

Berends Hendricks Stuit E-mail Newsletter

May 2009

This Month's Topics

- Workers' Compensation Fraud
- Preparing for the Mental Health Parity and Addiction Equity Act
- Allergies: Seasonal Relief

Workers' Compensation Fraud

The WC (workers' compensation) insurance system is a no-fault method of paying workers for medical expenses and wage losses due to on-the-job injuries. While the majority of WC claims are truthful, the National Insurance Crime Bureau reports that billions of dollars of false claims are submitted each year.

There are two types of Insurance Fraud, Hard Fraud and Soft Fraud. Hard Fraud includes acts such as faking an accident, injury, theft, arson or other loss to collect money illegally from an insurance policy. Soft Fraud is smalltime cheating by normally honest people, such as exaggerating injuries or damage due to an accident. The most popular kind of WC fraud is soft fraud, about 11-30 cents of every claim dollar is lost to this type of fraud*

Fraudulent claims are one of the factors that drive the cost of premiums up for both employers and employees. There is no surefire way to identify WC fraud without proof but there are red flags. If two or more of these red flags are identified, contact us right away.

- **Accident on Friday's or Mondays:** Accidents that occur on these days raise a red flag, especially if other red flags appear.
- **Late Reporting** - Employee delays reporting the claim without a reasonable explanation.
- **Employment Change** – Injury is reported after disciplinary action, before or after a strike, job termination, or conclusion of seasonal work
- **New Employee** - Statistically, the newer the employee is, the more likely the claim is fraudulent, especially if combined with other red flags.
- **No Witnesses** - The accident has no witnesses, and the employee's own description does not logically support the cause of injury. Make note of alleged accidents with no witnesses, especially if the employee's duties rarely call for him or her to work alone.
- **Conflicting Descriptions** – The injured worker describes the alleged accident differently to the employer and doctor, or it varies from witnesses' statements.
- **Hard to Reach** – You have difficulty contacting employees at home when they are allegedly disabled. The employee may be working another job while collecting benefits. This practice, referred to as 'double-dipping,' constitutes fraud.
- **Treatment is Refused** - Employee refuses a diagnostic procedure to confirm the nature or extent of injuries or may not be compliant with therapy.
- **Medical History** – The employee has a pre-existing medical condition that is similar to the alleged work injury.
- **Unusual Coincidence** – There is an unusual coincidence between the employee's alleged date of injury and their need for personal time off.
- **Using the Same Doctor/Lawyer** - Use of the same professionals by a group of employees.
- **Suspicious Providers** - Medical/legal consultants have a past history of handling suspicious claims.
- **Hobbies** – The employee has a hobby that could cause an injury similar to the alleged work injury.

Fighting WC Fraud

There are ways you can fight fraud and lower your Workers' Compensation Costs. The first and arguably the most important is to develop and implement a Return to Work Program. Companies that execute early Return to Work programs have seen 20-40% or more in Work Comp cost savings.

Other ways to fight WC fraud is to partner with a reputable medical provider, establish accident reporting procedures, and investigate accidents immediately. It is also important to educate employees on the impact of insurance fraud and the importance early reporting. Talk with your employees; those who feel valued are less likely to cheat the system.

Talk to your Berends Hendricks Stuit representative for assistance in developing a Return to Work Policy along with other measures to help combat Work Comp Fraud.

** Insurance Research Council 2002*

Preparing for the Mental Health Parity and Addiction Equity Act

Last fall, President Bush signed the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA). The MHPAEA does not require health insurance plans to provide mental health or substance abuse benefits. However, the Act does require parity with medical and surgical benefits when those benefits are offered.

What are the recent changes to the Mental Health Parity law?

- If a group health plan includes medical/surgical benefits and mental health and substance abuse benefits, the financial requirements (e.g., deductibles and co-payments) and treatment limitations (e.g., number of visits or days of coverage) that apply to mental health and substance abuse benefits must be no more restrictive than the financial requirements or treatment limitations that apply to medical/surgical benefits;
- Mental health and substance abuse benefits may not be subject to any separate cost sharing requirements or treatment limitations that only apply to such benefits;
- If a group health plan includes medical/surgical benefits and mental health and substance abuse benefits, and the plan provides for out of network medical/surgical benefits, it must provide for out of network mental health and substance abuse benefits;
- Standards for medical necessity determinations and reasons for any denial of benefits relating to mental health and substance abuse benefits must be made available upon request to plan participants;
- The parity requirements for the existing law (regarding annual and lifetime dollar limits) will continue and will be extended to substance abuse benefits.

Who must comply with the law?

Group health plans with 51 or more employees that offer mental health or substance abuse benefits must comply with the law. This includes self-funded, ERISA and non-ERISA groups, as well as insurance companies. It does not apply to groups with 50 or fewer employees or to individual coverage.

Who is exempt from the law?

- **Public Health Services Act exemption:** Self-funded, non-federal governmental groups (e.g., local and state governments, public schools, etc.) may be allowed an exemption from the law under the PHSA.
- **Small group exemption:** Groups that have an average of 50 or fewer employees (all employees, not just enrolled employees) annually are not subject to the law and can continue with their current mental health and substance abuse benefits.
- **Cost exemption:** In the past, groups could opt out if the cost of compliance resulted in a 1 percent increase in the actual total plan costs. The new law increases the cost threshold to 2 percent for the first plan year and 1 percent in subsequent plan years and requires the following:
 - The plan must comply with parity requirements for at least six months and then base its cost analysis on claims data from that period.
 - A plan must qualify each year for the exemption. It is not permanent.
 - A cost-increase analysis must be made and certified by a qualified and licensed actuary who is a member in good standing of the American Academy of Actuaries.
 - Cost determinations must be provided in a written report. The report and supporting documentation must be maintained by the group health plan for six years.

When do the new MHP requirements become effective?

The changes in the MHP law become effective October 3, 2009, and groups are required to become compliant on their next renewal dates on or after October 3, 2009. For union groups, there are still two potential effective dates. It will

either be January 1, 2010, or on the group's renewal date following the termination of the last of the plan's union contracts – whichever is later.

The passage of the MHPAEA will mean big changes to the structure of employer-sponsored health plans. To ensure you are in compliance by the proposed deadline, please contact your Account Manager at Berends Hendricks Stuit Insurance.

Allergies: Seasonal Relief

Spring

Mold growth blooms inside and outside with spring rains. As flowers, trees, weeds and grasses begin to blossom, allergies will follow. Spring-cleaning activities can stir up dust mites, so be sure to:

- Wash your bedding every week in hot water to help keep pollen under control.
- Wash your hair before going to bed, since pollen can accumulate in your hair.
- Wear a mask and gloves when cleaning, vacuuming or painting to limit dust and chemical inhalation and skin exposure.
- Vacuum twice a week.
- Limit the number of throw rugs in your home to reduce dust and mold.
- Make sure the rugs you do have are washable.
- Change air conditioning and heating air filters often.

Summer

Warm temperatures and high humidity can put a strain on seasonal allergy and asthma sufferers. Summer is the peak time for some types of pollen, smog and even mold:

- Stay indoors between 5 a.m. and 10 a.m., when outdoor pollen counts tend to be highest.
- Be careful when going from extreme outdoor heat to air conditioning. The temperature change can trigger an asthma attack.
- Wear an inexpensive painter's mask when you mow the lawn or when around freshly cut grass. Afterwards, take a shower, wash hair and change clothes.
- Dry laundry inside instead of on an outside clothesline.
- Check your yard for allergens, as well as other irritants such as oak, birch, cedar and cottonwood trees; weeds such as nettle or ragweed can trigger allergies.
- Wear shoes, long pants and sleeves if allergic to bee stings.
- Do not wear scented deodorants, hair products or perfumes when outdoors.

If you have any questions regarding a topic in this newsletter or would like to be removed from the newsletter list, please e-mail Liz Sanders at lsanders@bhsins.com.