



PRISM Workers' Compensation Carve Out Program Process

General Purpose of Carve Outs: A carve out is intended to make the Workers' Compensation resolution process more efficient and less adversarial for both employers and employees, while controlling employer costs of benefit delivery. It is anticipated that a carve out program will result in claims cost savings by reducing the timeframes for resolving disputed issues. There is no intention that a carve out will reduce the benefits required by the state to the employee. At the very least, a carve out program should be cost neutral to the PRISM pool.

General Guidelines: Any carve out agreement must not negotiate away the requirement to comply with any of the PRISM program documents and requirements, including but not limited to, the Memorandum of Coverage, Addendum A – Workers' Compensation Claims Administration Standards, and the program Memorandum of Understanding.

Any proposed carve out should also include a provision to end the program should the results of that program be significantly less than expected.

Review procedures: Upon receipt of an Application for Review of a proposed carve out program, the Claims Review Committee (CRC) will review:

1. A statement of why a carve out is being considered, how the program will be implemented, the general provisions of the program and the expected result of the program in the areas of savings, reduced timeframes for resolution of issues, overall satisfaction with the workers' compensation process.
2. The carve out program will be no worse than cost neutral to the PRISM pool.
3. The structure of the carve out program dispute resolution process and whether it will involve only medical benefits, only indemnity benefits or both benefit categories.
4. The specific qualitative and quantitative goals of the carve out program, how those goals will be measured and how often they will be measured.
5. Proposed carve out plans to ensure claim handling requirements under Addendum A are in force and that agreements in place under all PRISM governing documents are not breached.
6. Benefits provided to ensure they are within those required under the Labor Code with no extension of those benefits.

WC Carve Out Program Process

Adopted October 1, 2010

Amended May 8, 2020



7. The proposed agreement contains a termination clause if the results are significantly less than expected.

Post-implementation procedures: If a carve out is implemented, the CRC will review on an annual basis:

1. The following data elements shall be provided, broken down by year over year, beginning with one year prior to implementation, and every year thereafter:
 - Claim Frequency
 - Total number of claims that have occurred
 - Claim Severity
 - Total incurred and total paid
 - Claim Severity by Claim and Reserve Type
 - Total incurred and total paid, broken down by claim type (IND, FM, MO), separated into categories of TD, Medical, PD, and Expense.
 - Loss Time Days
 - Total number of lost time paid days
 - Average number of lost time paid days
 - Litigation Rate
 - Total number of newly litigated claims
 - Percentage of claims litigated compared to the open inventory
 - Claim Duration
 - Average number of days a claim is open, calculated from claim open date to claim closing date.
 - Claim Resolution
 - Average number of days the claim is open until the claim is resolved, calculated from the claim open date to the date of settlement.
 - Analysis of Administrative Costs
 - Breakdown of the costs to administer the Carve Out/ADR program
 - These may include, but not limited to Ombudsman, Claims Care Advocate, Mediation, etc.
1. Whether or not specific goals of the program have been met.
2. Quantitative results of the carve out implementation.
3. Whether or not validation of the carve out results are no worse than cost neutral to the PRISM pool.

In addition, the CRC will review biennial audit results for continued compliance with claim handling Standards.

WC Carve Out Program Process

Adopted October 1, 2010

Amended May 8, 2020