



Workers Compensation Security Fund Annual Report 2020-2021



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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 when the insurance companies that were originally providing benefits are insolvent and in liquidation. To date, claims have originated from 9 Pennsylvania domestic and 43 foreign liquidated insurers.

The goal of the Security Fund is to administer all eligible claims consistent with the Pennsylvania Workers' Compensation Act, the Security Fund Act, and insurance industry's best claim practices while operating in a cost effective, efficient and responsible manner. The Bureau works together with a third-party administrator, Inservco Insurance Services, to provide quality claims management services in pursuit of this goal.

As of June 30, 2021, the Security Fund had a fund balance of \$1,169,675,960. It is to be noted that this amount includes a \$165,000,000 transfer to the Dept. of Human Services in June 2017 that is slated to be repaid in July 2024. It also includes a transfer made to the General Fund of \$185,000,000 made on December 18, 2020 that is to be repaid by July 2028. Benefits paid during fiscal year 2020-2021 were \$16,252,302. Also, as of June 30, 2021, there were 769 pending claims with reserves totaling \$263,493,873. 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.

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 to aid in financial planning. The most recent independent analysis issued June 30, 2021, determined that based on data valued as of December 31, 2020, ultimate liabilities were \$376,315,611.

Currently, Inservco Insurance Services is providing the Bureau of Special Funds with claims administration and managed care services for the Security Fund program. Inservco Insurance Services is a wholly owned subsidiary of Penn National Insurance and is a leading regional third-party claims administration firm that provides risk management services to customers, including managed care, workers' compensation and claims management, and administration. Inservco Insurance Services also offers medical professional liability, general liability, auto, property and professional liability claims services. The company is located in Harrisburg, Pennsylvania.

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

- A team of claim professionals experienced in Pennsylvania and Black Lung workers' compensation exposures.
- A medical network which provides savings through in-house repricing capabilities.
- Information systems that integrate all claim service processes, including record storage, into one internet accessible interface.

The services provided by or coordinated through Inservco Insurance Services include:

- All customary workers' compensation claims administration services
- Coordination of claim related services, such as vocational rehabilitation, repricing and prescription drug management programs
- The processing of electronic data transfer of 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
- Regular electronic reporting to 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 NAIC UDS format.

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

PA Workers' Compensation Security Fund
901 North Seventh Street
Harrisburg, PA 17102
717-783-8093
www.insurance.pa.gov

Inservco Insurance Services, Inc.
2 North Second Street
Harrisburg, PA 17101
1-717-230-8300
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 claims payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation law (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 responsibility of the Security Fund is limited to those benefits payable in accordance with the requirements of the Security Fund Act, the Pennsylvania Workers' Compensation Act (WC Act) or Longshore and Harbor Workers' Compensation Act, as applicable.

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.

A contracted third-party administrator, Inservco Insurance Services, provides claims administration services to the Security Fund including managed care services, auditing provider invoices and coordination with Security Fund outside counsel on matters of litigation.

The Security Fund is required to meet the mandatory reporting requirements as set forth under Section 111 of CMS. Since the inception of the Medicare Program in 1965, Medicare has been the secondary payer of workers compensation benefits. Inservco Insurance Services 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 the liquidation of 52 estates and currently has 769 open claims. The reserves on these claims, including indemnity, medical, rehabilitation and claim expense, total approximately \$263,493,873. 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.

There were 2 new liquidations for the Security Fund in the fiscal year 2020-2021: Alliance National Insurance Company and Bedivere 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 Inservo Insurance Service'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	42	63		\$2,139,656.73	\$12,244,985.87	\$14,384,642.60
American Mutual Ins of Boston	3/9/1989	MA	421	14	407	97%	\$25,122,978.29	\$2,127,700.83	\$27,250,679.12
American Mutual Liability Ins	3/9/1989	MA	734	13	721	98%	\$44,731,777.03	\$2,777,160.67	\$47,508,937.70
American Universal	1/8/1991	RI	24	1	23	96%	\$1,949,514.60	\$870,053.68	\$2,819,568.28
Atlantic Mutual Ins Co	4/27/2011	NY	40	9	31	78%	\$2,616,875.66	\$1,160,393.89	\$3,777,269.55
Bedivere Ins Co	3/11/2021	PA	50	45	5	10%	\$103,920.66	\$8,727,414.53	\$8,831,335.19
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%	\$9,981,280.41	\$91,214.97	\$10,072,495.38
Castlepoint National Insurance Company	4/1/2017	CA	83	10	73	88%	\$1,455,694.09	\$5,574,297.72	\$7,029,991.81

Casualty Reciprocal Exchange	8/18/2004	MO	293	14	279	95%	\$22,481,632.89	\$6,496,202.07	\$28,977,834.96
Centennial Insurance Company	4/27/2011	NY	27	6	21	78%	\$2,616,335.80	\$1,388,269.99	\$4,004,605.79
Commercial Compensation Casualty Co.	9/26/2000	CA	533	3	530	99%	\$10,832,191.11	\$376,376.89	\$11,208,568.00
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	5	466	99%	\$16,221,828.33	\$1,891,325.21	\$18,113,153.54
Employers Casualty Ins. Co.	2/11/1994	TX	70	1	69	99%	\$7,526,631.41	\$370,279.59	\$7,896,911.00
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%	\$12,588,274.09	\$2,971,995.21	\$15,560,269.30
Fremont Compensation Ins	7/2/2003	CA	39	2	37	95%	\$5,864,937.53	\$2,782,370.29	\$8,647,307.82
Frontier Insurance Company	11/16/2012	NY	12	4	8	67%	\$2,390,654.44	\$3,120,206.71	\$5,510,861.15
Guarantee Insurance Company	11/27/2017	FL	633	71	562	89%	\$26,860,864.32	\$51,267,262.37	\$78,128,126.69
Ideal Mutual Ins. Co.	2/7/1985	NY	489	3	486	99%	\$12,240,163.01	\$155,743.02	\$12,395,906.03
Imperial Casualty and Indemnity Company	5/12/2010	AZ	69	1	68	99%	\$2,341,118.70	\$349,063.60	\$2,690,182.30
Integrity Ins. Co.	3/25/1987	NJ	58	0	58	100%	\$446,376.48	\$0.00	\$446,376.48
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	29	990	97%	\$62,128,818.00	\$12,454,684.98	\$74,583,502.98
Lincoln General Insurance Company	11/5/2015	PA	3	1	2	67%	\$217,316.44	\$577,668.94	\$794,985.38
LMI Insurance Co.	5/22/2020	OH	21	2	19	90%	\$2,153,423.77	\$254,286.39	\$2,407,710.16
Lumbermen's Mutual Casualty Co	5/10/2013	IL	280	82	198	71%	\$17,273,253.84	\$23,053,501.03	\$40,326,754.87

Lumbermen's Underwriting Alliance (LUA)	5/23/2016	MO	43	6	37	86%	\$1,068,181.07	\$2,473,971.71	\$3,542,152.78
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	7	168	96%	\$11,445,190.41	\$1,778,683.66	\$13,223,874.07
Mission National Ins. Co.	2/24/1987	CA	75	1	74	99%	\$4,467,877.11	\$52,609.66	\$4,520,486.77
Northeastern Fire Ins Co.	6/1/1984	PA	1	0	1	100%	\$20,995.80	\$0.00	\$20,995.80
Northwestern National Insurance Co Milwaukee	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	1,837	79	1,758	96%	\$95,191,974.22	\$28,564,211.85	\$123,756,186.07
Reliance Ins. Co.	10/3/2001	PA	3,287	91	3,196	97%	\$191,645,248.39	\$41,343,329.44	\$232,988,577.83
Rockwood Ins. Co.	8/26/1991	PA	1,923	85	1,838	96%	\$146,471,693.96	\$13,490,736.90	\$159,962,430.86
Shelby Casualty Insurance Company	8/1/2006	TX	7	2	5	71%	\$368,893.34	\$50,863.51	\$419,756.85
Shelby Insurance Company	8/1/2006	TX	8	2	6	75%	\$373,713.35	\$95,890.78	\$469,604.13
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	84	566	87%	\$54,912,927.40	\$20,960,605.04	\$75,873,532.44
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	3	172	98%	\$9,185,286.44	\$3,011,382.41	\$12,196,668.85
United Community Ins. Co.	7/7/1994	NY	191	1	190	99%	\$12,538,550.01	\$116,773.24	\$12,655,323.25
Villanova Ins. Co.	7/28/2003	PA	442	7	435	98%	\$24,643,421.75	\$2,159,938.03	\$26,803,359.78
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	1	39	98%	\$1,760,131.09	\$4,122.89	\$1,764,253.98
Westmoreland Casualty Co.	9/27/1988	PA	3,834	38	3,796	99%	\$191,640,772.20	\$8,308,295.49	\$199,949,067.69
Grand Total			18901	769	18132	96%	\$1,053,031,071.24	\$263,493,873.06	\$1,316,524,944.30

CLAIM HIGHLIGHTS 2020-2021

Prescription Drug Monitoring Program (PDMP)

Fiscal year 2020-2021 included the continuation of the medical cost containment program, including the TPA medical bill repricing, Preferred Provider Organization network discounts, and pharmacy benefit management program. The WCSF utilized the information available via the Prescription Drug Monitoring Program (PDMP) to identify claims where the PDMP guidelines indicate a heightened risk level for opioid misuse is possible. These claims were targeted for additional communication with the healthcare providers to better manage their prescription regime.

The Security Fund utilizes reports from Inservco Insurance Services to monitor the number of claims closed in any given fiscal year, and also the type of claims involved in the closing process, such as medical-only, legal, indemnity-only, rehabilitation-only or expense/record only. The Security Fund had a total of 769 claims (310 indemnity claims and 459 medical claims) open as of June 30, 2021.

On October 24, 2018 Governor Wolf signed Act 111 into law. Act 111 reinstates the use of impairment ratings, which had previously been halted based upon the case of *Protz v. WCAB (Derry Area School District)*. In addition to reinstating the use of impairment ratings, the Act also increased the limit for funeral benefits on fatal claims from \$3,000 to \$7,000. The increased funeral benefit would only apply to injuries sustained on or after the effective date of the act (10/24/18). Under Act 111, indemnity benefits can be modified from total disability to partial disability if the impairment rating evaluation results in a rating of less than 35%, compared to the previous level of 50% prior to *Protz*. As such, there may be fewer examinations that result in the modification of benefits. The examination must utilize the 6th edition of the Guide (second printing April 2009). Most recently, it has been held that the actual IRE is a substantive change but that there are credits available that were specifically made to be retroactive. There is a credit for the 104 weeks of temporary total disability paid before Act 111 was enacted, meaning that the 104 week threshold does not need to be incurred after Act 111 was enacted. There is also a credit toward the 500 week maximum period of temporary partial disability for any that was paid based on a pre-Act 111 IRE that was ultimately reinstated to TTD after *Protz*. For example, in *Rose Corporation v. WCAB (Espada)*, 238 A.3d. 551 (Pa.Cmwlth. 2020), the claimant filed a Reinstatement Petition on September 8, 2017, seeking to reinstate his disability status from partial to total, retroactive to the date of the IRE obtained on May 22, 2013. The Court found that while the claimant was entitled to reinstatement as of September 8, 2017 (the date the petition was filed), the defendant was entitled to a credit for the weeks of partial disability benefits paid between May 22, 2013, when the defendant obtained the first IRE and changed the claimant's benefits to partial disability, and September 8, 2017, when the claimant filed his Petition. The defendant would be liable for 500 weeks of partial disability compensation less the number of weeks of partial disability that was previously paid, from May 22, 2013 to September 7, 2017.

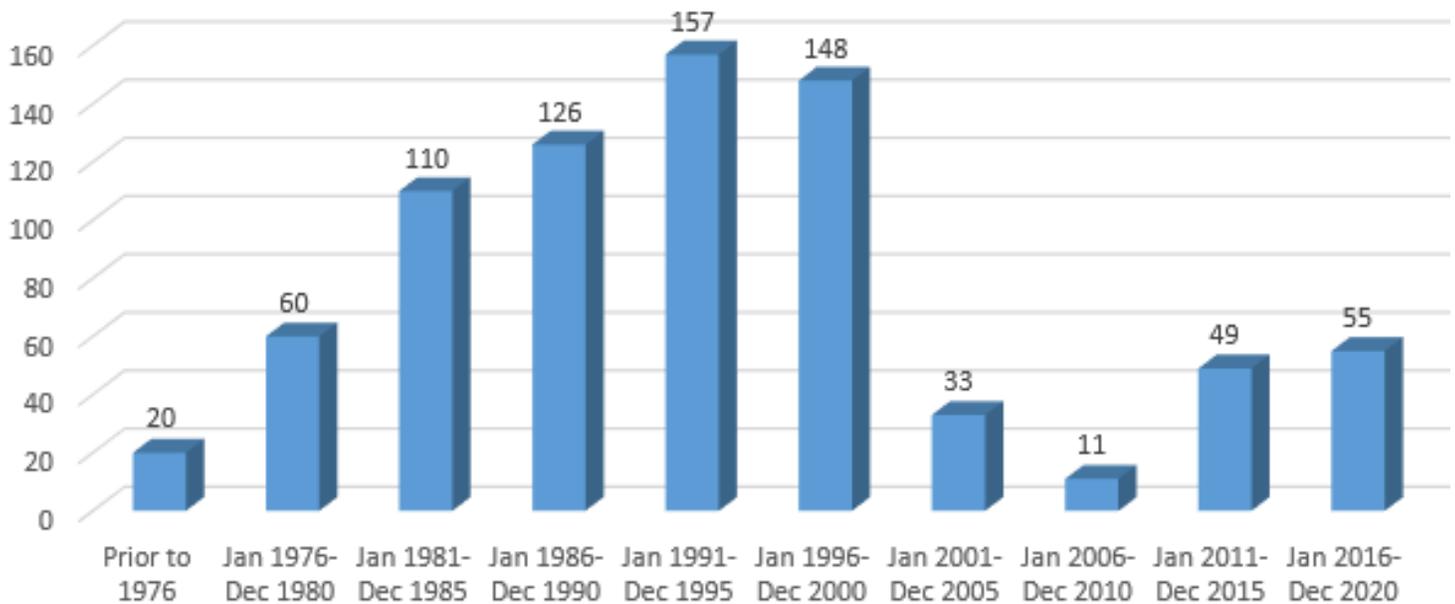
Additionally, the case of *Whitmoyer v WCAB (Mountain Country Meats)* 186 A3d 947 (Pa 2018) and its progeny have altered the ability of the WCSF to take on going credits against medical benefits for claims in which there was a third-party action by the claimant. Any future subrogation credits owed to the WCSF will be taken solely from the indemnity portions of claimants' benefits.

Inservco Insurance Services also conducts periodic claim reviews with the staff from the Security Fund. Cases are evaluated for potential compromise and release settlements as well as for overall claim strategy, reserving and action plans.

Fiscal year 2020-2021 included the continuation of a medical cost containment program as well as the continued use of the third-party administrator’s pharmacy management program. This program positioned the Security Fund for measurable savings in the areas of generic utilization, mail order and other targeted savings actions.

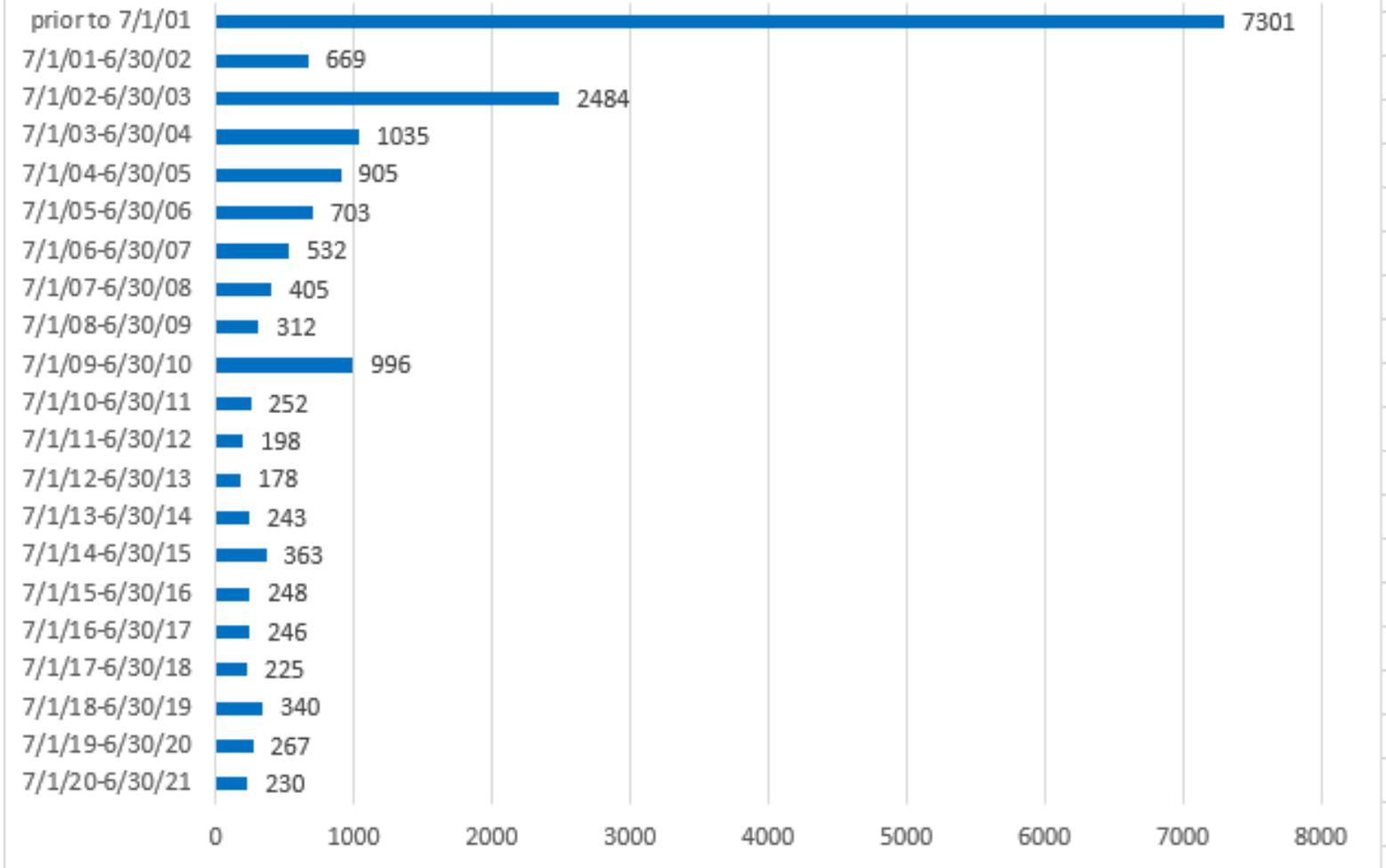
The following chart shows the number of open claims by occurrence date, grouped within 5 year periods. The largest number of open claims from any period is 157 during the period of January 1991 – December 1995. There are 20 remaining open claims with an occurrence date prior to 1976.

Open Claims by Occurance Date in 5 Year Intervals as of June 30, 2021



In fiscal year 2020-2021, a total of 230 claims were closed. In fiscal year 2019-2020, 267 claims were closed.

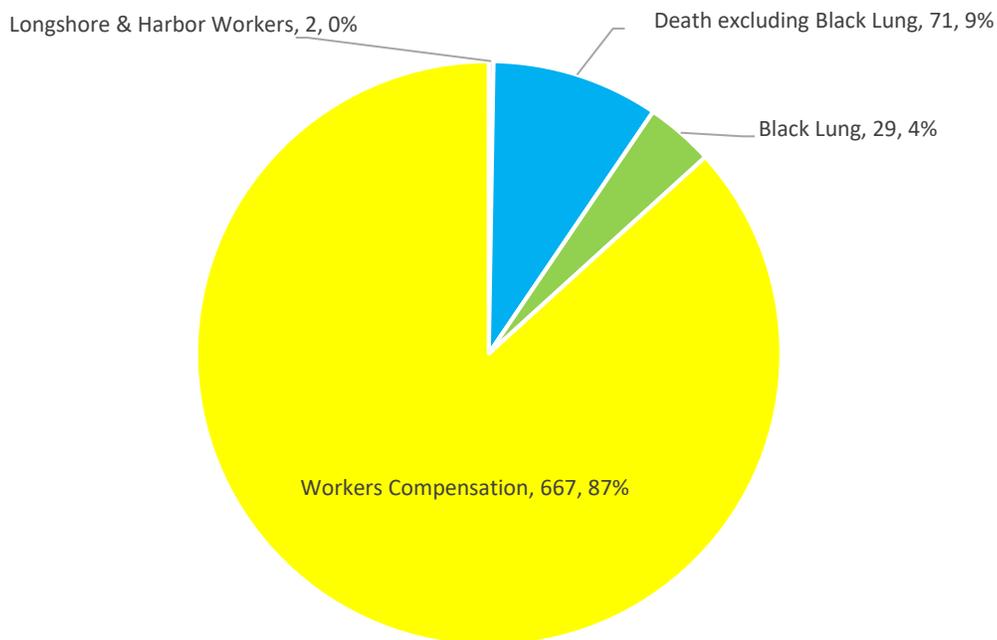
Number of Claim Closings by Year as of June 30, 2021



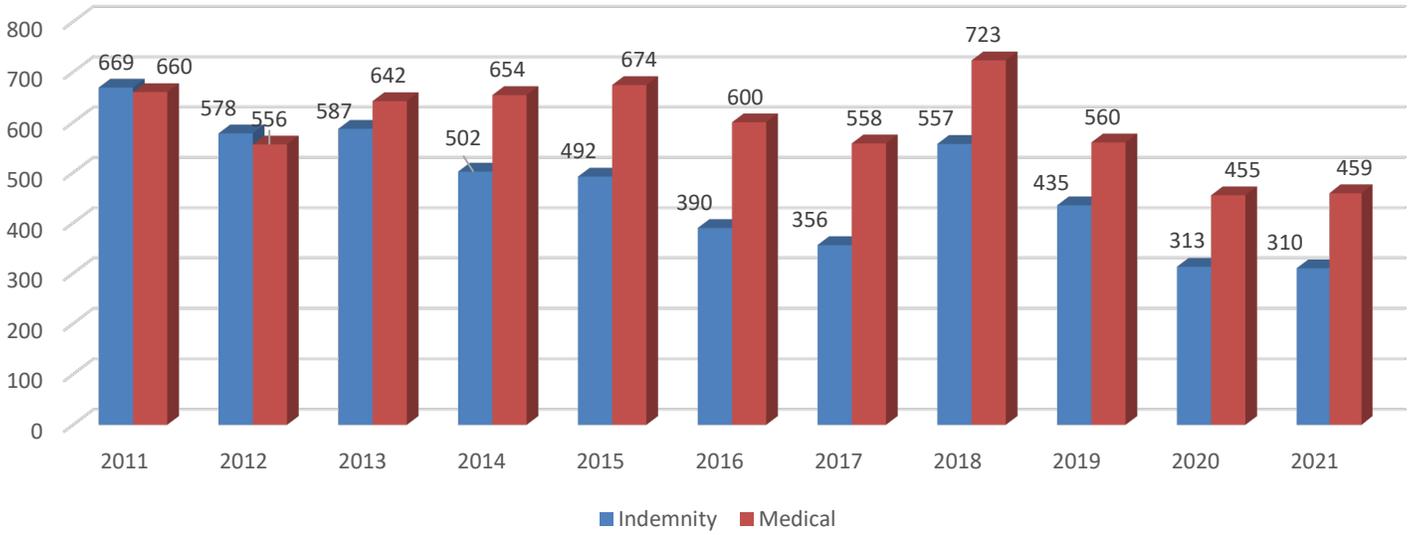
Currently, there are 769 open claims of which 667 are workers' compensation indemnity/medical claims. In addition, there are 71 open death claims with beneficiaries still receiving benefits. As of June 30, 2021, there were 29 open Federal Black Lung claims being administered by Inservco Insurance Services. 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). This PPACA includes a provision that eligible survivors of a miner who was receiving benefits, filed after January 1, 2005, and pending on or after March 23, 2010, are automatically entitled to benefits.

Additionally, 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, 2021



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, there are special arrangements with a network of healthcare providers to receive payment less than the fee schedule which are applied to Security Fund invoices.

These special arrangements are a 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. The overall process reduces the total cost of medical bills through a combination of rules-based technology, clinical expertise, expert reviews, embedded treatment guidelines, negotiations, and a Preferred Provider Organization (PPO) network.

B. Prescription Drug Program

KEYSCRIPTS, LLC PHARMACY PROGRAM TRANSITION, IMPLEMENTATION, AND ADMINISTRATION

KeyScripts, LLC (KeyScripts) assumed administration of the pharmacy prescription drug program of the Pennsylvania Insurance Department, Bureau of Special Funds (the “Bureau”) Workers’ Compensation Security Fund (Security Fund). Over several months leading up to program assumption, KeyScripts worked collaboratively with the Bureau and its third-party administrator, Inservco Insurance Services to ensure a seamless pharmacy program transition. Preparation for program assumption included KeyScripts’ receipt of electronic historical data for existing claims, which was critical to establish and verify prescription eligibility and ensure that eligible injured workers experienced no delays or interruptions in the timely filling of the prescriptions for which they were eligible under the Security Fund. KeyScripts also worked with Bureau personnel to implement custom drug formularies that incorporated its prior authorization requirements, protocols for addressing drugs that fall outside the formularies, and procedures for issuing KeyScripts Prescription Benefit Cards to those injured workers who were not included among the Bureau’s initial historical data.

In another aspect of program implementation, KeyScripts worked with the Bureau to develop and disseminate approved correspondence to alert Security Fund injured workers of the program transition, then produced and mailed the KeyScripts Pharmacy Benefit Card to more than 300 injured workers. Following the program “go-live” date, KeyScripts’ clinical and customer service teams performed daily telephonic outreach to Security Fund injured workers to confirm receipt of their KeyScripts Prescription Benefit Card, and resent cards to updated and corrected addresses, as needed.

In the seven months since program assumption, the network conversion efforts have allowed KeyScripts to capture over 65% of the Security Fund’s drug spend in-network, resulting in significant savings to the Security Fund. KeyScripts will continue to work collaboratively with the Bureau, Inservco Insurance Services, and its service partners to identify and manage factors affecting network utilization and spend in an effort to emphasize and prioritize the use of the KeyScripts Network to capture prescription drug fills to meet the needs of the Security Fund.

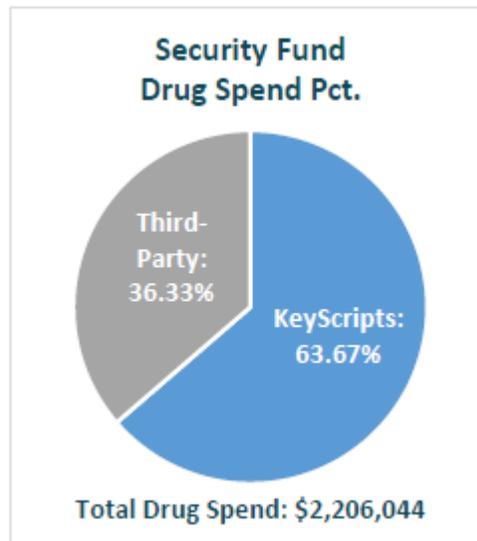
This report, which covers the first seven months of KeyScripts’ pharmacy drug program administration, includes key program data and metrics developed by KeyScripts to allow the Bureau to complete its report for the entire fiscal year ending June 30, 2021.

SECURITY FUND PHARMACY PROGRAM ANALYSIS
December 1, 2020 to June 30, 2021

PHARMACY PROGRAM INVOICE CHARGES
12/01/2020 TO 06/30/2021

Source	No. RX	Jurisdictional Amount	Amount Paid	Savings	Pct. Savings
KeyScripts	4,391	\$1,745,847.65	\$1,404,495.28	\$341,352.37	19.55%
Third-Party*	1,867	\$801,548.61	\$801,548.61	\$0.00	0.00%
Totals	6,258	\$2,547,396.26	\$2,206,043.89	\$341,352.37	13.40%

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



KEYSCRIPTS NETWORK BRAND VS. GENERIC SPEND & SAVINGS COMPARISONS
12/01/2020 TO 06/30/2021

Prescription Type	No. RX	Pct. of RX	Jurisdictional Amount	Amount Paid Thru KeyScripts	Savings Thru KeyScripts	Pct. Savings Thru KeyScripts
Brand	791	18.01%	\$888,775.51	\$762,434.93	\$126,340.58	14.22%
Generic	3,600	81.99%	\$857,072.14	\$642,060.35	\$215,011.79	25.09%
Totals	4,391	100.00%	\$1,745,847.65	\$1,404,495.28	\$341,352.37	19.55%

Through the first seven months of KeyScripts' administration of the Security Fund's pharmacy program, 82% of all network prescriptions were filled with generic drugs.

KEYSCRIPTS NETWORK OPIOID UTILIZATION ANALYSIS
12/01/2020 TO 06/30/2021

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
1,362	4,391	31.02%	\$543,544.88	\$1,404,495.28	38.70%

Opioids accounted for 31% of the Security Fund’s network prescription fills and 39% of its network drug spend.

TOP 10 DRUGS BY KEYSCRIPTS NETWORK AMOUNT BILLED
12/01/2020 to 06/30/2021

RANK	DRUG NAME	DRUG CLASSIFICATION	BRAND	GENERIC	OPIOID	NO. RX	PCT. OF ALL RX	JURIS. AMOUNT	AMT. PAID THRU KEYSCRIPTS	SAVINGS THRU KEYSCRIPTS
1	OXYCONTIN®	Opioid analgesic	•		•	229	5.22%	\$225,628.27	\$193,725.39	\$31,902.88
2	PERCOCET®	Opioid analgesic	•		•	49	1.12%	\$144,972.85	\$124,082.00	\$20,890.85
3	PREGABALIN	Anticonvulsant		•		139	3.17%	\$90,039.85	\$66,036.31	\$24,003.54
4	DULOXETINE HCL	SNRI**		•		161	3.67%	\$58,676.30	\$43,317.28	\$15,359.02
5	GABAPENTIN	Anticonvulsant		•		277	6.31%	\$54,701.43	\$40,834.51	\$13,866.92
6	LIDODERM®	Topical anesthetic	•			23	0.52%	\$44,330.71	\$37,974.65	\$6,356.06
7	OXYCODONE HCL	Opioid analgesic	•		•	247	5.63%	\$49,567.04	\$37,168.73	\$12,398.31
8	CELECOXIB	NSAID		•		128	2.92%	\$45,884.32	\$33,800.55	\$12,083.77
9	TIVICAY®	Antiviral (HIV)	•			8	0.18%	\$39,051.46	\$33,403.28	\$5,648.18
10	LIDOCAINE	Topical anesthetic		•		90	5.22%	\$42,766.42	\$31,462.98	\$11,303.44
TOTALS						1,351	30.79%	\$795,618.65	\$641,805.68	\$122,949.45

These 10 drugs accounted for 31% of the Security Fund’s network prescription fills and 46% of its network drug spend.

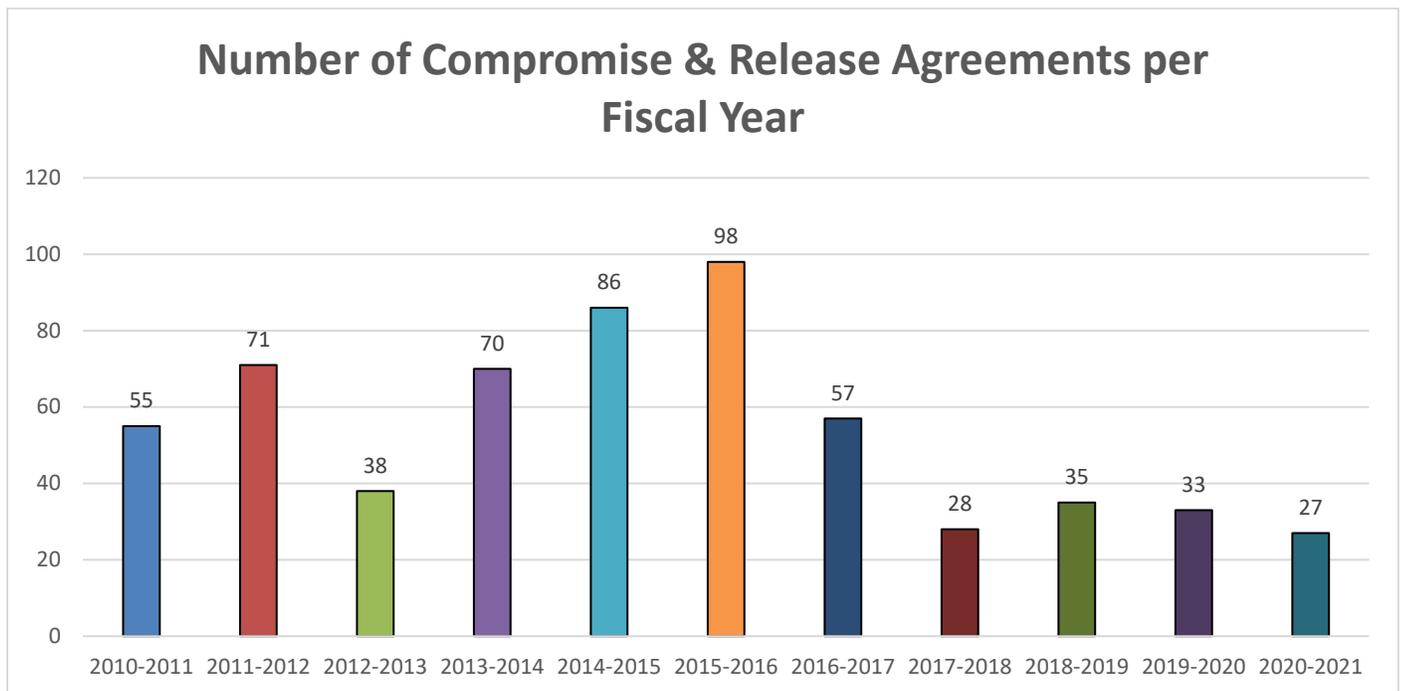
**SNRI: Serotonin Norepinephrine Reuptake Inhibitor

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 to resolve claims to closure as a lump sum payment or structured settlement.

If medical benefits are settled under the terms of a Compromise and Release Agreement, Inservco Insurance Services ensures the requirements of the Centers for Medicare & Medicaid Services (CMS) are met by establishing a Medicare Set Aside account when necessary. Inservco Insurance Services also addresses any Medicare Secondary Payer Recovery Contractor (MSPRC) liens with CMS as part of the final claims closing process after a Compromise and Release has been executed.

From July 1, 2020, through June 30, 2021 a total of 27 claims were settled by way of Compromise and Release. The chart below illustrates the total number of cases settled since 2010.



D. Fraud Prevention Measures

The Act, known as Act 44, was amended 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 a fraud prosecution that could result in fines up to \$50,000 and possibly several years in prison. These amendments were expanded by the 1996 amendments, 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, known as Act 57, 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 Insurance Services, has utilized legislative tools to address the issue of workers' compensation fraud.

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

E. Liquidations

There were two new liquidations for the fiscal year of 2020-2021, Bedivere Insurance Company (adding 50 claims) and Alliance National Insurance Company (adding 105 claims).

F. Technological Enhancements

Inservco Insurance Service's computer network infrastructure is resilient and includes redundant data centers and continuous replication to all sites. In the event of a disaster, Inservco's systems will be live in production within 24 hours with no loss of data.

Administratively, the paperless workflow process continues to be an efficient user tool. The Security Fund staff, as well as most of the state Liquidators, has secured viewing access directly through the internet. Viewer access provides instant access to claim payments, claim reserves, claim activity and file documents. During fiscal year 2020-2021, very little paper flowed between the Security Fund and Inservco Insurance Services, which continued to eliminate time consuming tasks such as paper filing and onsite paper file audits for the Security Fund, Liquidators and Reinsurers.

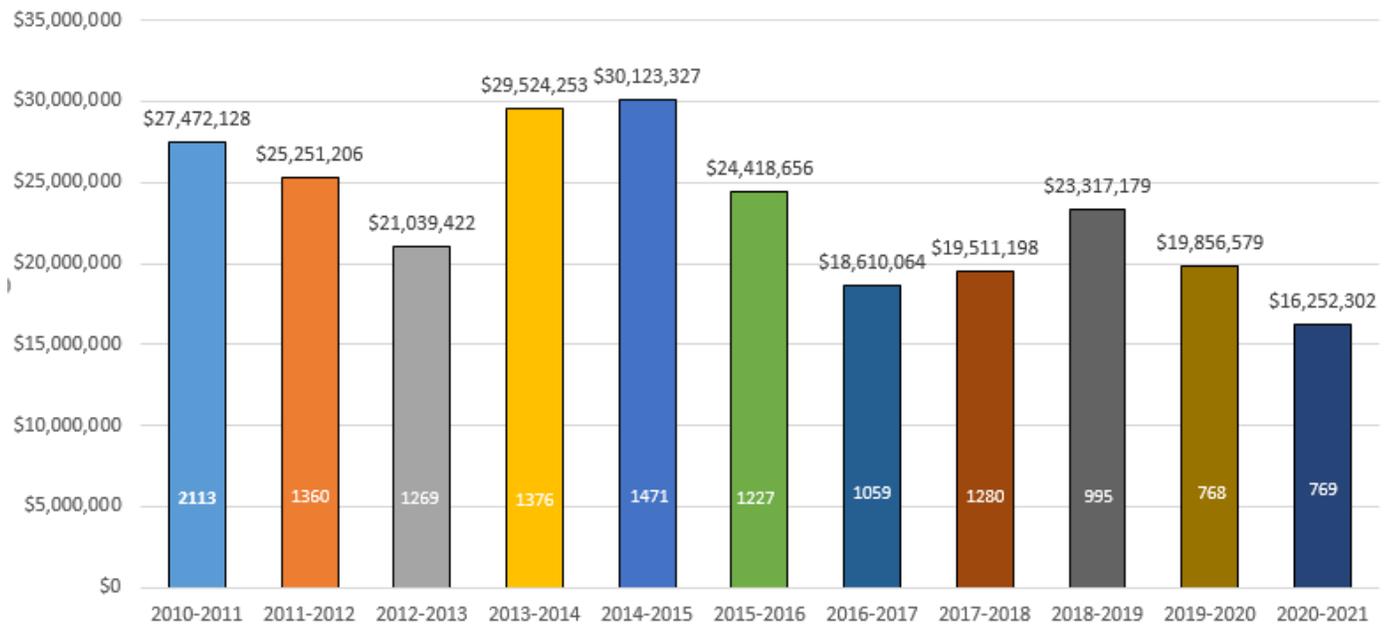
Inservco also continues to invest in core and ancillary systems. A significant investment was made to its systems to meet the requirements of the Security Fund. Enhancements were made to core systems to capture additional data elements needed by both the Security Fund and the NCGIF. Inservco developed and enhanced interfaces with both the State of Pennsylvania and the NCGIF to facilitate the secure transmission of data between parties.

The Security Fund Web Page is located on the Insurance Department's website <http://www.insurance.pa.gov>. This web page provides valuable information to consumers who have inquiries regarding the Security Fund's background, contact information and answers to frequently asked questions.

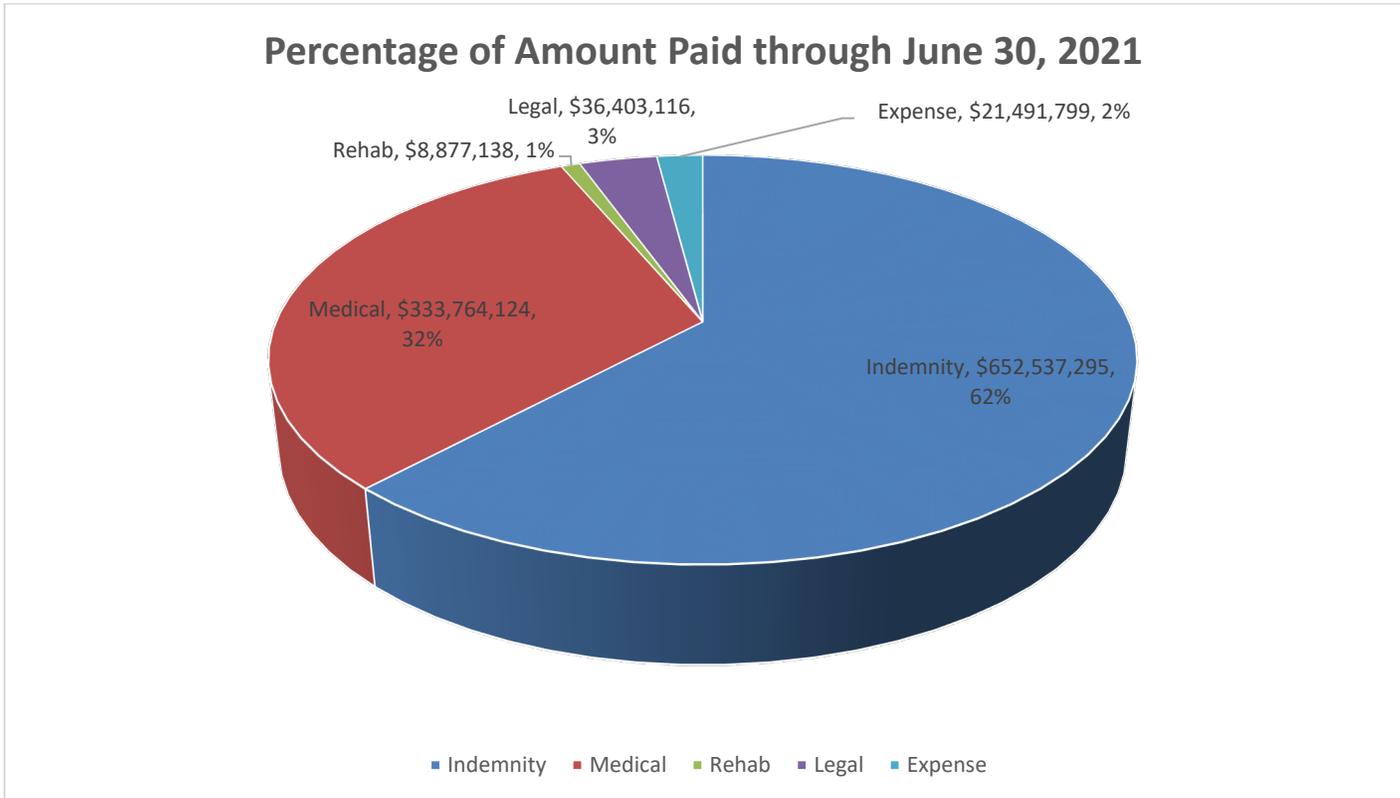
FINANCIAL HIGHLIGHTS 2020-2021

During fiscal year 2020-2021, the Security Fund paid \$16,252,302 in benefits. Due to several liquidations in 2012-13 and 2014-15, this resulted in increased benefit payments for these fiscal years. 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.

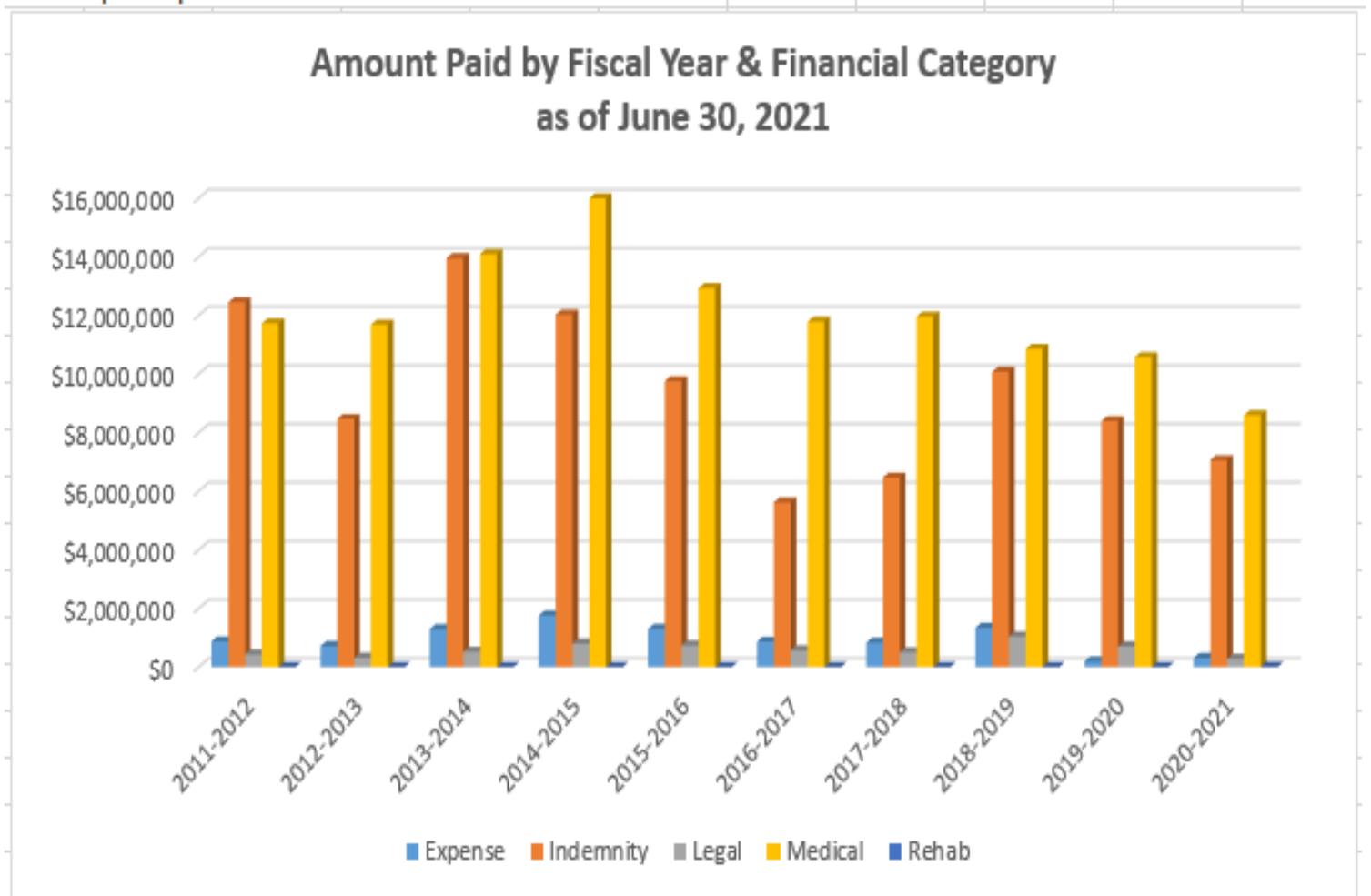
Total Number of Claims and Benefits Paid in the Past 10 Fiscal Years



The vast majority of payments over the past ten years have been indemnity payments, which include Compromise and Release settlement payments. A total of \$652,537,295 has been paid in indemnity benefits, which represents 62% of the total payouts over the life of the Security Fund. Medical payments totaling \$333,840,819 represent 32% of the total Security Fund payments. Expense payments total \$21,491,799 representing only 2% of the total payments with the remaining 3% in payments totaling \$36,403,116 for legal expenses.

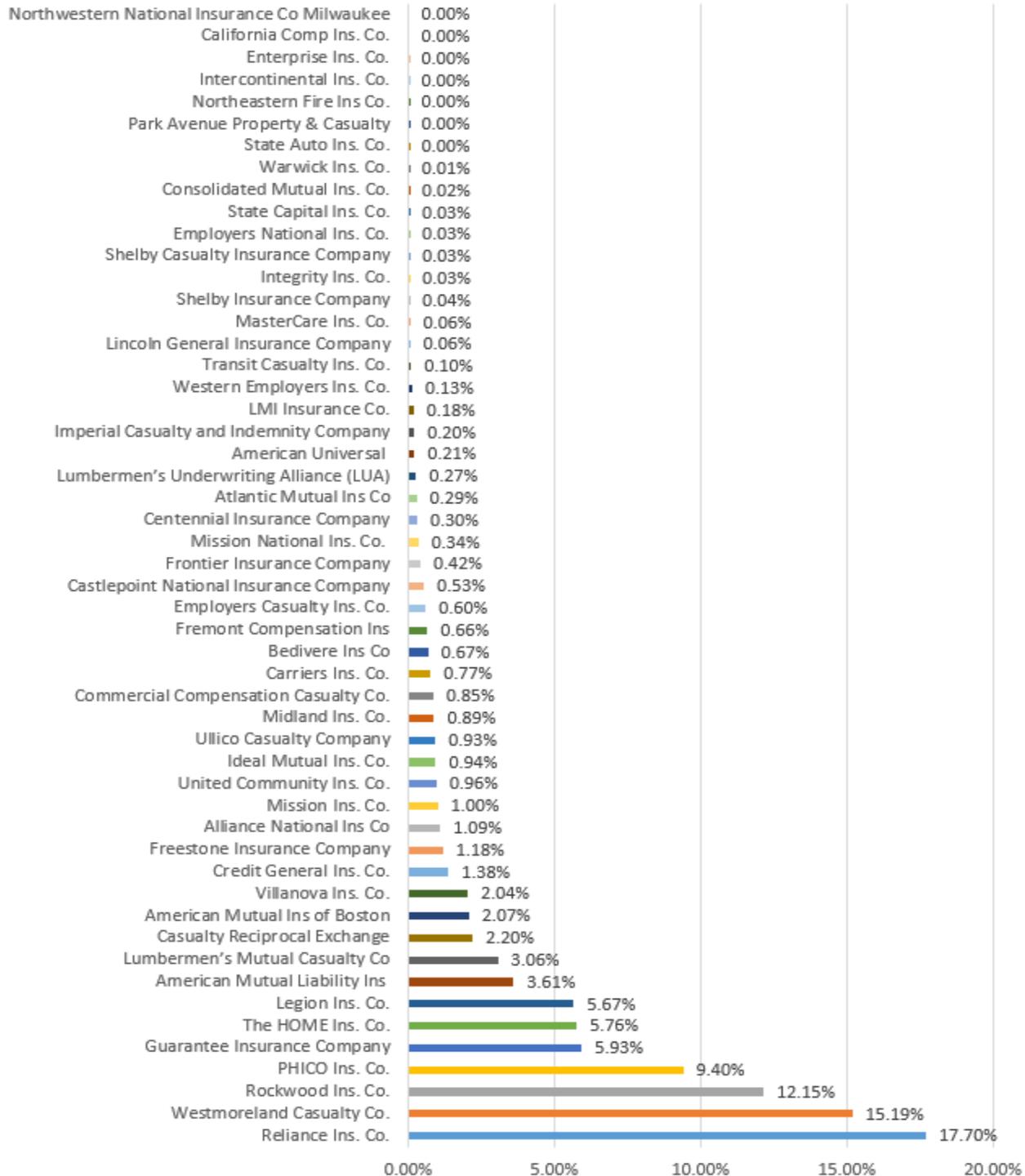


There were decreases in the following categories: Indemnity by \$1,336,282, Medical by \$1,986,856, and Legal by \$426,561. Expenses increased by \$117,684. This increase in expenses was attributable in part to the two liquidations experienced during this fiscal year.



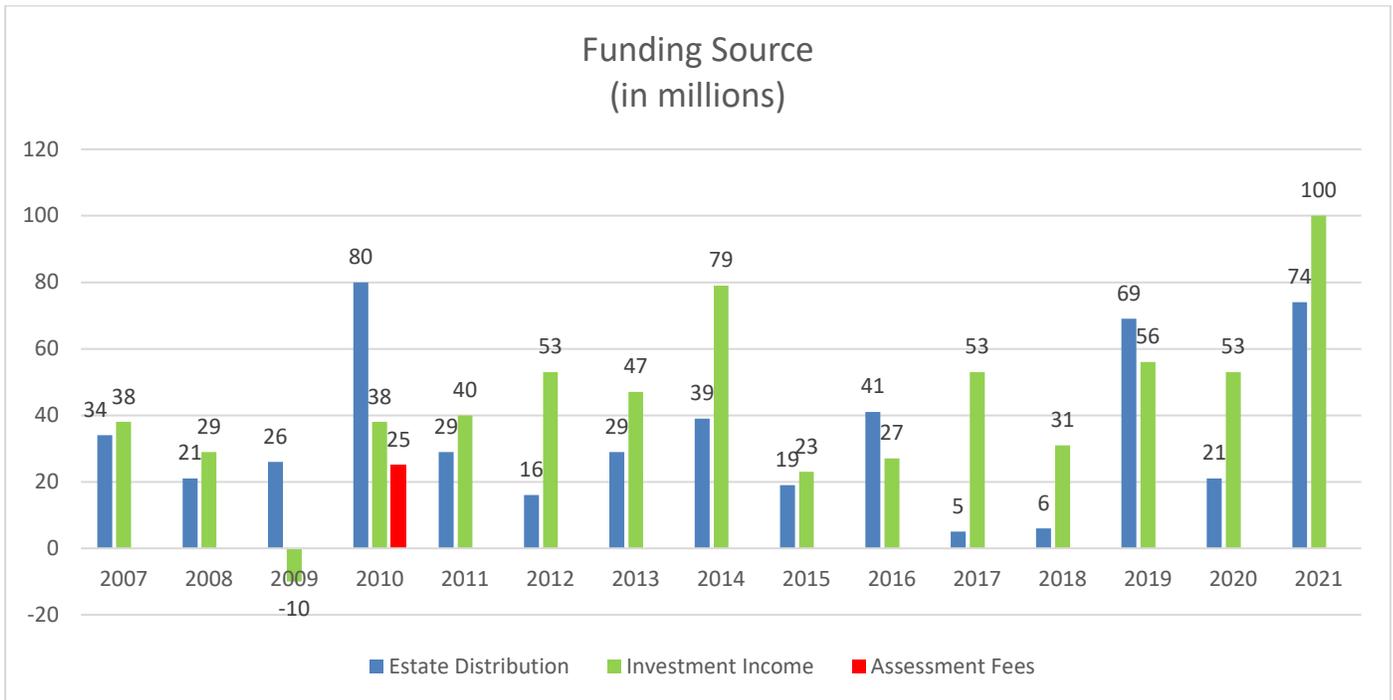
The chart below illustrates the total incurred amount from the inception of the Security Fund. The incurred is defined as the sum of the claim reserve and the amount paid by liquidations as of June 30, 2021. Reliance Insurance Company and Westmoreland Casualty Insurance were the two top liquidators by incurred values.

Total Incurred by Liquidator as of June 30, 2021



Funding

Funding for the Security Fund is derived from three sources: Assessments levied on member insurers, distributions obtained from the estates of insolvent insurers, and investment income. 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.



Workers Compensation Security Funds-Bureau of Special Funds

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