

Pennsylvania Workers' Compensation Security Fund  
Annual Report



PENNSYLVANIA WORKERS' COMPENSATION SECURITY FUND

ANNUAL REPORT

July 1, 2023 – June 30, 2024



Prepared by the Workers' Compensation Security Fund and Inservco Insurance Services, Inc.

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### EXECUTIVE SUMMARY

The Pennsylvania Workers' Compensation Security Fund (Security Fund) is part of the Bureau of Special Funds (Bureau) in the Pennsylvania Insurance Department. The Security Fund provides claim payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation Act (WC Act) when the insurance companies that were originally providing benefits are insolvent and in liquidation. To date, claims have originated from 9 Pennsylvania domestic and 44 foreign liquidated insurers.

The goal of the Security Fund is to administer all eligible claims in a cost efficient, responsible manner, consistent with the WC Act, the Security Fund Act, and insurance industry's best claim practices. The Bureau works together with a third-party administrator, Inservco Insurance Services (Inservco), to provide quality workers' compensation claims management and managed care services in pursuit of this goal. The responsibility of the Security Fund is limited to those benefits payable, in accordance with the requirements of the Security Fund Act, the WC Act, Federal Black Lung and Longshore Harbor Workers' Compensation Act, as applicable. Inservco a subsidiary of Penn National Insurance, provides risk management services on behalf of the Security Fund.

As the third-party administrator, Inservco provides the following to fulfill the Security Fund's requirements of obtaining quality claims administration:

- A team of claim professionals experienced in Pennsylvania workers' compensation, Federal Black Lung and Longshore Harbor Workers' exposures.
- An in-house medical network, which provides savings through managed care services and repricing, as well as auditing provider invoices.
- Coordination of claim related services such as vocational rehabilitation, field case management, surveillance, funded employment and prescription drug management programs.
- The processing of electronic data to transfer medical, indemnity and expense related payments to the Commonwealth for payment by the Department of Treasury.
- The provision of necessary reports for the Security Fund to evaluate and monitor claims activity and program operations.
- Electronic reporting to the Centers for Medicare & Medicaid Services (CMS) including all required claim reporting services and data collection.
- Reporting of monthly and quarterly claims and administrative expenses to all Liquidators in National Association of Insurance Commissioners (NAIC) UDS format.
- Coordinating with outside counsel law firms, with direct oversight by the Security Fund, on pending litigation matters assigned to the law firms by the Security Fund.
- Information systems that integrate all claim service processes, including record storage, into one internet accessible interface.

## EXECUTIVE SUMMARY

Periodically, the Security Fund subjects the claims data to analysis by an independent outside actuary to determine ultimate liability. Aon Global Risk Consulting was retained to assist the Security Fund by performing an actuarial analysis of the Security Fund's liabilities. The most recent independent analysis, issued August 31, 2023, determined that based on data valued as of December 31, 2022, ultimate liabilities were \$283,668,463.

The Security Fund or Inservco may be contacted through the addresses below:

PA Workers' Compensation Security Fund  
901 North Seventh Street, 3rd Floor  
Harrisburg, PA 17102  
717-783-8093  
[www.insurance.pa.gov](http://www.insurance.pa.gov)

Inservco Insurance Services, Inc.  
2 North Second Street  
Harrisburg, PA 17101  
1-717-230-8300  
[www.inservco.net](http://www.inservco.net)

## SECURITY FUND BACKGROUND

The Pennsylvania Workers' Compensation Security Fund (Security Fund) was created by an Act of the Pennsylvania legislature on July 11, 1937, known as Act 470 (the Act). The purpose of the Act at that time was to "establish funds to provide security for the payment of benefits in the event of the insolvency of an insurance carrier authorized to write workers' compensation insurance in this Commonwealth, and to provide for the administration thereof." The Act was amended on April 13, 1988, becoming Act 48, to include certain "insurers under the Federal Longshore and Harbor Workers' Compensation Act."

The Security Fund serves as a guaranty fund which provides claim payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation Act (statutory benefits). These benefits would have been paid by insurance companies licensed in Pennsylvania except that such companies have been placed in liquidation by a court in their state of domicile.

The Security Fund generates income from its investments and receives distributions from the estates of liquidated insurers. In addition, funds are generated from an assessment on workers' compensation written premiums of insurance companies currently providing workers' compensation coverage in the state of Pennsylvania. If, due to the payment of liabilities, the Security Fund balance is reduced below \$500 million as of December 31st of any year, an assessment is issued. The most recent assessment was issued in 2009 based on the December 31, 2008 fund balance.

The Security Fund is required to meet the mandatory reporting requirements as set forth under Section 111 of the Medicare, Medicaid, and SCHIP Extension Act (MMSEA). Since the inception of the Medicare Program in 1965, Medicare has been the secondary payer of workers compensation benefits. Inservco electronically exchanges health insurance benefits entitlement information on a quarterly basis with CMS and submits the Section 111 reporting for the Security Fund.



### LIQUIDATION PROCESS

The Security Fund was created for the purpose of assuring that payment of valid workers' compensation benefits is made to those entitled individuals as provided by the Pennsylvania Act. These individuals were insured by an insurance carrier previously authorized to write workers' compensation insurance in Pennsylvania that was deemed insolvent and placed into liquidation.

The Security Fund has effectively managed workers' compensation claims of 53 liquidation estates since 1979 and currently has 590 open claims. The reserves on these claims, including indemnity, medical, rehabilitation and claim expense, total approximately \$180,865,449. When liquidations occur, it is important for the Security Fund to be prepared. This preparation includes specific liquidation procedures and a commitment from Security Fund staff and the contracted claims administrator to provide timely reviews of all open claim files to assure all eligible claimants and providers are paid on a timely and accurate basis. The Security Fund's objective is to have all eligible claimants continue to receive their indemnity benefits immediately and without interruption.



Pertinent legal issues also need to be addressed promptly on open claims. Many times, the Security Fund will place a request with the Department of Labor and Industry for a “stay” of all legal proceedings involving the liquidated company. The stay is usually included in the liquidation order and is typically in effect for 90 days from the date of the order. This provides the Security Fund time to properly identify and address the legal issues on the claim files.

# Pennsylvania Workers' Compensation Security Fund

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There was one new liquidation for the Security Fund in the fiscal year 2023-2024: Arrowood Insurance Company. The following list of open and closed claims, broken down by liquidator, provides an overview of claims status. Other claim information is provided to the Security Fund through ad-hoc reports developed via Inservco's online tools.

Liquidator	Date of Liquidation	Domiciled State	Total Claims	Open Count	Closed Count	% Closed	Paid to Date	Outstanding	Incurred
Alliance National Ins Co	8/21/2020	NY	105	22	83	79%	\$4,320,739.54	\$3,784,227.38	\$8,104,966.92
American Mutual Ins of Boston	3/9/1989	MA	421	10	411	98%	\$25,742,705.61	\$1,461,771.33	\$27,204,476.94
American Mutual Liability Ins	3/9/1989	MA	734	11	723	99%	\$45,410,063.87	\$1,959,283.05	\$47,369,346.92
American Universal	1/8/1991	RI	24	1	23	96%	\$2,087,531.68	\$502,917.30	\$2,590,448.98
Arrowood Ins Co			78	68	10	13%	\$470,682.08	\$24,531,999.75	\$25,002,681.83
Atlantic Mutual Ins Co	4/27/2011	NY	40	6	34	85%	\$2,764,569.01	\$348,418.37	\$3,112,987.38
Bedivere Ins Co	3/11/2021	PA	57	35	22	39%	\$2,454,141.56	\$9,982,276.37	\$12,436,417.93
California Comp Ins. Co.	9/26/2000	CA	1	0	1	100%	\$0.00	\$0.00	\$0.00
Carriers Ins. Co.	1/16/1986	IA	82	1	81	99%	\$10,004,700.99	\$42,620.82	\$10,047,321.81
Castlepoint National Insurance Company	4/1/2017	CA	83	7	76	92%	\$2,545,155.60	\$2,866,116.52	\$5,411,272.12
Casualty Reciprocal Exchange	8/18/2004	MO	293	8	285	97%	\$23,688,483.60	\$5,068,641.95	\$28,757,125.55
Centennial Insurance Company	4/27/2011	NY	27	4	23	85%	\$2,928,187.86	\$503,030.96	\$3,431,218.82
Commercial Compensation Casualty Co.	9/26/2000	CA	533	2	531	100%	\$10,969,987.15	\$241,668.23	\$11,211,655.38
Consolidated Mutual Ins. Co.	5/31/1979	NY	5	0	5	100%	\$264,753.17	\$0.00	\$264,753.17
Credit General Ins. Co.	1/5/2001	OH	471	4	467	99%	\$16,671,147.07	\$1,713,391.93	\$18,384,539.00
Employers Casualty Ins. Co.	2/11/1994	TX	70	0	70	100%	\$7,615,796.15	\$0.00	\$7,615,796.15
Employers National Ins. Co.	2/11/1994	TX	3	0	3	100%	\$377,694.41	\$0.00	\$377,694.41
Enterprise Ins. Co.	2/24/1987	CA	1	0	1	100%	\$232.00	\$0.00	\$232.00
Freestone Insurance Company	8/15/2014	DE	367	3	364	99%	\$13,020,005.09	\$2,331,153.40	\$15,351,158.49
Fremont Compensation Ins	7/2/2003	CA	39	0	39	100%	\$6,300,401.78	\$0.00	\$6,300,401.78
Frontier Insurance Company	11/16/2012	NY	12	2	10	83%	\$4,570,210.88	\$5,286,783.25	\$9,856,994.13
Guarantee Insurance Company	11/27/2017	FL	633	17	616	97%	\$34,227,888.16	\$6,642,891.53	\$40,870,779.69
Ideal Mutual Ins. Co.	2/7/1985	NY	489	1	488	100%	\$12,286,229.41	\$24,983.35	\$12,311,212.76
Imperial Casualty and Indemnity Company	5/12/2010	AZ	69	1	68	99%	\$2,399,120.21	\$399,070.81	\$2,798,191.02
Integrity Ins. Co.	3/25/1987	NJ	58	0	58	100%	\$446,376.48	\$0.00	\$446,376.48

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Liquidator	Date of Liquidation	Domiciled State	Total Claims	Open Count	Closed Count	% Closed	Paid to Date	Outstanding	Incurred
Intercontinental Ins. Co.	1/12/1990	IL	4	0	4	100%	\$8,129.56	\$0.00	\$8,129.56
Legion Ins. Co.	7/28/2003	PA	1019	21	998	98%	\$64,373,957.28	\$8,525,666.82	\$72,899,624.10
Lincoln General Insurance Company	11/5/2015	PA	3	1	2	67%	\$671,768.36	\$504,418.05	\$1,176,186.41
LMI Insurance Co.	5/23/2020	OH	21	2	19	90%	\$2,194,598.77	\$100,422.71	\$2,295,021.48
Lumbermen's Mutual Casualty Co	5/10/2013	39	281	58	223	79%	\$21,173,876.45	\$14,035,814.54	\$35,209,690.99
Lumbermen's Underwriting Alliance (LUA)	5/23/2016	MO	44	4	40	91%	\$1,226,121.25	\$572,459.00	\$1,798,580.25
MasterCare Ins. Co.	7/14/2003	NJ	12	0	12	100%	\$779,329.22	\$0.00	\$779,329.22
Midland Ins. Co.	4/3/1986	NY	176	0	176	100%	\$11,653,742.33	\$0.00	\$11,653,742.33
Mission Ins. Co.	2/24/1987	CA	175	4	171	98%	\$12,037,886.82	\$1,280,606.46	\$13,318,493.28
Mission National Ins. Co.	2/24/1987	CA	75	0	75	100%	\$4,467,902.30	\$0.00	\$4,467,902.30
Northeastern Fire Ins Co.	6/1/1984	PA	1	0	1	100%	\$20,995.80	\$0.00	\$20,995.80
Northwestern National Insurance Co	5/2/2019	WI	3	0	3	100%	\$0.00	\$0.00	\$0.00
Park Avenue Property & Casualty	11/20/2009	AZ	1	0	1	100%	\$35,199.09	\$0.00	\$35,199.09
PHICO Ins. Co.	2/1/2002	PA	1837	60	1,777	97%	\$99,126,249.50	\$21,456,879.79	\$120,583,129.29
Reliance Ins. Co.	10/3/2001	PA	3287	67	3,220	98%	\$198,401,138.19	\$31,653,277.28	\$230,054,415.47
Rockwood Ins. Co.	8/26/1991	PA	1929	72	1,857	96%	\$149,696,186.06	\$9,979,375.92	\$159,675,561.98
Shelby Casualty Insurance Company	8/1/2006	TX	7	2	5	71%	\$379,968.63	\$76,617.40	\$456,586.03
Shelby Insurance Company	8/1/2006	TX	8	1	7	88%	\$406,601.49	\$64,556.98	\$471,158.47
State Auto Ins. Co.	12/22/1992	IN	15	0	15	100%	\$52,873.73	\$0.00	\$52,873.73
State Capital Ins. Co.	6/21/2004	NC	4	0	4	100%	\$343,732.02	\$0.00	\$343,732.02
The HOME Ins. Co.	6/13/2003	NH	650	61	589	91%	\$58,505,990.67	\$11,602,749.73	\$70,108,740.40
Transit Casualty Ins. Co.	12/3/1985	MO	60	0	60	100%	\$1,324,870.28	\$0.00	\$1,324,870.28
Ullico Casualty Company	5/30/2013	DE	175	2	173	99%	\$9,705,563.38	\$3,819,436.08	\$13,524,999.46
United Community Ins. Co.	7/7/1994	NY	191	1	190	99%	\$12,573,645.00	\$88,139.13	\$12,661,784.13
Villanova Ins. Co.	7/28/2003	PA	442	5	437	99%	\$25,270,090.14	\$1,651,591.97	\$26,921,682.11
Warwick Ins. Co.	6/22/1993	NJ	5	0	5	100%	\$170,141.26	\$0.00	\$170,141.26
Western Employers Ins. Co.	4/19/1991	CA	40	0	40	100%	\$1,760,131.09	\$0.00	\$1,760,131.09
Westmoreland Casualty Co.	9/27/1988	PA	3835	26	3,809	99%	\$193,876,113.12	\$7,762,191.00	\$201,638,304.12
Grand Total			18995	590	18405	97%	\$1,101,803,605.15	\$180,865,449.16	\$1,282,669,054.31



## CLAIM HIGHLIGHTS 2023-2024

In Section 440 of the Workers' Compensation Act, attorneys are permitted to collect fees for representing injured workers only when a fee arrangement was approved by the Workers' Compensation Judge or the Workers' Compensation Appeal Board (WCAB). On December 22, 2021, in *Lorino v. WCAB (Commonwealth)*, the Supreme Court interpreted Section 440 of the Workers' Compensation Act to indicate that in **all** cases where an injured worker prevails, the employer may be, at the discretion of the Workers' Compensation Judge, responsible for the injured worker's attorney fees. Previously, attorney fees were only assessed against the employer when it was found that the employer had not maintained a reasonable contest. Despite announcing a dramatic change in Pennsylvania Workers' Compensation law and practice, the Supreme Court's decision gives no guidance as to when or how a judge is to exercise discretion to award fees, or how to determine the amount of fees to be awarded. The WCAB has affirmed the Workers' Compensation Security Fund (WCSF) is not subject to an award for the injured worker's attorney fees assessed under *Lorino v. WCAB* because the WCSF is not an "insurer" under the Act. The WCSF defends all petitions for Lorino fees.

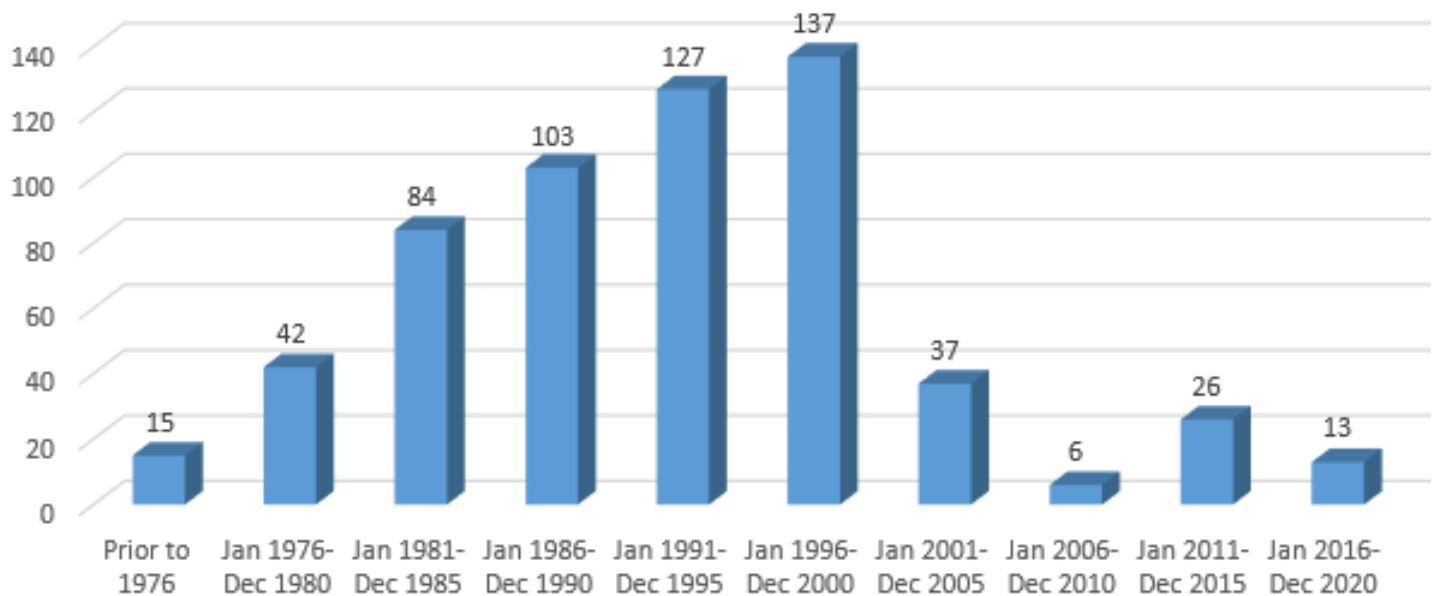
In 2020, a case entitled *Nieves v. WCAB (American Airlines)* found that the 20% contingency fee agreement could attach to payments for any medical treatment that was awarded by a Judge. Said another way, Nieves allowed Claimant attorneys to seek a fee that included 20% of any wage loss benefits and 20% of any medical expenses (with the remaining 80% of the medical costs being paid to the medical provider). On March 21, 2024, the Commonwealth Court rendered a Decision that explicitly states that the medical provider is barred from suing the Claimant or their attorney for this 20% deduction under *Williams v. WCAB (City of Philadelphia)*.

In a January 2, 2024 Commonwealth Court decision, found that Red Book does not accurately reflect the true Average Wholesale Price (AWP) for drugs. As a result, the court has ordered the Bureau to cease using Red Book and to designate a new, more accurate and nationally recognized source for the AWP. The court instructed the Bureau to identify a nationally recognized schedule that it will use to determine the AWP of prescription drugs to resolve payment disputes and give notice of that schedule in the PA Bulletin promptly. The Hearing Officer was instructed to stay the remand until the Bureau publishes the schedule, after which a hearing will be held to allow the parties to introduce, if necessary, evidence regarding alternative indices or schedules they believe provide a more "accurate" AWP. In September 2024, the Pennsylvania Supreme Court agreed to hear an appeal of the Commonwealth Court's decision. In a separate decision on June 28, 2024, the US Supreme Court also ruled Red Book and AWP are not the proper way to reprice prescriptions in PA workers' compensation claims, similar to the Commonwealth Court decision. This decision allows for challenging disputed pricing/payments for carriers, self-insured, TPA's etc. and could possibly greatly reduce the MSAs needed for settlements.

Fiscal year 2023-2024 included the utilization of Funded Employment through Catalyst. This company assists the WCSF by utilizing home-based employment as a return-to-work strategy for injured and disabled workers, as part of the WCSF settlement process. This has resulted in two settlements and six modification petitions that may resolve in settlements.

The following chart shows the number of open claims by occurrence date, grouped within 5-year periods. The largest number of open claims from any period is 137 during the period of January 1996 – December 2000. There are 15 remaining open claims with an occurrence date prior to 1976.

### Open Claims by Occurrence Date in 5 Year Intervals as of June 30, 2024

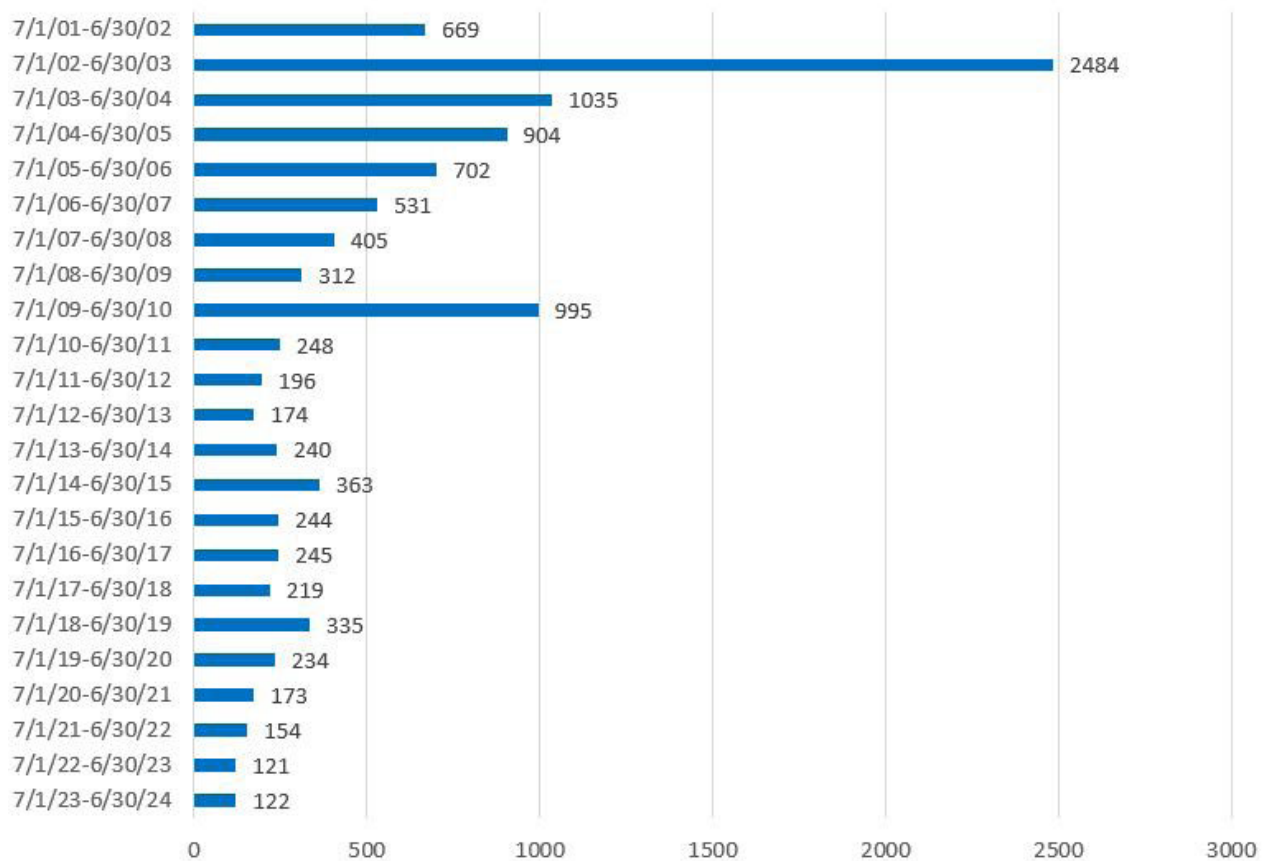


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In fiscal year 2023-2024, a total of 122 claims were closed. In fiscal year 2022-2023, 121 claims were closed. Prior to July 1, 2001, there were a total of 7300 claims closed.

Number of Claim Closings by Year as of June 30, 2024



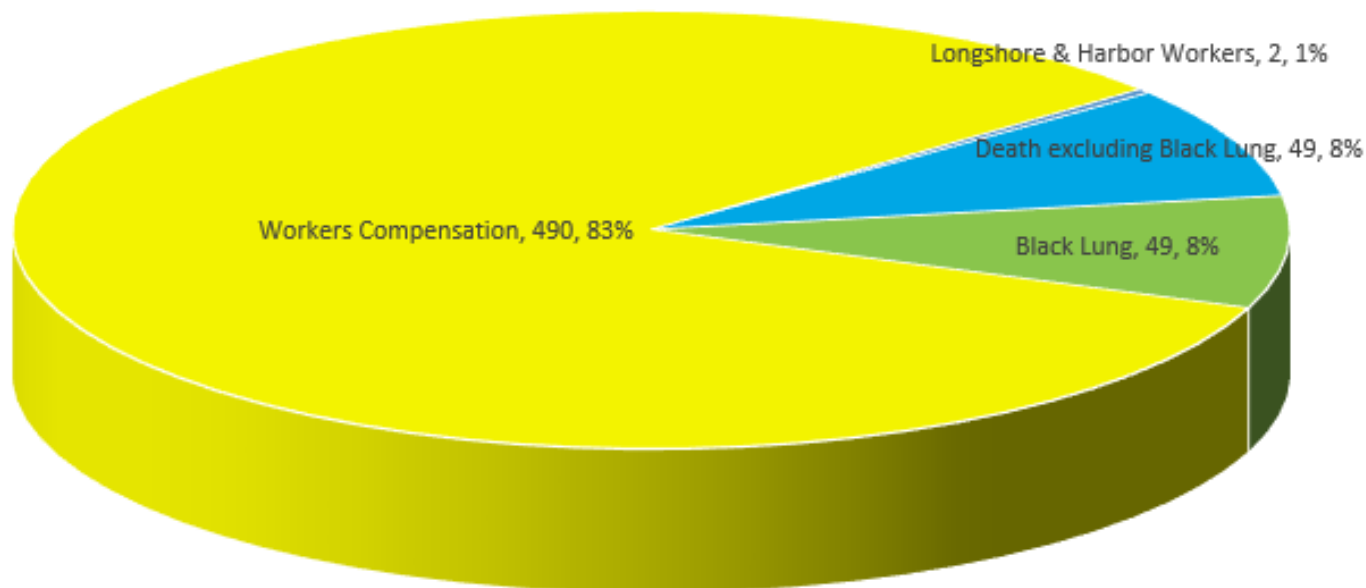
# Pennsylvania Workers' Compensation Security Fund

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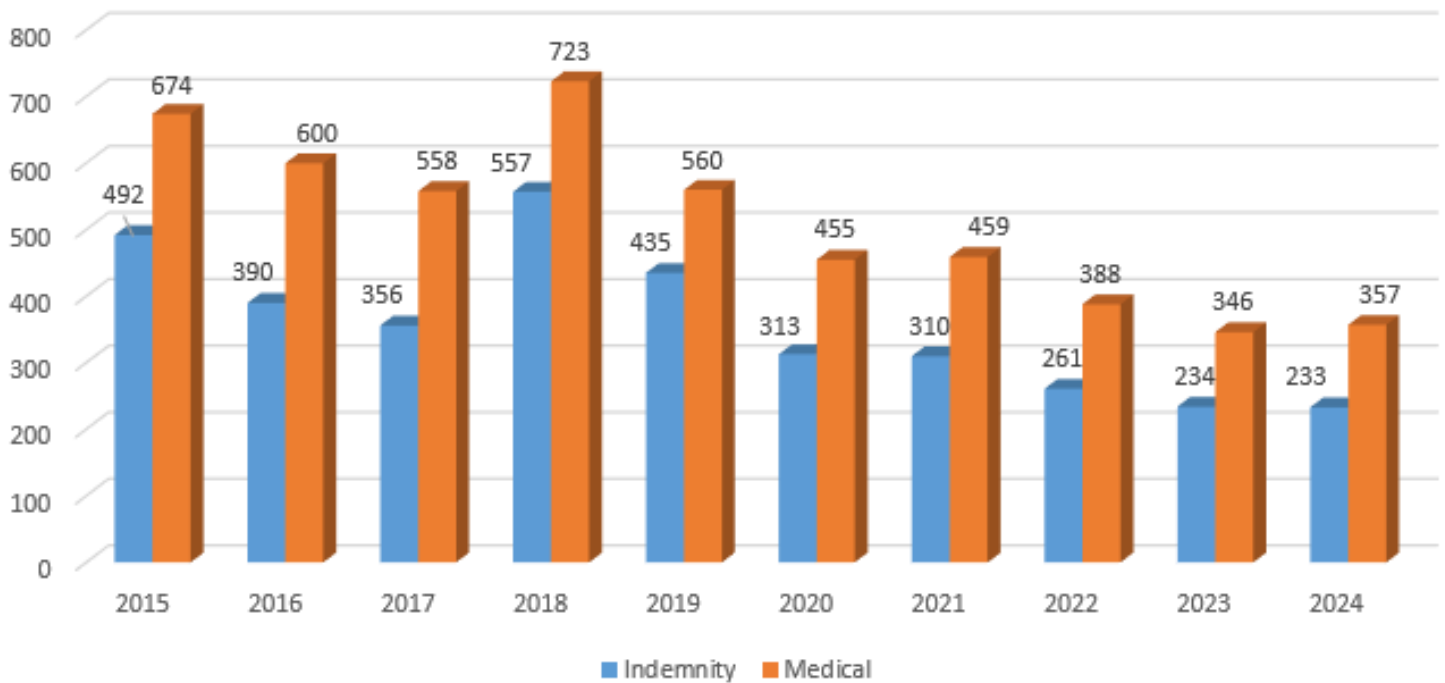
As of June 30, 2024, there are 590 open (233 indemnity and 357 medical) inclusive of death claims, Federal Black Lung claims and Longshore and Harbor Worker claims. As of June 30, 2024, there were 49 open Federal Black Lung claims being administered by Inservco. As Federal Black Lung benefits cannot be settled, the closure is based solely on the death of the miner or beneficiary dependent. The Supreme Court on June 28, 2012 upheld the constitutionality of the Patient Protection and Affordable Care Act (PPACA). The PPACA includes a provision that eligible survivors of a miner who were receiving benefits, filed after January 1, 2005 and pending on or after March 23, 2010, are automatically entitled to benefits.

There are two claimants receiving benefits provided under the Longshore and Harbor Workers' Compensation Act (LHWC). Benefits are paid at the maximum Pennsylvania compensation rate for the year of injury or the Longshore Harbor Workers' Compensation Act rate, whichever is lower. If a benefit is termed permanent total disability, the benefits are increased each year by the cost-of-living adjustment as determined by the Department of Labor (US DOL) each December. In accordance with the Security Fund Act, if the LHWC insured/employer becomes insolvent, is dissolved or declares bankruptcy, these claims will be turned over to the US DOL.

### Open Claims by Claim Type as of June 30, 2024



### Open Claim Count by Indemnity & Medical as of June 30 Each Year



### a. Medical Savings

The Workers' Compensation Act includes a fee schedule which establishes maximum amounts to be paid to healthcare providers, including pharmacies. All eligible Security Fund invoices are repriced to fee schedule. In addition, further reductions are applied when a PPO (Preferred Provider Organization) contract exists with a provider.

These special arrangements are part of the overall Medical Bill Repricing (MBR) process which encompasses several strategies that assist in providing exceptional cost containment measures. Repricing is a way to reduce costs without reducing payments to injured workers or reducing their access to medical services by utilizing fee schedules and negotiated provider discounts that determine actual reimbursement rates for medical providers. Prescription drugs, in particular, are repriced using Medispan as the repricing resource due to the recent MBR Supreme Court decision revoking the use of Redbook to reprice bills.





### b. Prescription Drug Program

#### **KEYSCRIPTS, LLC PHARMACY PROGRAM TRANSITION, IMPLEMENTATION, AND ADMINISTRATION**

On December 1, 2020, KeyScripts, LLC (KeyScripts) assumed administration of the pharmacy prescription drug program of the Workers' Compensation Security Fund.

KeyScripts continues to provide a discounted savings program for prescription medications in an effort to reduce expenses while having no negative impact on the medical treatment of claimants. Additionally, KeyScripts also offers an option for injured workers who meet criteria to use a mail order service to receive their medications. This alternative provides a convenient option for prescriptions to be delivered directly to the injured worker and allows continued access to their pharmacist. Of the 4,910 network prescriptions in 2023-24, 143 (2.91%) were filled through the mail order program.

KeyScripts conducts ongoing telephonic outreach to injured workers filling prescriptions outside the KeyScripts network to recapture or redirect future fills into the network. Some of the more common reasons for out-of-network fills include injured workers filling prescriptions directly with the prescriber or injured workers who may not have received a KeyScripts Prescription Benefit Card or who do not present the card to the pharmacist at time of fill.



Prescriptions may reject at the pharmacy because of authorization requirements, missing/invalid data, and situations where the pharmacist opts for a third-party entity rather than contacting KeyScripts. KeyScripts network integrity team monitors pharmacy rejections using real-time data in an attempt to prevent fills from going out-of-network, then contacts network pharmacies or adjusters for authorization to avoid delays which may result in rejected fills going to third-party entities. During this reporting period, KeyScripts successfully redirected 159 initially rejected prescriptions that would have been

billed by third-party entities. Those recaptured prescriptions totaled more than \$42,000 in spend, saving the Security Fund more than \$10,000 – or 19% off fee schedule.

KeyScripts will continue to work collaboratively with the Bureau, Inservco, and its service partners to identify and manage factors affecting network utilization and spending while emphasizing and prioritizing the use of the KeyScripts Network to capture prescription drug fills.

The WCSF also utilized data from the Prescription Drug Monitoring Program (PDMP) to identify claims where the PDMP guidelines indicate a heightened risk level for opioid misuse. These claims are targeted for outreach efforts with providers to consider alternative medications to reduce or wean patients from opioids. Patients are also provided with this information and encouraged to discuss with their medical providers.

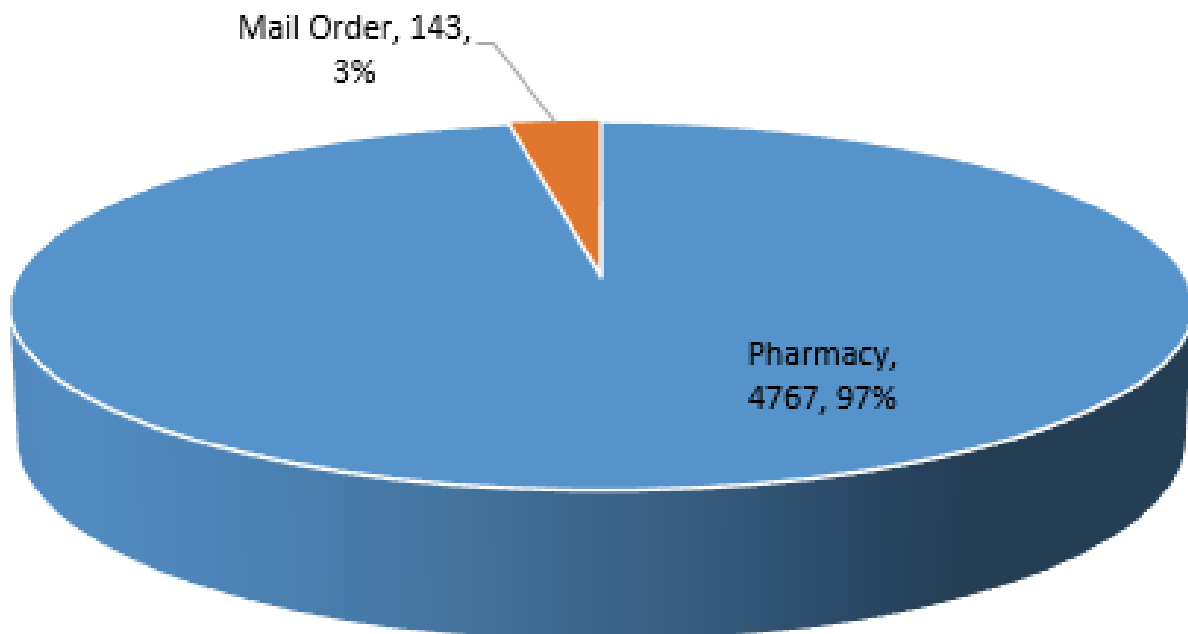
**PHARMACY VS. MAIL ORDER PROGRAM FILLS**

07/01/2023 to 06/30/2024

Fill Source	No. RX	Pct. RX
KeyScripts Network Pharmacy	4,767	97.09%
KeyScripts Mail Order Program	143	2.91%
Totals	4,910	100.00%

Mail order represented almost 3% of all KeyScripts Network fills for the period.

Pct. Fills by Source



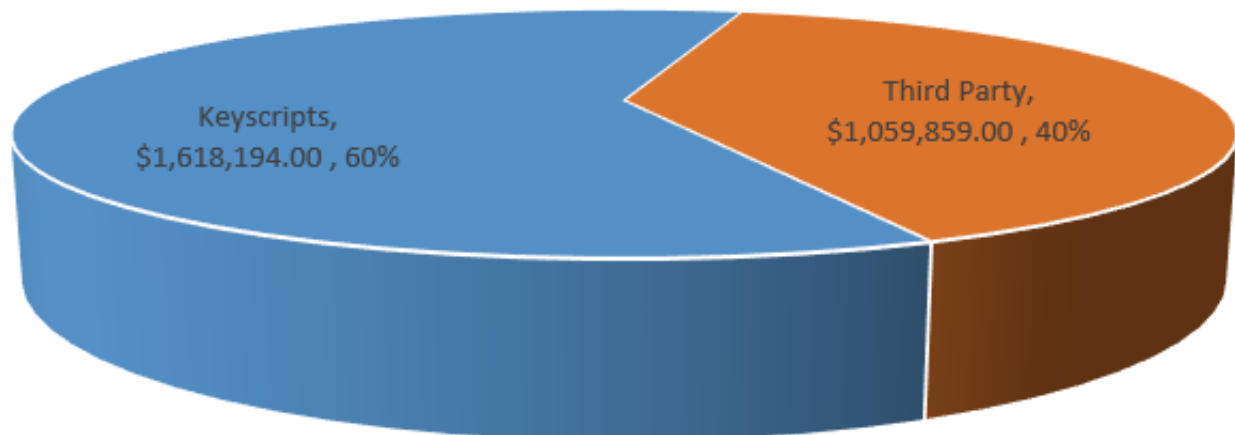
**PHARMACY PROGRAM INVOICE CHARGES**  
**07/01/2023 to 06/30/2024**

Source	No. RX	Fee Schedule Amount	Amount Paid	Savings	Pct. Savings
KeyScripts	4,910	\$2,014,416.34	\$1,618,194.38	\$396,221.96	19.67%
Third Party*	2,643	\$1,059,858.70	\$1,059,858.70	\$0.00	0.00%
<b>Totals</b>	<b>7,553</b>	<b>\$3,074,275.04</b>	<b>\$2,678,053.08</b>	<b>\$396,221.96</b>	<b>12.89%</b>

\*Third-party spend data was sourced from Health Options & Management Services, Inc. (HOMS) repricing of the Funds third-party pharmacy bills.

The Security Fund realized additional savings below fee schedule of \$396,221.96 utilizing network prescriptions resulting in over 12% in savings.

**SECURITY FUND DRUG SPEND PCT.**  
**07/01/2023 to 06/30/2024**



## KEYSCRIPTS NETWORK BRAND VS. GENERIC SPEND & SAVINGS COMPARISONS

07/01/2023 to 06/30/2024

Prescription Type	No. RX	Pct. of RX	Fee Schedule Amount	Amount Paid Through KeyScripts	Savings Through KeyScripts	Pct. Savings Through KeyScripts
Brand	753	15.34%	\$1,021,258.42	\$874,991.86	\$146,266.56	14.32%
Generic	4,157	84.66%	\$993,157.92	\$743,202.52	\$249,955.40	25.17%
<b>Totals</b>	<b>4,910</b>	<b>100.00%</b>	<b>\$2,014,416.34</b>	<b>\$1,618,194.38</b>	<b>\$396,221.96</b>	<b>19.67%</b>

Through KeyScripts, 85% of all network prescriptions were filled with generic drugs.

## KEYSCRIPTS NETWORK OPIOID UTILIZATION ANALYSIS

07/01/2023 to 06/30/2024

No. of Opioid RX	No. of All RX	Opioids as a Pct. of All RX	Network Opioid Spend	Total Network Drug Spend	Opioids as a Pct. of Network Drug Spend
1,500	4,910	30.55%	\$573,131.44	\$1,618,194.38	35.42%

Opioids accounted for 31% of the 4,910 total Security Fund's network prescription fills and 35% of its network drug spend.

# Pennsylvania Workers' Compensation Security Fund

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### TOP 10 DRUGS BY KEYSERSCRIPTS NETWORK AMOUNT BILLED 07/01/2023 to 06/30/2024

RANK	PRIOR RANK	DRUG NAME	DRUG CLASSIFICATION	BRAND	GENERIC	OPIOID	NO. RX	PCT. OF ALL RX	FEE SCHEDULE AMOUNT	AMOUNT PAID THROUGH KEYSERSCRIPTS	SAVINGS THROUGH KEYSERSCRIPTS
1	1	OXYCONTIN®	Opioid analgesic	●		●	250	5.09%	\$208,347.16	\$179,042.13	\$29,305.03
2	2	PERCOCET®	Opioid analgesic	●		●	58	1.18%	\$201,551.72	\$172,467.08	\$29,084.64
3	4	PREGABALIN	Anticonvulsant		●		142	2.89%	\$103,121.38	\$75,565.25	\$27,556.13
4	3	GABAPENTIN	Anticonvulsant		●		435	8.86%	\$90,079.64	\$67,033.28	\$23,046.36
5	NR	BENLYSTA®	Monoclonal antibody	●			12	0.24%	\$75,792.03	\$64,295.48	\$11,496.55
6	NR	BIKTARVY®	Single-tablet HIV regimen	●			13	0.26%	\$66,844.72	\$57,173.78	\$9,670.94
7	8	PAMELOR®	Antidepressant	●			24	0.49%	\$56,766.60	\$48,605.64	\$8,160.96
8	7	RELISTOR®	Laxative (opioid antagonist)	●			18	0.37%	\$55,731.46	\$47,697.05	\$8,034.41
9	5	LIDOCAINE	Topical anesthetic		●		124	2.53%	\$61,797.16	\$45,202.78	\$16,594.38
10	9	CELECOXIB	NSAID		●		127	2.59%	\$56,005.07	\$41,028.04	\$14,977.03
TOTALS							1,203	24.50%	\$976,036.94	\$798,110.51	\$177,926.43

NR - Not ranked among top 10 drugs in prior report

These 10 drugs accounted for 25% of the Security Fund's network prescription fills and 49% of its network drug spend.

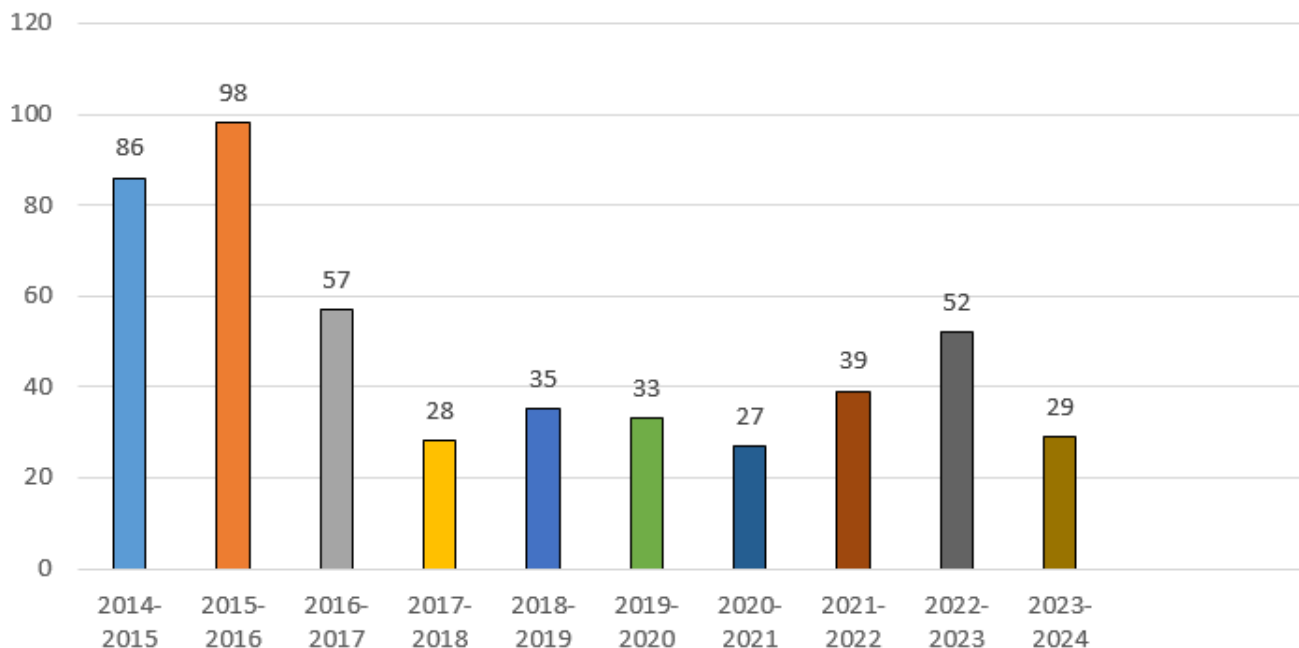
### c. Compromise and Release Agreement

A Compromise and Release Agreement is typically a final settlement of either indemnity benefits, medical benefits, or both. The implementation of this agreement provision to the Pennsylvania Workers' Compensation Act has had a proven impact on claims resolution and financial savings to the Security Fund, allowing the Security Fund to resolve claims as a lump sum payment or structured settlement.

The WCSF works closely with its TPA and defense counsel when medical benefits are settled under the terms of a Compromise and Release (C&R) agreement. The WCSF reviews all settlement documents prior to the final approval to ensure all required documentation is included to protect the interests of the WCSF, the liquidated Estate and Medicare. Additionally, the WCSF ensures oversight of establishing Medicare Set Asides, when applicable, to ensure the requirements of Medicare, Medicaid and the SCHIP Extension Act (MMSEA) are met as well as addressing all outstanding CMS liens prior to the actual closing of the WCSF claim.

From July 1, 2023 through June 30, 2024, a total of 29 claims were settled by way of Compromise and Release. The chart below illustrates the total number of cases settled since 2014.

**Number of Compromise & Release Agreements per Fiscal Year**





### d. Fraud Prevention Measures

The Pennsylvania Workers' Compensation Act was amended by Act 44 in 1993. These amendments made several important changes including the implementation of specific insurance fraud provisions that are directed against all parties involved in the system including the injured worker. A perpetrator of fraud can be the subject of prosecution that could result in fines up to \$50,000 and possibly several years in prison. These amendments were expanded by the 1996 amendments, known as Act 57, which made it a criminal offense for an employee to knowingly, with the intent to defraud, fail to make certain necessary reports on work status. These amendments likewise make it an offense to receive total disability benefits while employed or to receive partial disability benefits in excess of the amount permitted based on wages earned.

The Security Fund considers falsification of work-related information as insurance fraud and, in conjunction with Inservco, refers all potentially fraudulent activity to the Pennsylvania Office of Attorney General.

Inservco subscribes to the Insurance Services Office (ISO) to identify and deter fraud on the part of the claimant. Inservco also employs database searches throughout the jurisdictions in which it does business including Federal databases to further deter and prevent fraud.

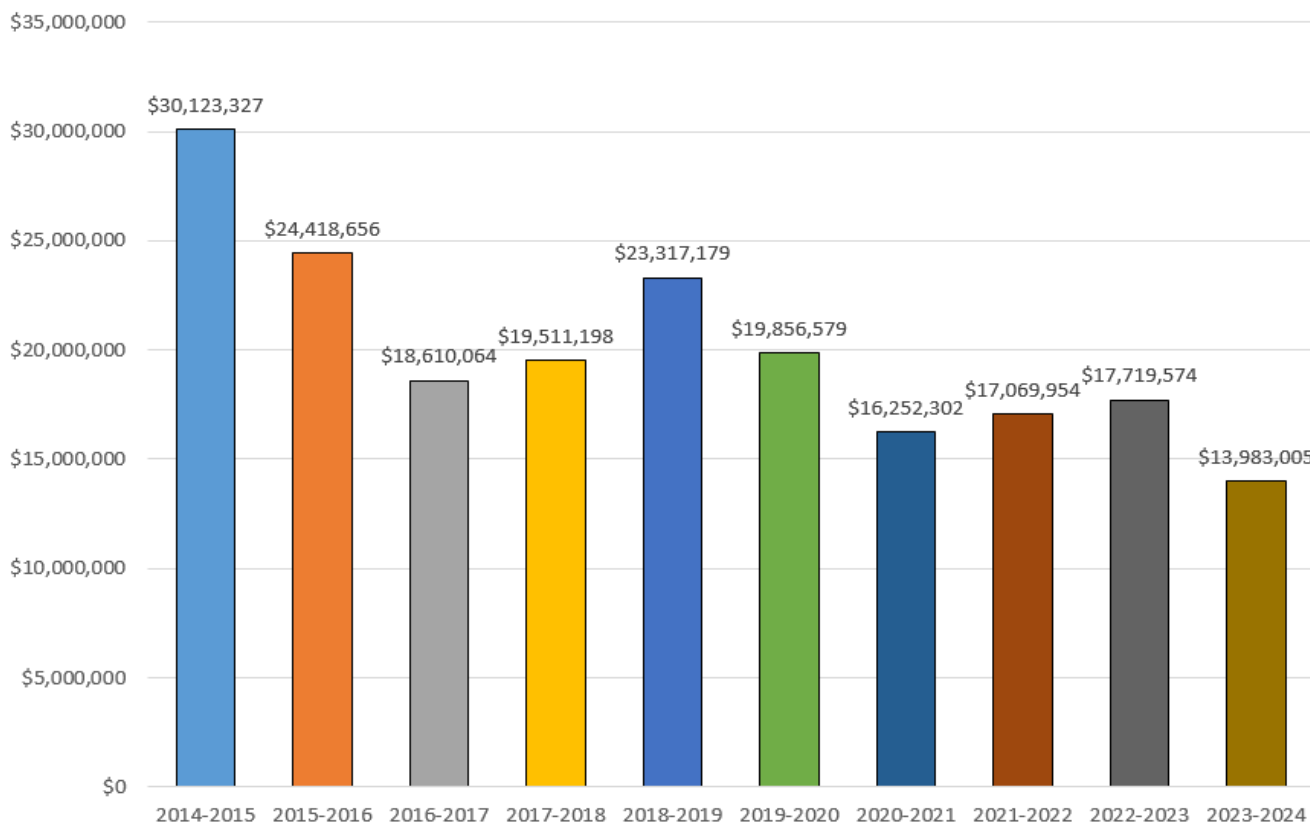
### e. Liquidations

Arrowood Insurance Company, domiciled in DE, was liquidated on November 8, 2023. 78 total claims were acquired and successfully converted into the Inservco and Bureau of Pennsylvania Workers' Compensation WCAIS systems.

### FINANCIAL HIGHLIGHTS 2023-2024

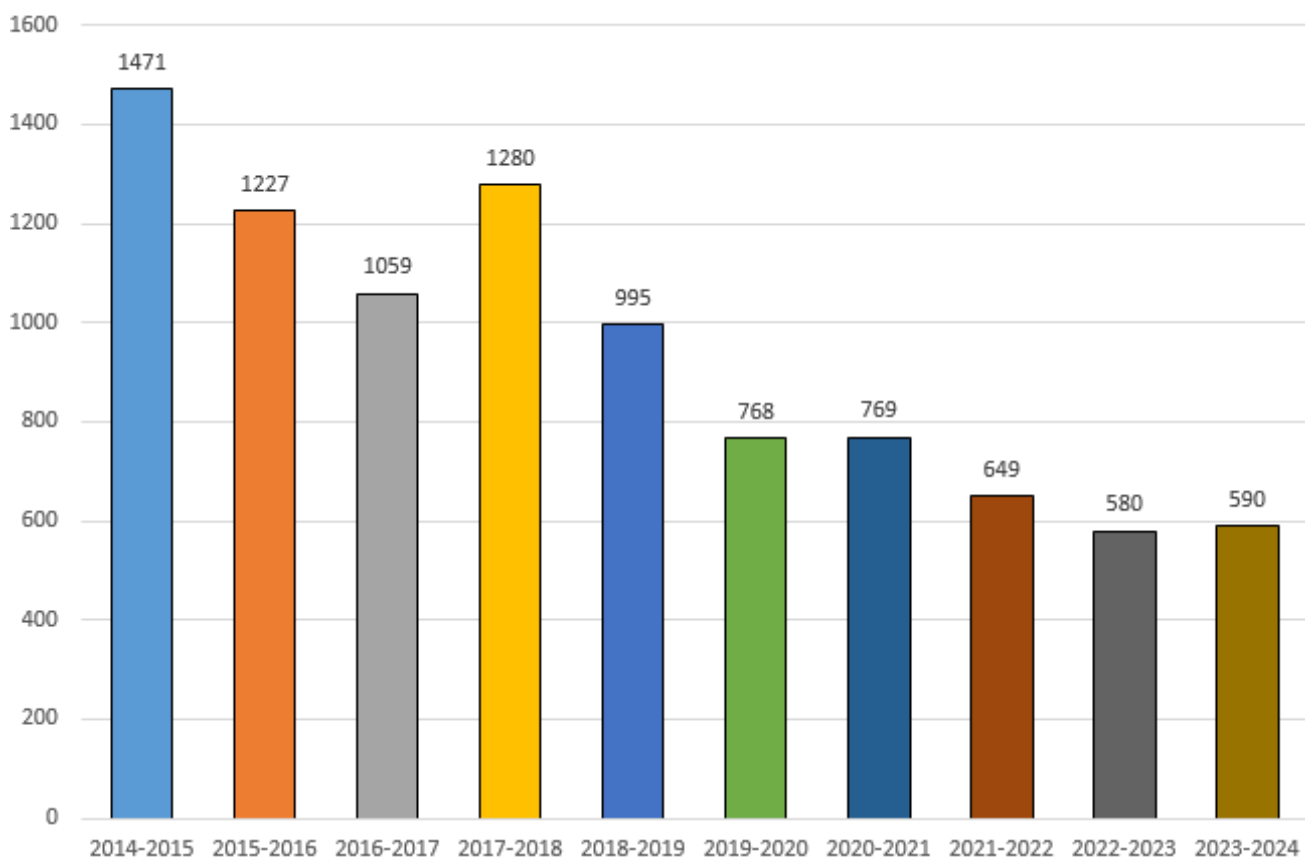
As of June 30, 2024, the Security Fund had a fund balance of \$1,190,158,833. During fiscal year 2023-2024, the Security Fund paid \$13,983,005 in benefits. Payment types are broken down into the following categories: indemnity, medical, expense and legal. Monies paid out by the Security Fund under these categories are illustrated on the following charts.

#### Total Benefits Paid in the Past 10 Fiscal Years



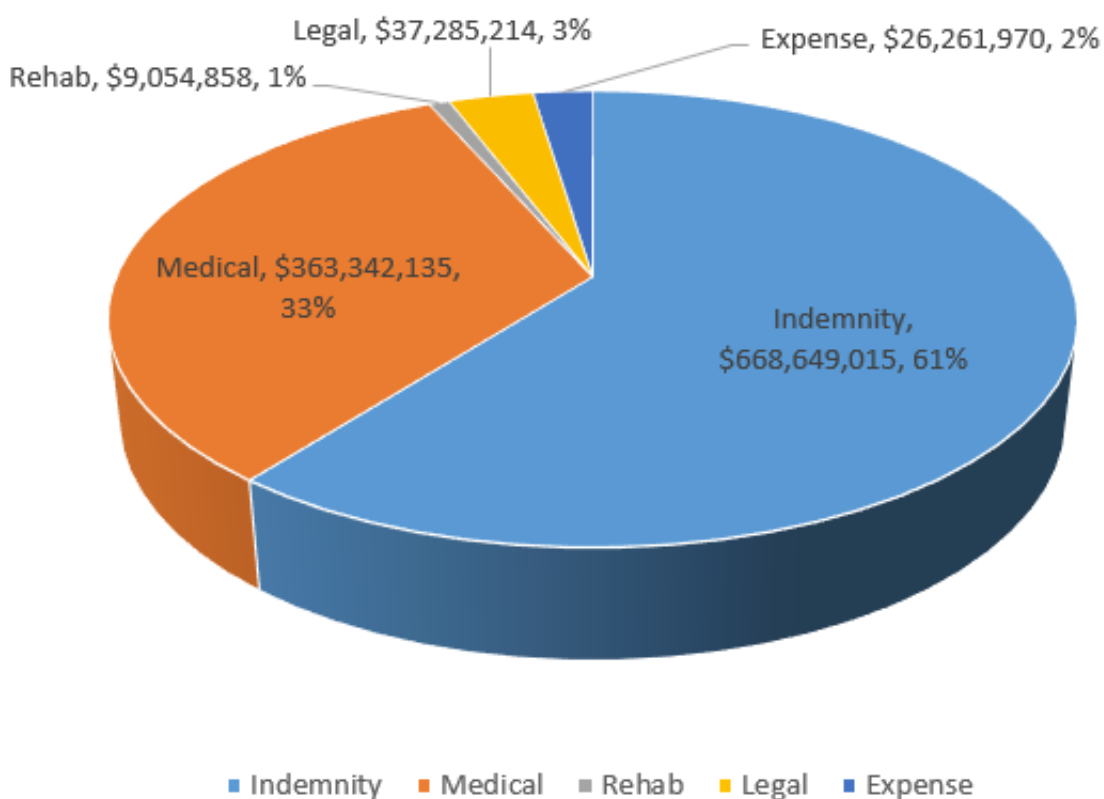
As of June 30, 2024, there were 590 pending claims with reserves totaling \$17,143,990. The ongoing review of each claim to address appropriate reserving is of primary importance to ensure the appropriate funding necessary to meet the Security Fund's fiduciary responsibility.

**Open Claim Count in the Past 10 Fiscal Years**



The vast majority of payments over the past ten years have been indemnity payments, which include Compromise and Release settlement payments. A total of \$668,649,015 has been paid in indemnity benefits, which represents 61% of the total payouts over the life of the Security Fund. Medical payments totaling \$363,342,135 represent 33% of the total Security Fund payments. Claim expenses to include legal and rehab represent only 6% of payments with a total of \$72,602,042.

### Percentage of Amount Paid through June 30, 2024

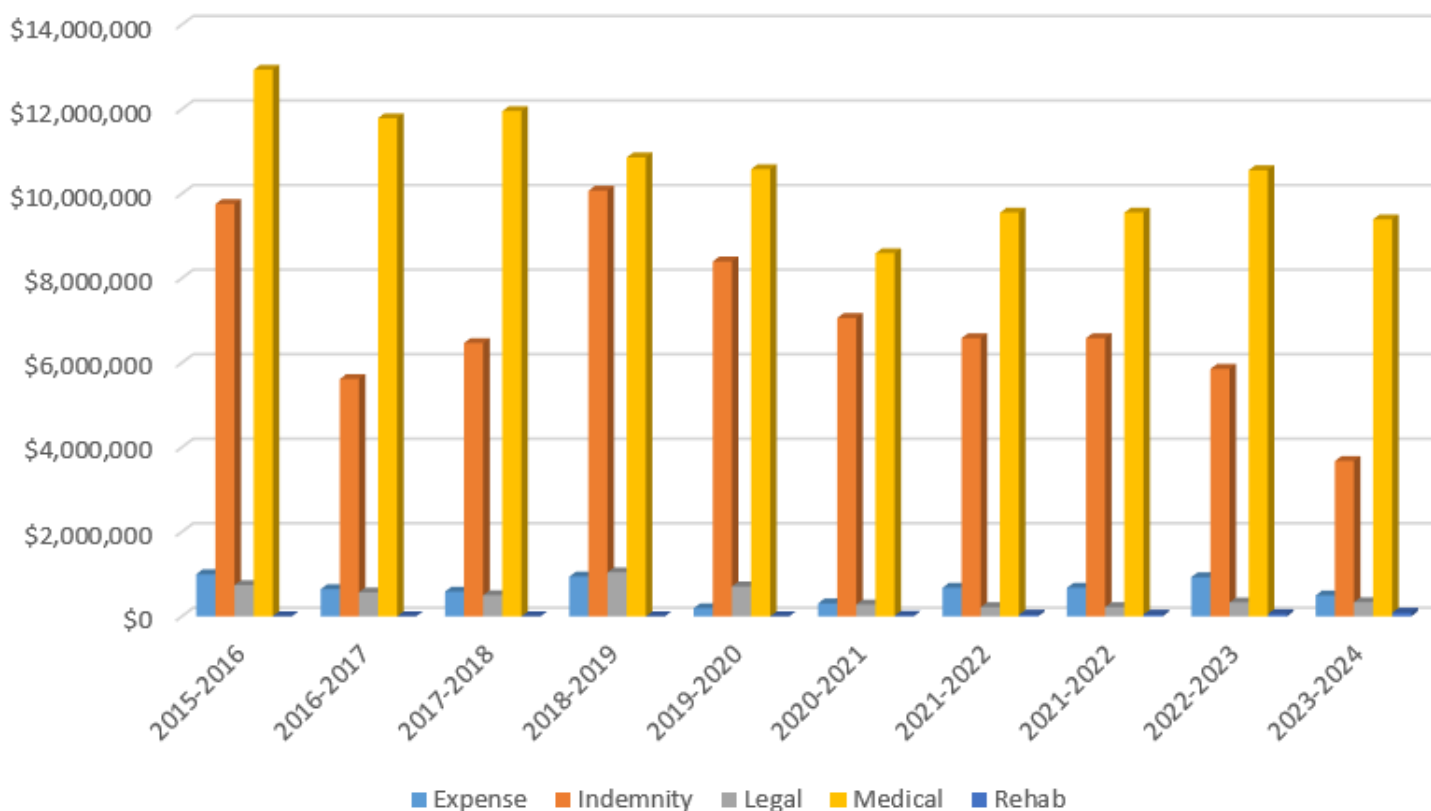


# Pennsylvania Workers' Compensation Security Fund

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Comparing the 2022-2023 fiscal year to the 2023-2024 fiscal year, there were payment decreases in the following categories. Indemnity by \$2,178,885, Medical payments by \$1,161,893 and Expense payments by \$431,727. There were payment increases in Legal by \$5,773 and Rehab by \$30,164. The WCSF is directly engaged in its continuing fair and fiduciary efforts, with its TPA, to handle claims towards settlement.

### Amount Paid by Fiscal Year & Financial Category as of June 30, 2024

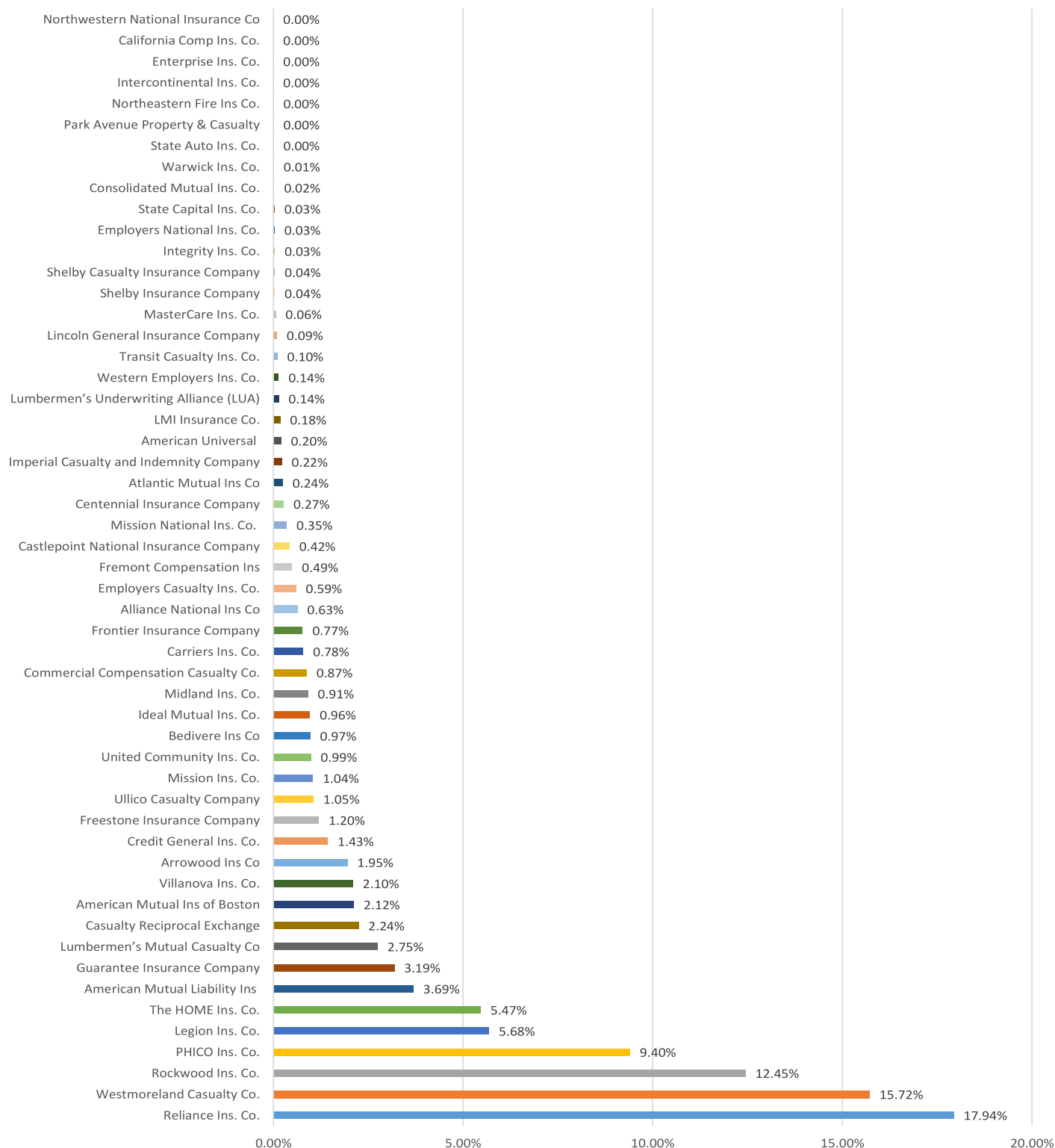


# Pennsylvania Workers' Compensation Security Fund

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The chart below illustrates the total incurred amount from the inception of the Security Fund. The incurred amount is defined as the sum of the claim reserve and the amount paid by liquidations as of June 30, 2024. Reliance Insurance and Westmoreland Casualty liquidations had the highest incurred values for WCSF claims.

Total Incurred by Liquidator as of June 30, 2024



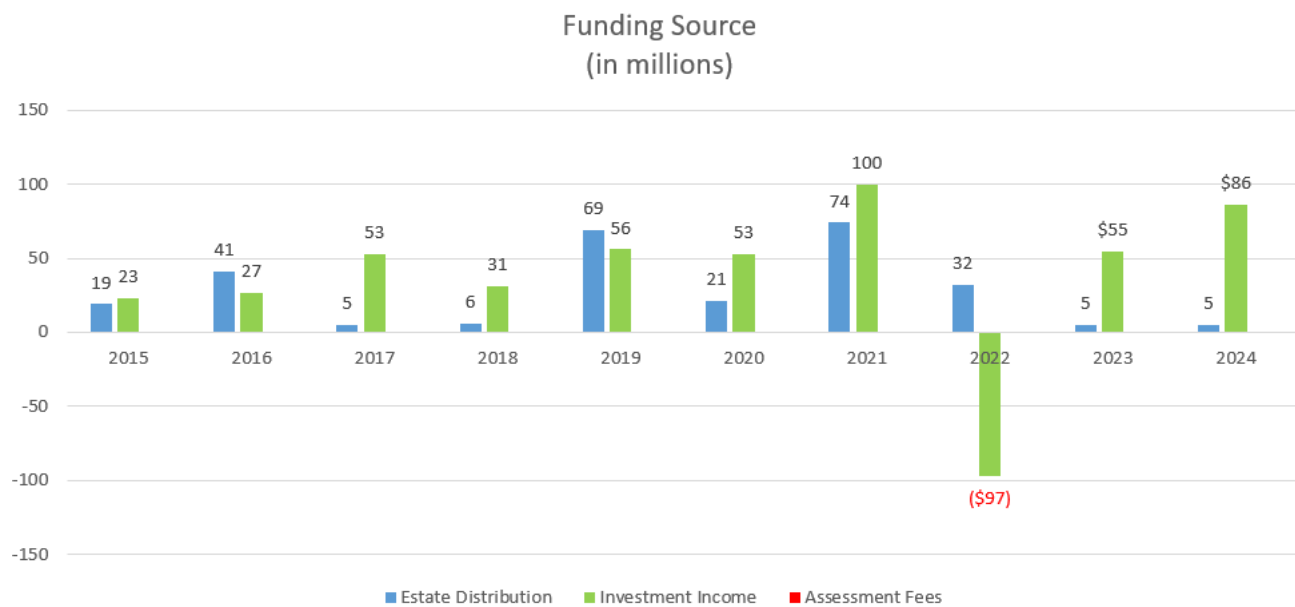


# Pennsylvania Workers' Compensation Security Fund

## Annual Report

### a. Funding

Funding for the Security Fund is derived from three sources: assessments levied on member insurers; distributions obtained from the estates of insolvent insurers, investment income; and estate distributions are an essential funding source for the Security Fund. When there is a high level and frequency of distributions from receiverships, there is less need for assessments on member companies.





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