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TO: ALL WORKERS' COMPENSATION CLAIMS DEPARTMENTS

FROM: HECKLER & FRABIZZIO

RE: DE WC MEDICAL COST CONTAINMENT UPDATE

DATE: 6/23/10

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On 1/17/07, Senate Bill No. 1 was signed into law providing for WC medical cost containment for the first time in the history of DE. The goal, per Governor Minner, was to reduce the cost of WC insurance premiums for DE's employers without adversely affecting benefits for our injured workers. Since the passage of Senate Bill No. 1 there has been a reduction in premiums of approximately 34%.

The third quarter of 2010 begins the mandatory medical data call, initiated by the Delaware Compensation Rating Bureau (DCRB) which will follow the National Council on Compensation Insurance's (NCCI) Medical Data Call protocols, from those insurance carrier groups with at least 1% market share (overall average equals 1% or more) in DE over the most recent 3 years. [This Medical Data Call was initiated upon the recommendation of the WC Data Collection Committee, on which Mr. Heckler of our firm serves, and adopted by the Insurance Commissioner pursuant to 19 Del.C. §2301E.] The information collected will enable this Committee and the Health Care Advisory Panel (HCAP—Mr. Heckler serves as Vice-Chair) to determine the type of injuries occurring, the sector of business in which they occur, the medical treatment required and the cost of same (down to the cost per pill) to allow for determination of systemic cost drivers and to provide objective information to guide policy formulations/any necessary changes to the Statute and/or Rules and Regulations to improve medical cost savings and reduce the cost of WC.

The 5 sub-committees of the HCAP continue to meet regularly to streamline and make more user friendly the continuing medical education requirements (Provider Certification), promulgate a lower extremity practice guideline which will be added to the 6 now in effect (Practice Guidelines), refine the fee schedule (Fee Schedule), streamline and improve effectiveness and possibly expand parameters of utilization review (Utilization Review), and streamline and improve the physician work capability and employer modified duty availability reports (Forms).

We will keep you advised as to all pertinent developments regarding the above. If you have any questions, or would like to discuss any of the above further, please contact us.