



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

Circular Letter No. 18 (1997)
December 16, 1997

TO: ALL LICENSED PROPERTY/CASUALTY INSURERS AUTHORIZED TO WRITE WORKERS' COMPENSATION INSURANCE IN NEW YORK STATE

RE: WORKERS' COMPENSATION POLICIES -CREDITS FOR MANAGED CARE PROGRAMS (PPOs/MCOs)

As part of the 1996 Workers' Compensation Insurance reform package, the New York Workers' Compensation Law was amended by the addition of Article 10-A to allow employers to use certified Preferred Provider Organizations (PPOs) to deliver medical services to workers from suffering work related injuries or illnesses. The PPO/MCO programs are administered by the Department of Health in conjunction with the Workers' Compensation Board. PPOs/MCOs **must** be certified by the Department of Health. Insurers wishing to provide state-approved Managed Care Programs must submit documentation which supports rate credit approval by this Department. The following information has come to our attention:

- Some insurers are issuing rate credits to employers, where either the employer or the insurer has contracted with a so-called "renegade" PPO/MCO that has not been certified by the Department of Health.
- Some insurers with programs approved by this Department have issued rate credits to employers using PPOs/MCOs that are not specified in such filings.
- Some insurers with programs approved by this Department have issued rate credits to employers prior to the certification of the PPO/MCO specified in such programs, despite the terms of our approval which state that credits may not be issued until the PPO/MCO specified in the filing has been certified.

Accordingly, the purpose of this Circular Letter is to outline the procedures to be followed by insurers for filing and issuing credits for workers' compensation managed care programs in New York. The following items should be noted:

- Any insurer submitting a state-approved Managed Care Program must indicate the name of the PPO/MCO that will be used and must provide documentation of the appropriate certification by the Department of Health. If certification has not yet been issued, such documentation must be provided to

this Department as soon as the PPO/MCO has been certified.

- Any PPO/MCO which an insurer uses with its Managed Care Program **must** be certified by the Department of Health **and** specified in an approved filing with this Department **before** credits can be applied to employer policies.
- Any additions or deletions of PPOs/MCOs must also be certified by the Department of Health **and** filed for approval with the Insurance Department.
- Credits can only be applied to insureds located in those counties certified by the Department of Health as approved PPO/MCO service areas.
- Any changes to the service area (counties) for PPOs/MCOs which have been specified in the insurer's filing with this Department must be approved by the Department of Health and must be filed with the Insurance Department.

Questions regarding this Circular Letter should be directed to:

Marielle Brutus, Insurance Examiner
New York State Insurance Department
Property/Casualty Insurance Bureau
25 Beaver Street
New York, New York 10004

Very truly yours,

Mark Presser
Deputy Bureau Chief
Property/Casualty Insurance Bureau