AGENDA

- Brief Background
- Recent Historical Results
- What Can We Do to Help?
- How Can We Do It?
- Challenges We Face

Brief Background

- Both Workers Compensation (WC) and Group Health (GH) use the same fee-for-service medical delivery system
  - Though, of course, significant practical differences exist
- NCCI research: WC pays more than GH for similar medical services
- Medicare's influence on WC fee schedules
- Cost-shifting by hospitals from GH to WC

Recent Historical Results - Reality

- Both WC indemnity and medical claim cost increases continue to out-pace general inflationary indices
  - Medical trend has exceeded indemnity trend by approximately 2-2.5 points on average since mid-1990s
    - All else equal, medical is now 50% more expensive than indemnity compared to 20 years ago
- Reduced claim frequency has kept loss costs down overall (in virtually all states)

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Action Steps

- Innovations in managed care
  - Provider networks
  - State-approved managed care programs (utilization review, bill review, evidence-based treatment guidelines, etc.)
  - Case management
  - 24-hour plans were considered, but generally failed
- Numerous state legislative reforms
- Governmental legislative reforms
  - Healthcare-focused (i.e., Medicare Part D)
  - Indirect WC impact (i.e., fee schedule reform)
- More research into Medical cost drivers
- More attention from/to (a growing) Medicare and its effect on the WC system

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What Can We Do to Help?

- Better understand the key components of WC medical
  - Fee schedules
  - Employer choice of physician
  - Managed Provider Networks
  - Utilization review
  - Pharmacy Benefit Management Programs
- Better understand the impact of the (dis-)incentives of the WC system
  - Are certain jobs/workers more likely to malinger, and seek more medical treatment?
  - Are providers focusing on returning claimants to work?
  - Are providers' practice and cost patterns are similar? Is there intentional cost-shifting?

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How Can We Do It?

- Monitor what drives cost, at the medical bill, line (treatment) level data
  - Cost = Price ($ paid per bill) x Utilization (# bills per claim)
    - Hospital vs. Physician vs. Prescription drivers
    - Diagnoses (ICD9 Codes)/Procedures (CPT Codes)
  - Drill-down of actuarial triangles into cost vs. utilization metrics
- Get prepared to understand and leverage:
  - NCCI Medical Data Call
  - Inevitable move to electronic medical records
  - "Comparative Effectiveness" movement in GH
- Perform claims predictive modeling to enhance medical management efforts

How Can We Do It (cont.)?

- Review research of NCCI, WCRI, CWCI, etc.
  - Benchmark against self, above research studies
- Learn more from WC claims and medical experts
  - Data Complexities
  - Medicare Reporting Requirements
  - Medicare Set-Asides
- Review literature/blogs about WC and healthcare issues
- Review CAS Committee on Healthcare Issues (CHCI) information
  - Get involved in upcoming Health Economics Working Party

Challenges We Face

- Mouse vs. Elephant
  - WC is only 2% of GH spend
- Gathering needed data (i.e. medical details)
- Data Quality
- Building meaningful and integrated reporting tools
- Predictive modeling limitations
  - Reigning in complexity of diagnoses and procedure codes