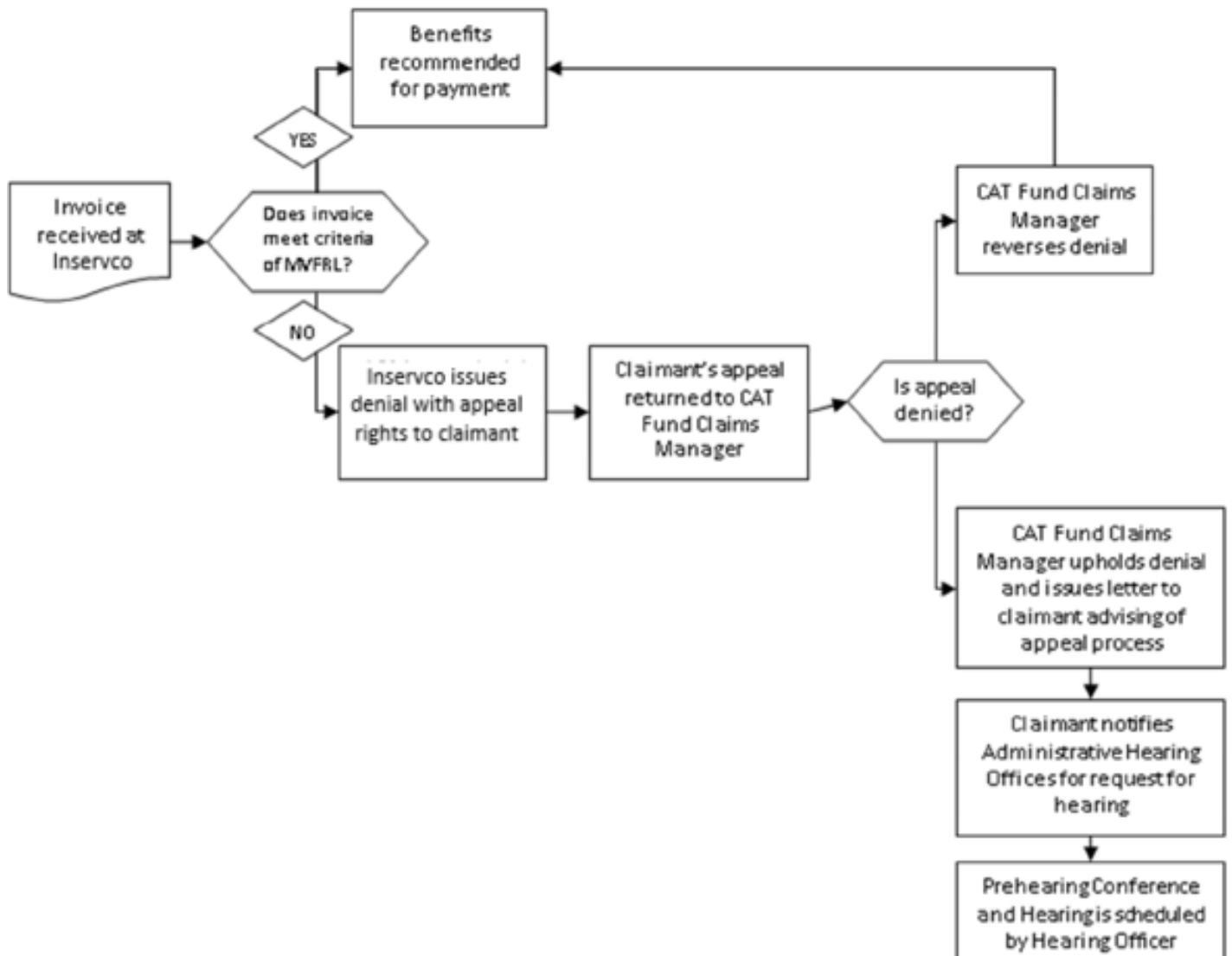


APPEALS AND THE ADMINISTRATIVE HEARING PROCESS

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 whether 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 2024-2025

MEDICAL COST CONTAINMENT

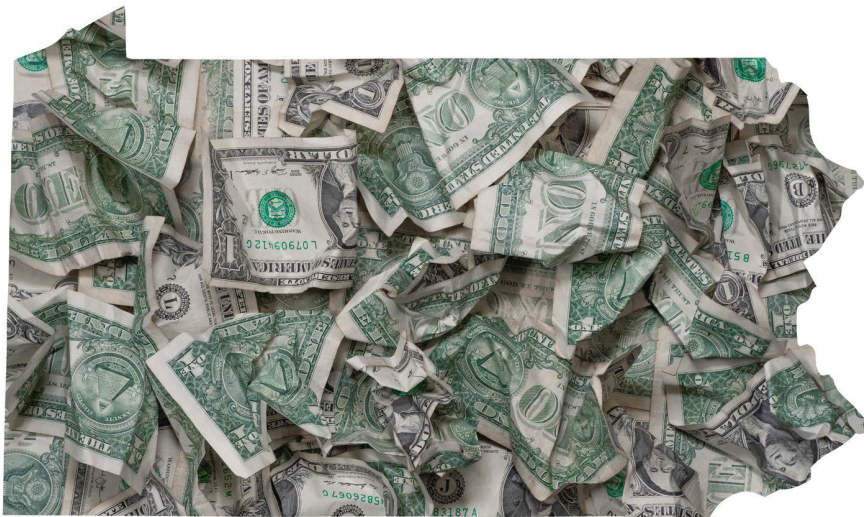
Fiscal year 2024-2025 included the continuation of the medical cost containment program, including the TPA medical bill repricing, Preferred Provider Organization network discounts, and pharmacy benefit management program. In addition, the use of available manufacturer's warranties have effectively reduced the cost of DME repairs and replacements.



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, Inservco negotiates payment amounts with providers of medical treatment and rehabilitative services including hospitals, doctors, physical therapists, and orthotic/prosthetic suppliers.



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

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

A CMS Medicare Secondary Payer Recovery Contractor (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.

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 to be insurance fraud.

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



ADMINISTRATIVE HEARINGS

When the claimant appeals a denial, the claims manager reviews the denial along with the facts of the claim and makes a determination if the denial will be upheld. If the claimant disputes the claims manager's decision to uphold the denial, the claimant can request an administrative hearing. There were no CAT Fund administrative hearings held during this fiscal year.

