

## Research Update

### California Workers' Compensation Post Reform Outcomes

CAS Annual Meeting  
November 13, 2007

California Workers' Compensation Institute  
[www.cwci.org](http://www.cwci.org)

## Research Update

### Research Review

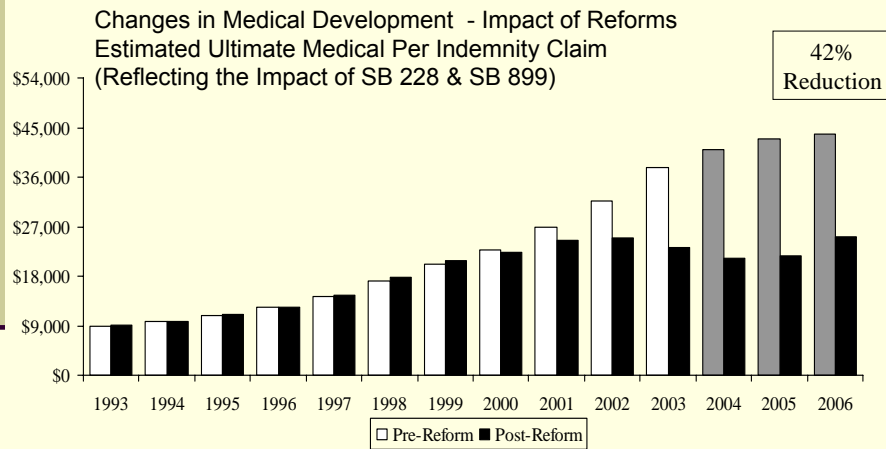
- **Pre-Reform: The Minniear Effect**
- **Outcomes from the 2002-2004 California Reforms**
  - Medical Utilization
  - MPNs
  - Temporary Disability
  - Rx & Pain Management
- **New Legislative & Regulatory Issues**

# Research Update

## The Minniear Effect

# Research Update

## The Minniear Effect



Source: Pre-Reform - WCIRB as of March 31, 2003; 2004-2006 CWCI Projections based on adjusted trend analysis  
Post Reform - WCIRB as of Dec 2006; released March 2007

## Elements of Medical Reforms

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- Repeal of Primary Treating Physician Presumption
- Revised Fee Schedules
- Standard of Care
- Evidence-Based Medicine / Medical Treatment Guidelines
- Medical Provider Networks
- Access to Care Standards
- Return-to-work incentives

## Research Update

Influence of Evidence-Based Medicine &  
Reform Outcomes

## Research Update

### Influence of Evidence-Based Medicine & Reform Outcomes

- Medical Utilization
- Medical Provider Networks
- Temporary Disability Caps
- Rx & Pain Management

## Research Update

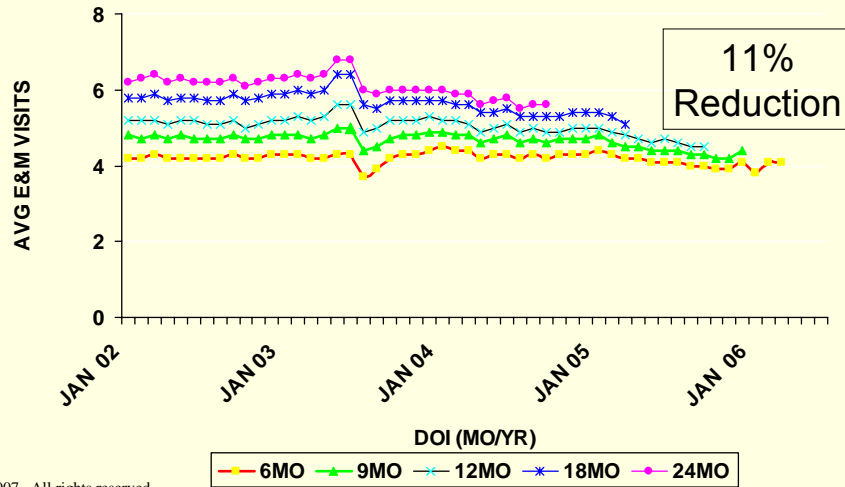
### Influence of Evidence-Based Medicine & Reform Outcomes

- **Medical Utilization**
  - Medical Provider Networks
  - Temporary Disability Caps
  - Rx & Pain Management

# Research Update

## Medical Utilization

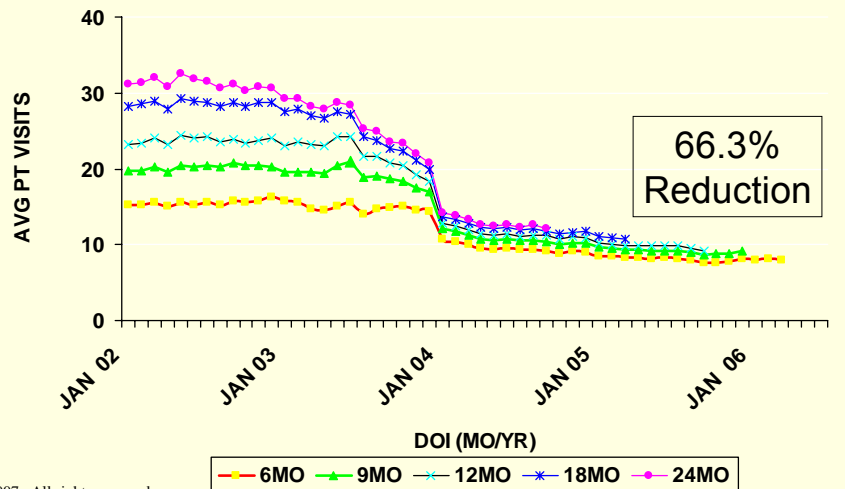
Eval & Mgt: Average Visits for Claims with E&M @ 6 – 24 Months Post DOI



# Research Update

## Medical Utilization

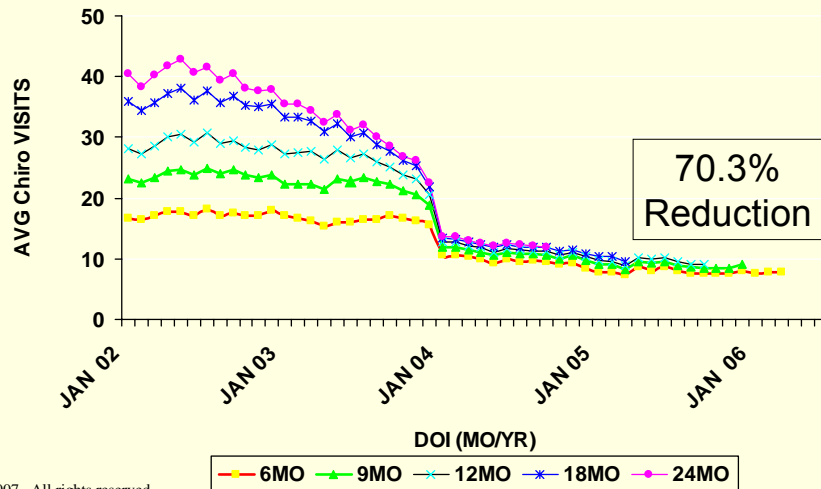
Physical Therapy: Average Visits for Claims with PT @ 6 – 24 Months Post DOI



# Research Update

## Medical Utilization

Chiropractic Manipulation: Average Visits for Claims with Chiro @ 6 – 24 Months Post DOI



# Research Update

## Medical Utilization

### The Effects of the 24 Visit Cap

	Percent of Claims with PT or Chiro with > 24 Visits				
	At 12 Months Post DOI			At 24 Months Post DOI	
	2002	2003	2004	2002	2003
<b>Physical Therapy</b>	30.4%	29.6%	9.7%	34.4%	32.3%
<b>Chiropractic</b>	44.3%	40.2%	6.7%	48.1%	42.1%

## Research Update

### Influence of Evidence-Based Medicine & Reform Outcomes

- Medical Utilization
- **Medical Provider Networks**
- Temporary Disability Caps
- Rx & Pain Management

## Research Update

### Medical Provider Networks

### Medical Provider Networks

Effective Jan 2005

Facilitate Greater Use of Provider Networks

Access Standards for primary and specialty care

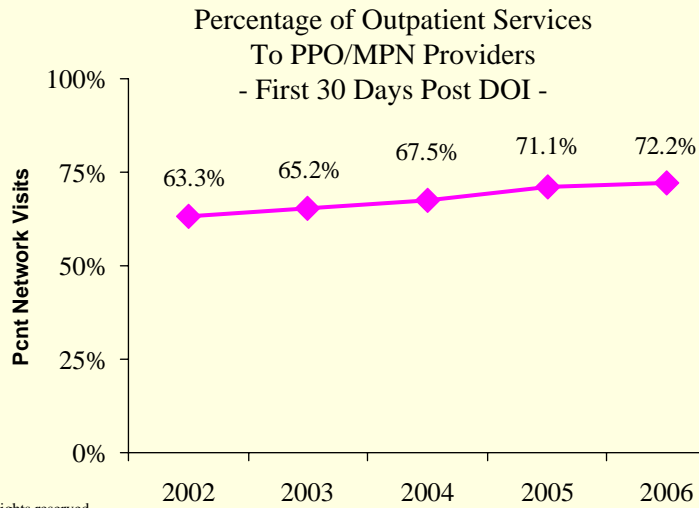
Mix of specialties

Lifetime control of medical treatment

Appeals process

# Research Update

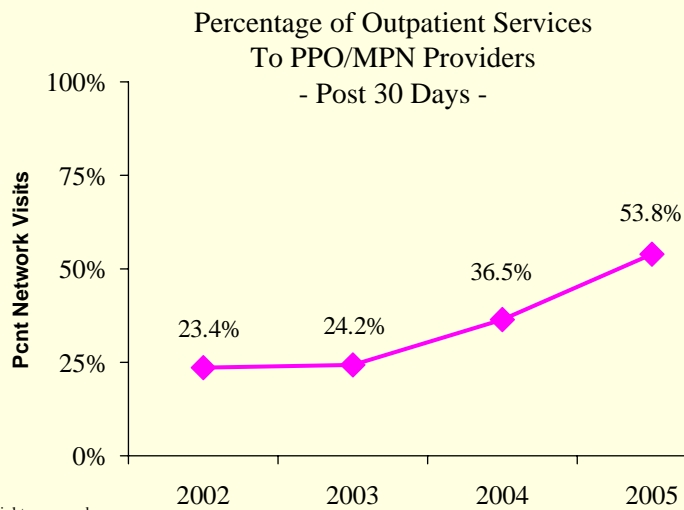
Medical Provider Networks



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# Research Update

Medical Provider Networks

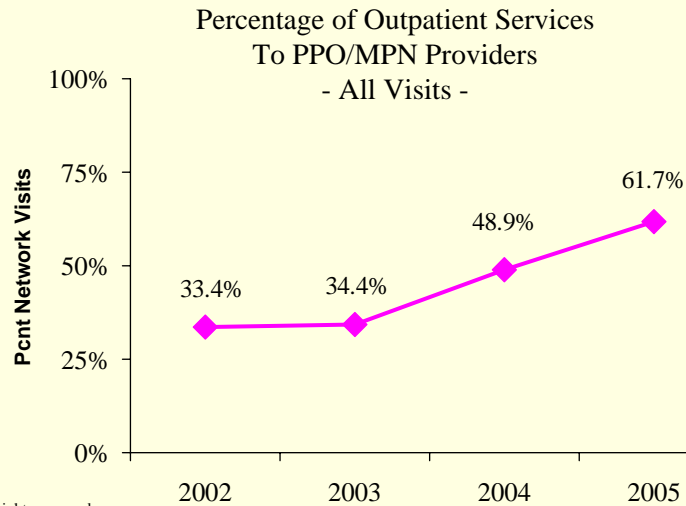


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## Research Update

### Medical Provider Networks



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## Research Update

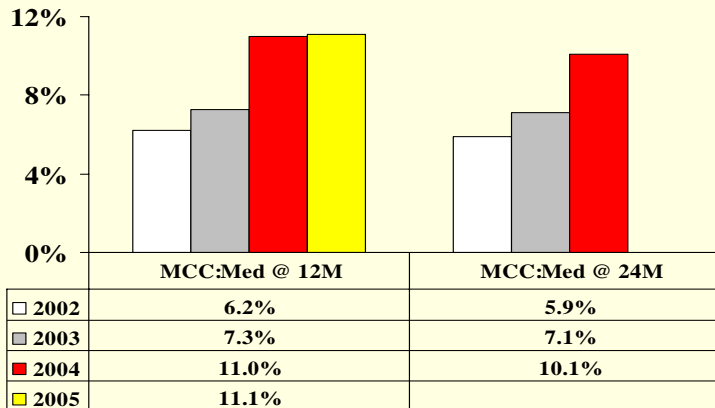
### Direct Costs of Evidence-Based Medicine & Reform Outcomes

- Medical Cost Containment
  - Medical Bill Review
  - Util Review
  - MPN Access

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## Medical Cost Containment

### Percent of MCC of Medical Benefit Payments for Indemnity Claims by Accident Year



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## Research Update

### Influence of Evidence-Based Medicine & Reform Outcomes

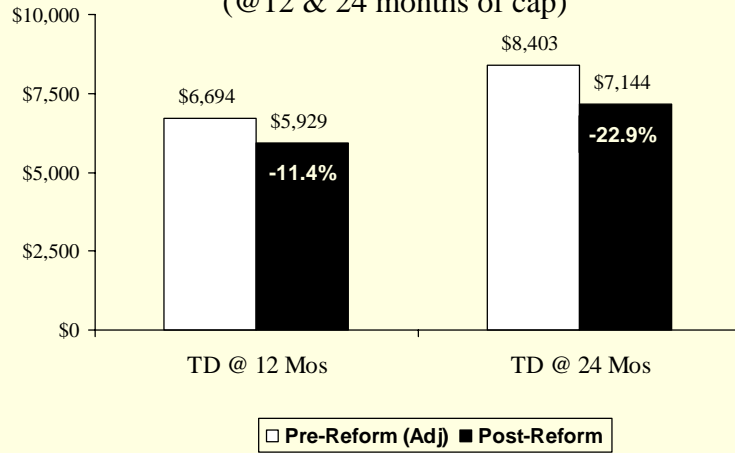
- Medical Utilization
- Medical Provider Networks
- **Temporary Disability Caps**
- Rx & Pain Management

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# Research Update

## Temporary Disability

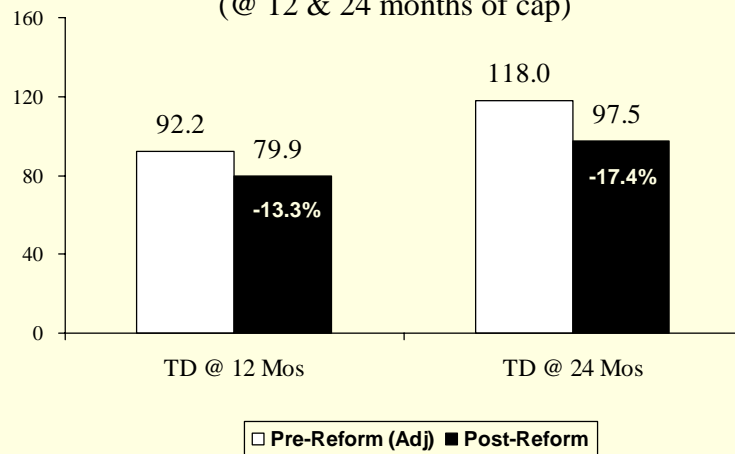
Average Temporary Disability Paid  
(@ 12 & 24 months of cap)



# Research Update

## Temporary Disability

Average Temporary Disability Paid Days  
(@ 12 & 24 months of cap)



## Research Update

### Temporary Disability

#### Percentage of Exempt Temporary Disability Injury Diagnosis Categories

	Pre-899	SB 899
<b>Non-Exempt</b>	<b>94.7%</b>	<b>95.6%</b>
Amputation	1.8%	1.5%
Burns	1.4%	1.2%
Eye Burns	0.2%	0.1%
Eye Injury	0.7%	0.5%
Hepatitis	0.1%	0.1%
HIV	0.0%	0.0%
Lung Disease	1.1%	0.9%
Pulmonary Fibrosis	0.1%	0.0%
<b>Exempt Sub-Total</b>	<b>5.3%</b>	<b>4.4%</b>
Grand Total	100.0%	100.0%

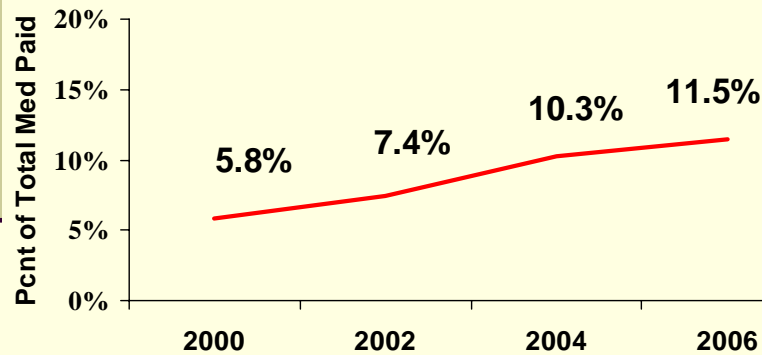
## Research Update

### Influence of Evidence-Based Medicine & Reform Outcomes

- Medical Utilization
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- Rx & Pain Management

## Pharmacy Fee Schedule

R<sub>x</sub> Payments In California Workers' Comp  
Percent of Total Medical Payments



Source: WCIRB

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## Pharmacy Fee Schedule

Impact of 2004 Fee Schedule Change

Pre-Reform Reimbursement:

Generic  $1.4 * AWP + \$7.50$

Brand  $1.1 * AWP + \$4.00$

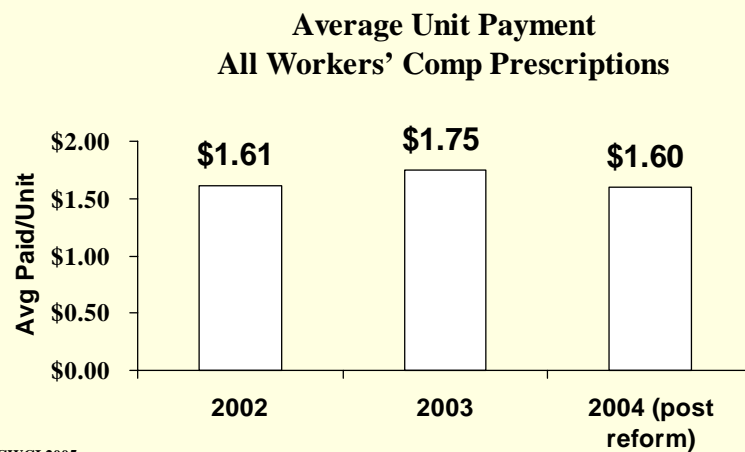
Post-Reform (2004):

- MediCal fee schedule
  - ➔  $83\% \text{ of AWP} + \$7.25$
- Repackaged drugs are exempt
- Estimated savings ➔ 40%

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## Pharmacy Payments

Average Per Unit Paid – 2002 to 2004



Source: CWCI 2005  
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## Pharmacy Payments

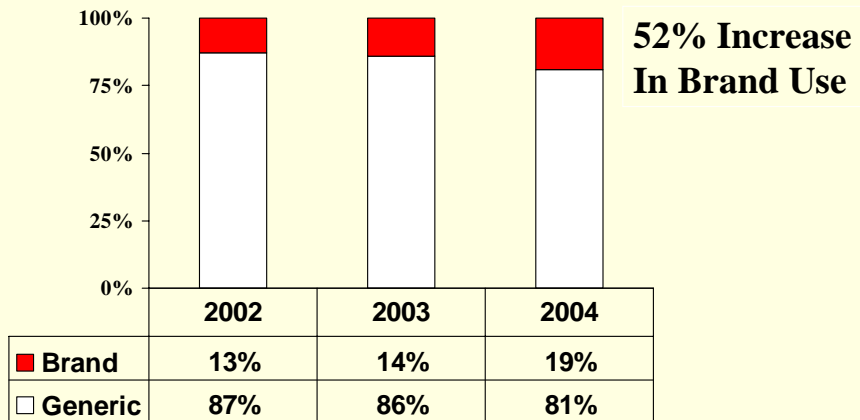
What Happened to the Savings?

- AWP Issues
- Changing mix of drugs & AWP levels
- Rising “brand” name drug utilization and cost
- Direct-to-consumer marketing
- Dispense as written exemptions
- Repackaged drugs

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## Pharmacy Fee Schedule

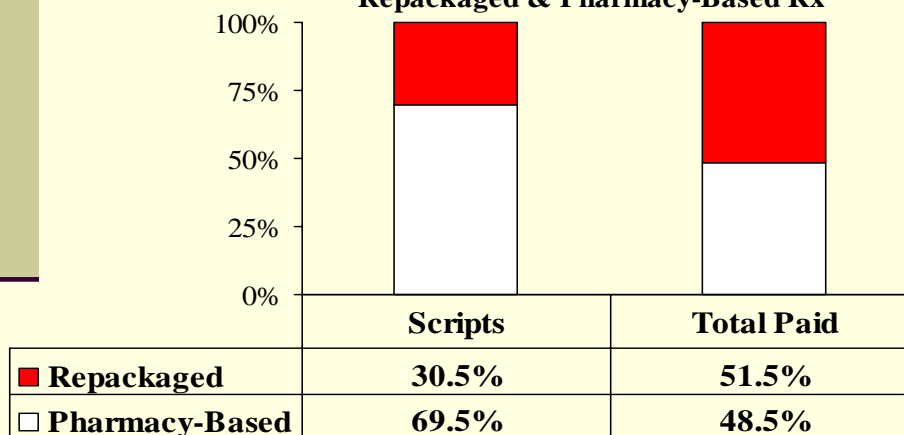
### Distribution of Brand and Generic Drug Prescriptions



Source: CWCI 2005  
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## Repackaged Drugs

### Pcnt of 2004 Scripts and Pmts for Repackaged & Pharmacy-Based Rx



Source: CWCI 2005  
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## Pharmacy Payments What Happened to the Savings?

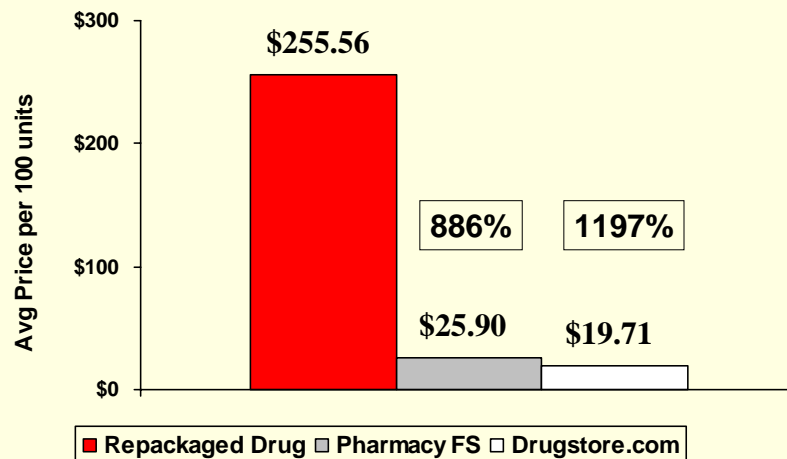
### Repackaged Drugs

- Exempt from MediCal fee schedule
- Reimbursement level reverts to prior FS
  - ➔ 110% of AWP for brand
  - ➔ 140% of AWP for generics
- Repackagers set AWP

Source: CWCI 2005  
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## Repackaged Drugs Comparisons of Average Cost Against Alternative Vendors

### Ranitidine (OTC Zantac) 150 Mg



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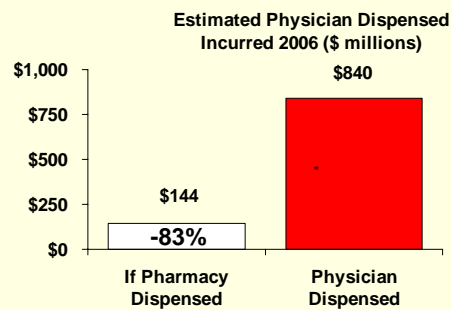


## Cost Impact of Physician Dispensing Employers' Cost—Incurred 2006

### Repackaged Drugs

#### Regulatory Response

- Rule & reg change:
  - reimburse repackaged R<sub>x</sub> at comparable level to pharmacies
- March 2007 implementation



## Rx & Pain Management

### Off-Label Drug Use

- Pain Management controversy
- The Use of Drugs for purposes not originally intended by the manufacturer
- Application not approved by FDA
- Not supported by the evidence-base

# Rx & Pain Management

## Off-Label Drug Use

New Study: Preliminary Results

The Prevalence & Associated Outcomes of  
Narcotics Use for Low Back Pain

Sample Size: 171k claims; DOI 2002 – 2004 (valued at Dec 2006)

What is the association between the use of narcotics on low back  
pain on:

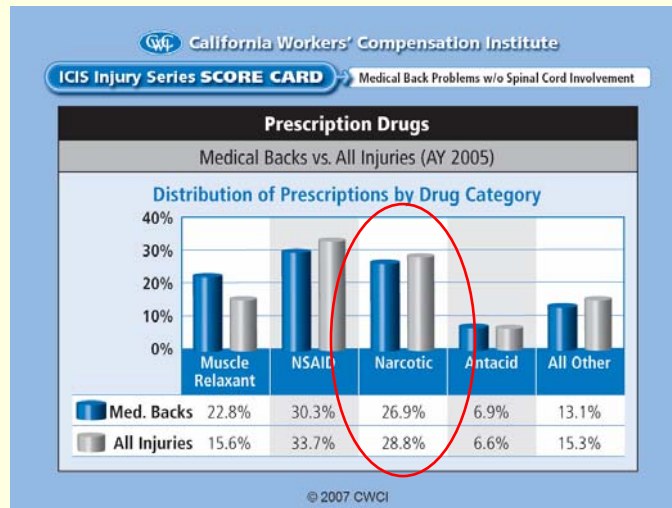
- Benefit Costs
- RTW

# Rx & Pain Management

## Insights on Opioids

- Opioids in the management of chronic pain do not consistently and reliably relieve pain.
- It also overall demonstrates a decrease in quality of life and functional status

# Rx & Pain Management



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# Rx & Pain Management

**Prescription Drugs by Volume and Payment**  
Medical Back vs. All Claims (AY 2005)

Drug Grouping	Drug Class	% of Total Prescriptions		% of Total Paid	
		Med Backs	All Claims	Med Backs	All Claims
Hydrocodone	Narcotic	12.8%	13.3%	7.3%	7.4%
Carisoprodol	Muscle Relax	10.7%	7.1%	23.7%	17.8%
Ibuprofen	NSAID	9.8%	10.9%	3.0%	3.6%
Naproxen	NSAID	6.6%	6.9%	5.9%	6.7%
Ranitidine	Antacid	5.3%	4.7%	11.5%	11.1%
Cyclobenzaprine	Muscle Relax	5.1%	3.2%	2.8%	2.1%
Propoxy	Narcotic	3.7%	3.7%	2.3%	2.3%
Tramadol	Narcotic	3.1%	2.7%	3.2%	2.9%
Banalj Liniment	Pain Relief Oint	2.3%	1.9%	0.5%	0.5%
Floroxicam	NSAID	1.9%	1.8%	3.0%	3.2%
<b>Top 10</b>		<b>61.3%</b>	<b>56.2%</b>	<b>63.2%</b>	<b>57.6%</b>

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## Common opioids in WC:

- Hydrocodone (Vicodin)
- Oxycontin
- Propoxy (Darvocet)
- Tramadol
- Acetaminophen with Codine
- Actiq
- Endocet

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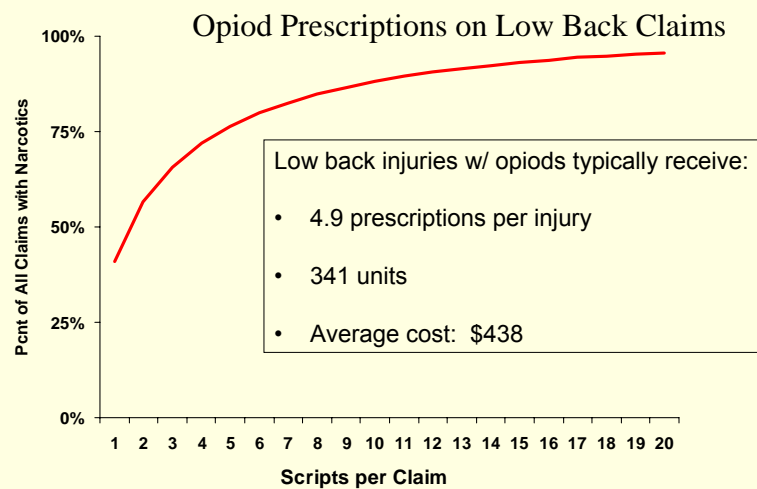
## Rx & Pain Management

Associations between opioid use and claim cost and RTW from low back injury: preliminary results

### Case-Mix Adjustment Variables

- A. Employee pre-injury characteristics
- B. Injury characteristics (co-morbidities)
- C. Drug Interactions
- D. Employer characteristics

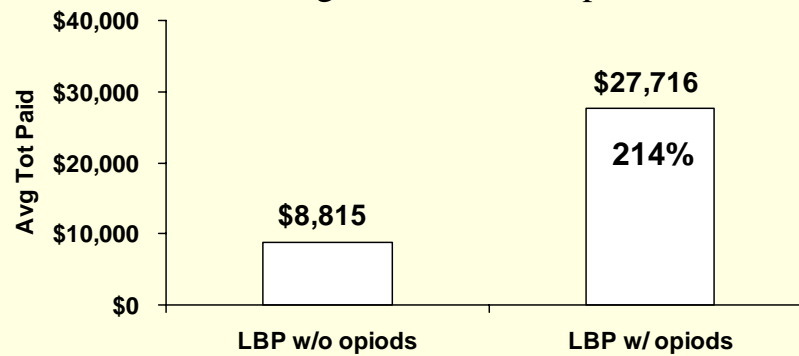
## Rx & Pain Management



# Rx & Pain Management

Associations between opioid use and claim cost and RTW from low back injury: preliminary results

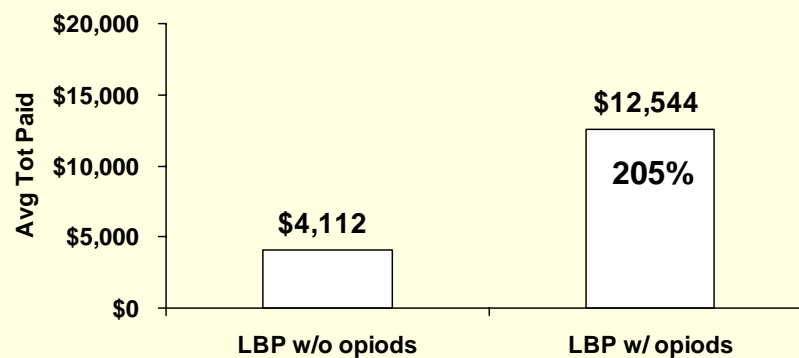
Average Total Benefits per Claim



# Rx & Pain Management

Associations between opioid use and claim cost and RTW from low back injury: preliminary results

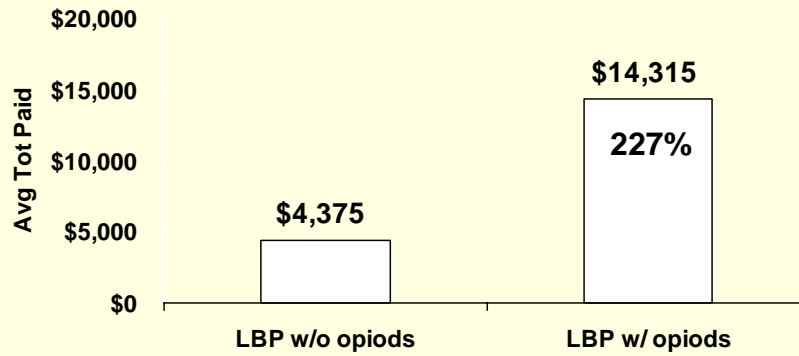
Average Medical Benefits per Claim



# Rx & Pain Management

Associations between opioid use and claim cost and RTW from low back injury: preliminary results

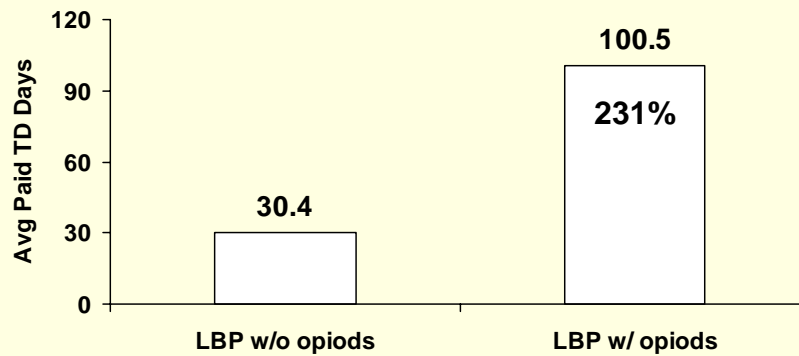
### Average Indemnity Benefits per Claim



# Rx & Pain Management

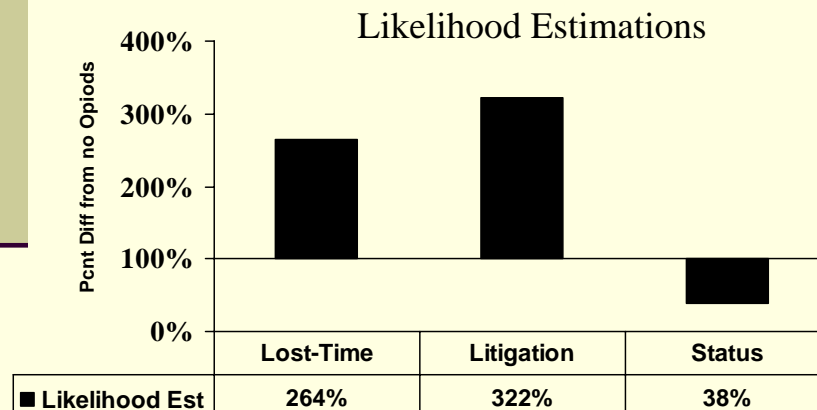
Associations between opioid use and claim cost and RTW from low back injury: preliminary results

### Average Paid TD Days per Claim



## Rx & Pain Management

Associations between opioid use and claim cost and RTW from low back injury: preliminary results



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## Pending Legislative and Regulatory Issues

### Top 5 Issues for 2008

1. **AB 338: TD Cap**
2. **Removal of the Post-Surgical PT & Chiropractic Cap**
3. **Chronic Pain & Pain Management Guidelines**
4. Allocated Expenses
5. PD Schedule

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## Pending Legislative & Regulatory Issues AB338 TD Cap Calculation (CWCI 2007)

Total TD Claims with Paid TD Benefits (1)	155,463
Total TD Benefits Paid through December 31, 2006	\$1.3 billion
Total TD Benefits Paid through 2 Years from Date of First TD Payment (SB 899 Limitation) (2)	\$1.1 billion
Percentage of Total TD Payments Eliminated (SB 899 Limitation) (3)	16.6%
Total TD Benefits Paid Limited to 104 Weeks of Payments within 5 Years from Date of Injury (AB 338 Limitation) (4)	\$1.2 billion
Percentage of Total TD Payments Eliminated (AB 338 Limitation) (5)	11.2%
Additional TD Payments under AB 338 Limitation (6)	\$71 million
<b>Indicated AB 338 Percentage TD Cost Increase (7)</b>	<b>6.5%</b> <b>(1 – 1.2 pts)</b>

- (1) The total number of claims with paid temporary disability benefits in CWCI database with accident dates in 2000 and 2001.  
 2 Reflects the sum of (a) the total amount of temporary disability benefits paid on the study claims that were not subject to the Labor Code Section 4656 exemption within two years from the first temporary disability payment and (b) the total temporary disability benefits paid on study claims that are subject to the Labor Code Section 4656 exemption.  
 3  $(2) - (3) / (2)$ .  
 4 Reflects the sum of (a) the total amount of temporary disability benefits paid on the study claims that were not subject to the Labor Code Section 4656 exemption limited to 104 weeks of temporary disability benefits within five years of the date of injury and (b) the total temporary disability benefits paid on study claims that are subject to the Labor Code Section 4656 exemption.  
 5  $(2) - (5) / (2)$ .  
 6  $(5) - (3)$ .  
 7  $(7) / (3)$ .

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## Removal of the Post-Surgical PT & Chiropractic Cap

1. New Rules and Regs Issued Oct 2007
2. AD & Med Dir define "surgery"
3. Maintains EBM standard

Percentage of Surgical Claims with More Than 24 Physical Medicine Visits	Over Entire Claim		
	Pre- reform	Transition Period	Post- reform
Arthroscopy	70.2%	71.2%	38.5%
Carpal Tunnel	66.6%	62.6%	33.5%
Fusion	78.3%	74.3%	35.6%
Laminectomy	71.7%	73.3%	34.4%
Partial/Total Knee Replacement	75.3%	66.7%	42.9%
<b>Grand Total</b>	<b>70.3%</b>	<b>69.9%</b>	<b>37.0%</b>

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## Chronic Pain & Pain Mgt Guidelines 9792.21(a)(2)(A)(iii)

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- Competing definitions
  - Pain persisting  $\geq$  30 days beyond
  - Usual course of acute disease
  - Reasonable time for injury to heal
- Bio-psychosocial guideline model

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