

# CASUALTY ACTUARIAL SOCIETY

## 2008 Annual Meeting

### Recent New York Workers Compensation Reforms

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# Overview

- Pricing Needs
- Major NY WC Reforms
- Pricing Methods/Assumptions
- Summary

## **Pricing Needs**

- Understanding the Law Changes
- Identifying Data Requirements
- Data Sources
- Non-Data Sources

## **Major Components of the 2007 Reforms**

- Elimination of Special Disability Fund
- Increase in Maximum Weekly Benefit
- Caps on Permanent Partial Disability Duration
- Medical-Related Provisions
- PPD Claims Into Aggregate Trust Fund
- System Improvements

## **Elimination of Spec. Disability Fund**

- Actual Assessment Data From State Workers' Comp. Board
- Relate Assessments to Paid Losses
- Mitigation / Efficiency Factor

## IMPACT OF REMOVING THE NY SDF

(1)	Paid CY Losses (3 Calendar Year Average)		\$ 2,306,956,237
(2)	Paid SDF Reimbursements (3 Calendar Year Average)		\$ 362,380,249
(3)	Direct Impact (2) / (1)		15.7%
(4)	Efficiency Factor		0.85
(5)	Final Impact (3) x (4)		<b>13.3%</b>

## **Increase in Maximum Weekly Benefit**

- Fratello Method
- Recognition of Varying Wage Levels by Injury Type
- Increased System Utilization

# Increase in Maximum Weekly Benefit Impacts

Effective Date	Max Weekly Benefit	Overall Impact	Prorated Impact
7/1/07	\$500	+6.0%	+6.0%
7/1/08	\$550	+1.9%	+1.2%
7/1/09	\$600	+1.5%	+0.1%
Total Impact for the 2007 Filing			+7.3%



## **Caps on PPD Duration**

- % Loss of Earnings = # Weeks of Benefits
- Actual PPD Data From State Workers' Comp. Board
- Distribution of Loss of Earnings
- PPD Settlement Considerations
- Hardship Provision

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## Benefit Duration by Impairment Ratings

Loss of Earning %	Number of Weeks
Greater than 95%	525
90% to 95%	500
85% to 90%	475
80% to 85%	450
75% to 80%	425
70% to 75%	400
60% to 70%	375
50% to 60%	350
40% to 50%	300
30% to 40%	275
15% to 30%	250
Less than 15%	225

# What did we get from the WCB?

WCB Dist of Disability	
Marked	0.1914
Mod to Marked	0.2677
Moderate	0.1842
Mild - Mod	0.1667
Mild	0.0487
Minimum	0.1413

Now all we have to do is map it!

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# Final Calculation

Loss of Earning percentage	Number of Weeks	Selected Distribution	Percentage Savings	
			Lump sum Cases	Other Cases
Greater than 95%	525	<b>0.5%</b>	17.0%	33.5%
90% to 95%	500	<b>0.5%</b>	18.5%	34.2%
85% to 90%	475	<b>2.4%</b>	20.0%	35.0%
80% to 85%	450	<b>2.4%</b>	21.5%	35.7%
75% to 80%	425	<b>10.1%</b>	46.1%	73.0%
70% to 75%	400	<b>10.1%</b>	49.1%	74.6%
60% to 70%	375	<b>19.9%</b>	52.2%	76.0%
50% to 60%	350	<b>15.8%</b>	55.3%	77.6%
40% to 50%	300	<b>21.5%</b>	61.4%	80.7%
30% to 40%	275	<b>8.2%</b>	64.5%	82.3%
15% to 30%	250	<b>6.4%</b>	67.7%	83.9%
Less than 15%	225	<b>2.0%</b>	70.9%	85.4%
<b>Average</b>			<b>54.2%</b>	<b>75.6%</b>
<b>Total Average Savings on Perm. Partial Non Schedule: 71.3%</b>				
<b>Total Average Savings on Perm. Partial: 50.5%</b>				
<b>Total Impact: -28.0%</b>				



## **Medical – Related Provisions**

- Pharmacy Fee Schedule
- Generic Drugs when Available
- Networks for Diagnostic Services
- Schedule for Prosthetic Devices
- Medical Care Guidelines

# Pharmaceutical Fee Schedule Pricing

<b>Average Wholesale Price</b>	<b>\$100</b>
Average Discount	8%
Pre-Reform Payment	\$92
Assumed Medicaid “Discount”	33%
Post Reform Payments	\$67
Dollar Savings	\$25
Pharmaceutical Saving Percentage	27%
Pharmaceutical Percentage of Medical	16%
Medical Cost Impact	-4.3%
Utilization	40%
Final Impact on Medical Costs	-2.6%

# **Mandatory PPD to Aggregate Trust Fund**

- Discount Set By State
- Effect on Settlement Practices
- Claimant Behavioral Impact
- Savings or Added Cost ???

# Pricing Summary

- The Devil is in the Details
- Behavior of Claimants
- Behavior of Law Judges
- Behavior of Attorneys
- Effectiveness of Regulations



# Looking Ahead

- Time lag before changes reflected in data
- Adjustment to current data
- Adjustment to development factors
- Additional carrier surveys
- Awaiting full implementations of reform

# The Shift to Loss Costs

- Effective 10/1/2008
- Removing Expenses from Premiums
- Overall Change: -6.4%
- Approved as Filed
- Carriers filed LCMs

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# Questions & Answers

