


CAS Nov 2010




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## Intersections between Group Health & California Workers Compensation

**Casualty Actuarial Society  
Annual Meeting  
November 9, 2010**

Alex Swedlow  
California Workers' Compensation Institute  
www.cwci.org

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### Agenda

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1. Essential Differences between Group Health and WC
2. California Workers Compensation Scoreboard
  - Benefit Development
  - Medical Provider Networks
  - Pharmaceutical Utilization
3. Medicare and Workers Compensation

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### Essential differences between workers comp and group health

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Workers' compensation	Group health
Required	Optional
Every EE covered from first day of employment	Eligibility requirements and waiting periods
Premiums covered by ER	Shared premiums
First dollar coverage, no co-pays/ deductibles/contractual limits	Complex array of supply and demand side controls
Event based	Treatment based
State level controls	Federal & state controls
Benefits and coverage "identical" for all ERs and EEs	Substantial variation in coverage and benefits

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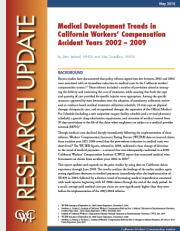
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### Benefit Development

#### May 2010 Study

- By benefit type
- By medical sub category




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### Data

#### Industry Claim Information System (ICIS) V11A

- 1.9M Claims  
 DOI from Jan 2002 - March 2009
- Benefit payments & medical treatment services  
 Valued at 3-48 months

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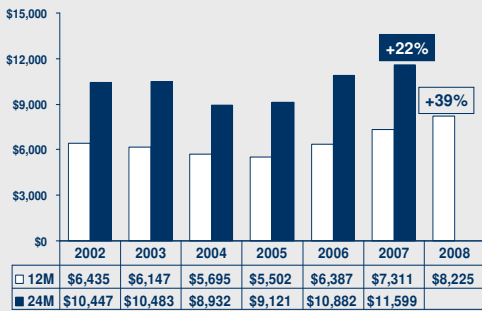
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### Average Medical Benefits Paid: Indemnity Claims




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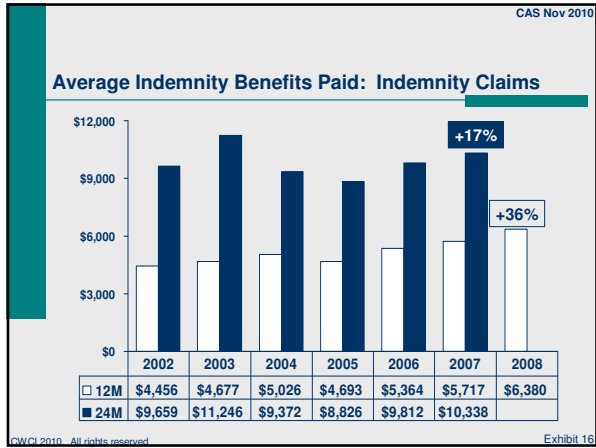
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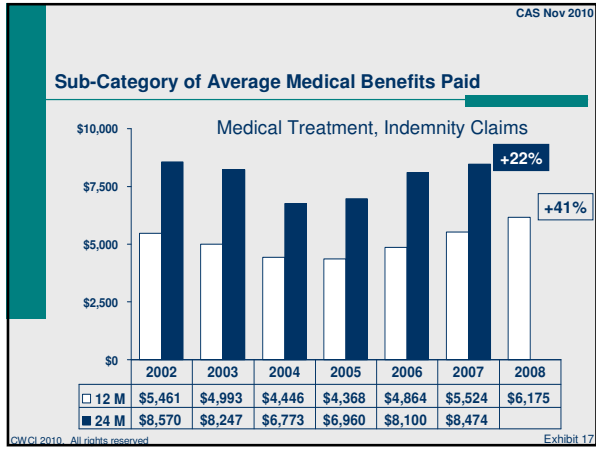
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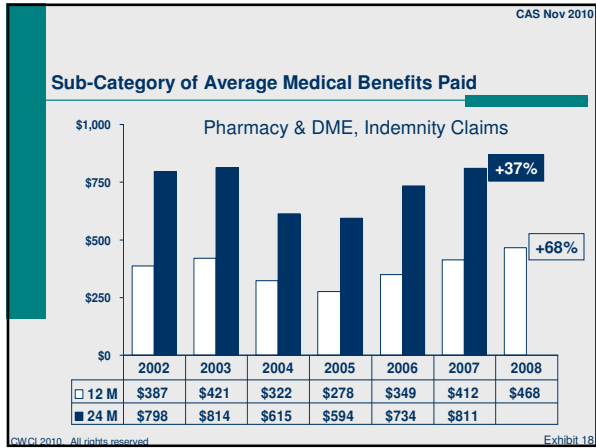
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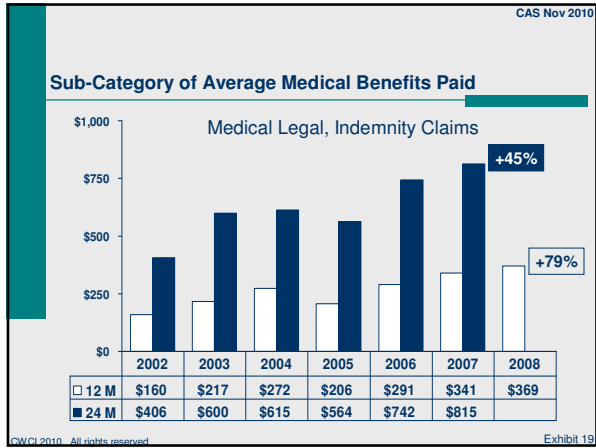
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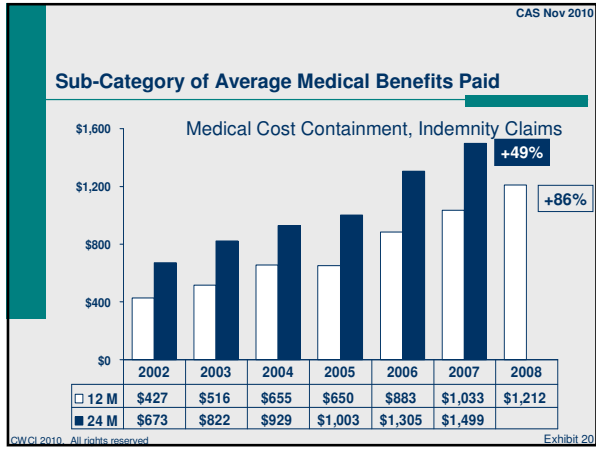
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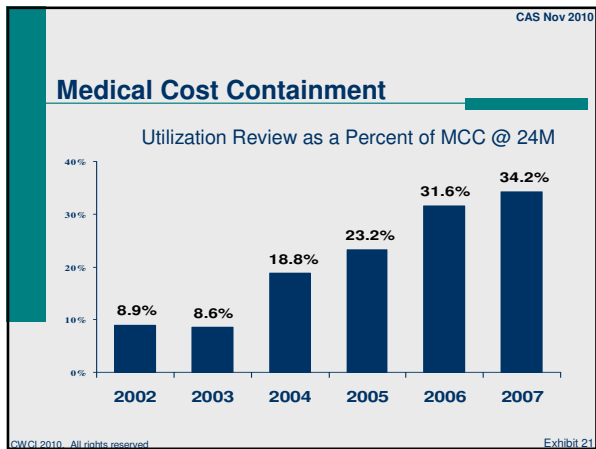
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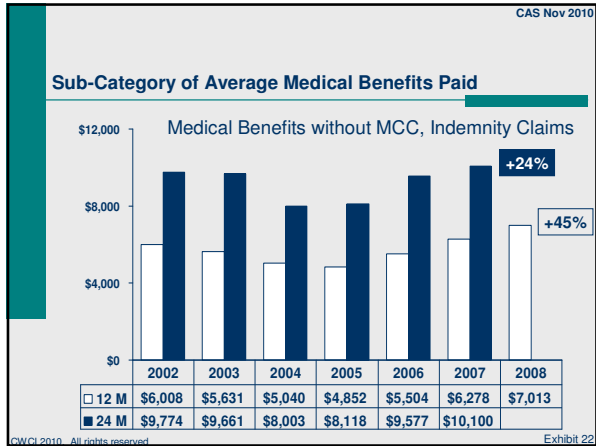
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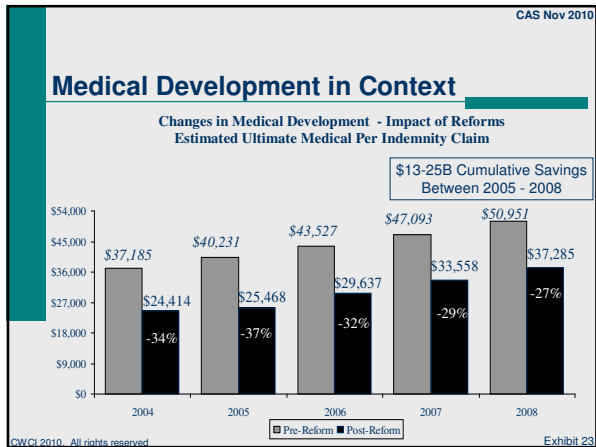
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### Medical Provider Network Utilization

Medical Provider Networks: Areas of Analysis

- Utilization of networks
- Network Composition
- Savings
- Administrative Cost
- Experience factor of providers

RESEARCH UPDATE

Analysis of California Workers' Compensation Network Utilization

RESEARCH ABSTRACT

Medical Provider Network Utilization in California Workers' Compensation

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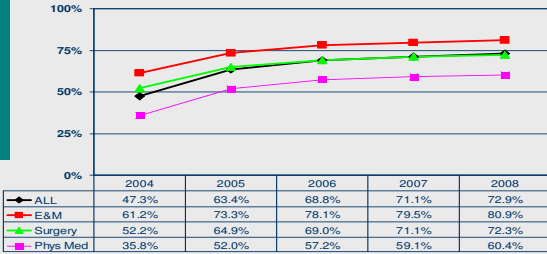
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### MPN Utilization

#### Physician Network Utilization: Visits by Fee Schedule




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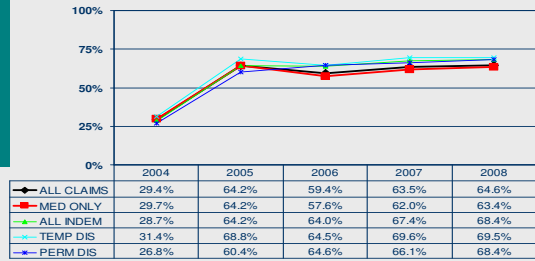
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### MPN Utilization

#### Physician Network Utilization: Predominant Providers




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### MPN Network Utilization

	Cost @ 12 Months	Cost Slope (Power)	Prevalence Slope	Overall Impact On CBA Trend
MPN	(\$143)	↓	↑	↓

- Increased MPN utilization: 6% per year post reform
- Reduced saving power: -5% per year post reform
- Growing administrative expenses
  - Network Growth
  - Group health vs. workers' compensation
  - Impact of rules & regs on network administration
  - Utilization review
- Re-thinking network development & management

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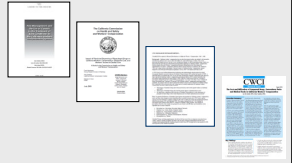
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### Pharmaceutical Utilization & Cost

1. Repackaged Drugs
2. Sole Source (Brand) v. Multi-source (Generic)
3. Opioids & Schedule-II Rx
4. Compounds, Co-packs & Medical Foods
5. Changes in Prescribing Patterns
6. Fee Schedules & UR




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### Changing Role of Rx in Workers' Compensation

1. Growing use of pharmaceuticals  
2002: 5% of medical benefits  
2010: 13% of medical benefits (NCCI estimate)
2. Growing influence of pain management practices & opioid use
3. Challenges in pricing and fee schedules

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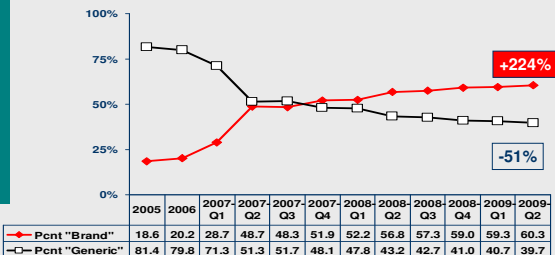
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### Pharmaceutical Cost: Sole & Multi-Source Payments<sup>1</sup>



<sup>1</sup> Calculations are on a calendar year basis

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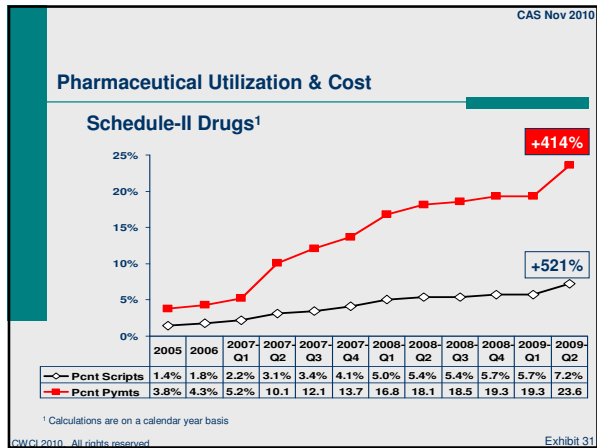
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## Top Schedule-II Drugs by Active Ingredient

CWCI Research Spotlight Report (Sept 2009)  
Schedule II Prescription & Payments in CA Workers' Comp

Schedule II Drug Category	% Schedule-II Prescriptions	% Schedule-II Prescription \$
Oxycodone	53.1%	45.4%
Morphine	18.6%	16.9%
Fentanyl	14.6%	32.2%
Methadone	6.3%	0.6%
Hydromorphone	3.7%	1.3%
Oxymorphone	1.7%	2.8%
Other Schedule II	1.6%	0.8%

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## Rx & Pain Management

### Injuries with Schedule-II Drugs

Diagnostic Category	Percent of Scripts	Percent of Payments
Minor Wounds & Injuries	35.7%	43.7%
Medical Back Problems W/O Spinal Cord Involv.	30.4%	29.1%
Spine Disorders W/ Spinal Cord Or Root Involv.	9.5%	8.2%
Cranial & Peripheral Nerve Disorders	4.3%	3.9%
Degenerative, Infective & Metabolic Joint Dis.	4.2%	3.5%
Other Injuries, Poisonings & Toxic Effects	2.7%	2.5%
Rupt. Tendon, Tendinitis, Myositis & Bursitis	2.6%	1.8%
Sprain Of Shoulder, Arm, Knee, Lower Leg	2.4%	2.1%
Wound, Fx Of Shoulder, Arm, Knee, Lower Leg	2.0%	1.1%
Other Mental Disturbances	1.3%	1.1%

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### Rx & Pain Management

#### Injuries with Schedule-II Drugs

Diagnostic Category	Percent of Scripts	Percent of Payments
Minor Wounds & Injuries	35.7%	43.7%
Medical Back Problems W/O Spinal Cord Involv.	30.4%	29.1%
Spine Disorders W/ Spinal Cord Or Root Involv.	3.5%	3.5%
Cranial & Vestibular Nerve Disorders	4.5%	3.5%
Degenerative, Infective & Metabolic Joint Dis.	4.2%	3.5%
Other Injuries, Poisonings & Toxic Effects	2.7%	2.5%
Rupt. Tendon, Tendonitis, Myositis & Bursitis	2.6%	1.8%
Sprain Of Shoulder, Arm, Knee, Lower Leg	2.4%	2.1%
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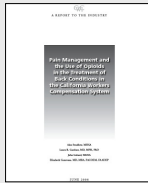
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### Rx & Pain Management

#### Report to the Industry

- What is the association between the use of opioids on low back pain on:
- Average Benefit Costs
    - Medical
    - Indemnity
  - Return To Work




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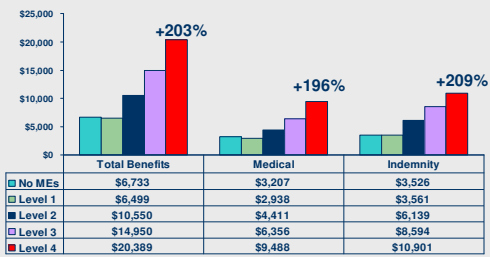
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#### Pain Mgt and the Use of Opioids

##### Average Benefit Cost Outcomes




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## Rx & Fee Schedules

### CA Rx Fee Schedule

- Created July 2003
- Channel injured EEs to pharmacy networks
- Substitute generic drugs for brand drugs unless specified
- Reimbursement at 100 percent of the Medi-Cal allowance
- Establish max fees for drugs not covered by Medi-Cal – with fees not to exceed the Medi-Cal fees for comparable drugs

### New Study (Oct 2010)

- Pharmaceuticals inside and outside fee schedule
- Associations in Fee Schedules and Utilization

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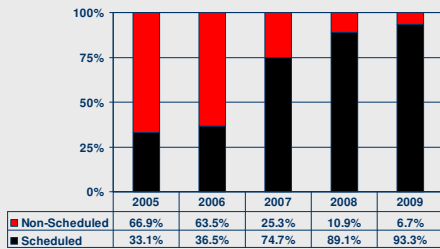
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## Pharmaceutical Utilization & Cost

Percent of All California WC Prescriptions Listed in the Medi-Cal Fee Schedule




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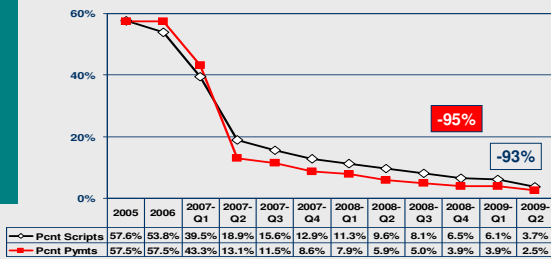
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## Pharmaceutical Utilization & Cost: Repackaged Drugs




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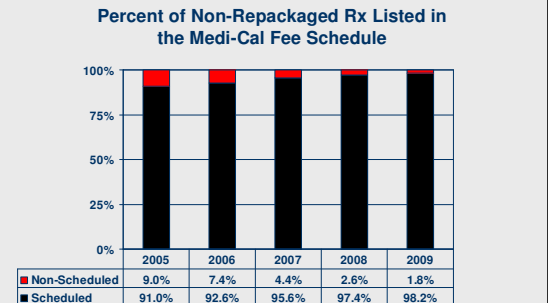
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## Pharmaceutical Utilization & Cost



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Exhibit 40

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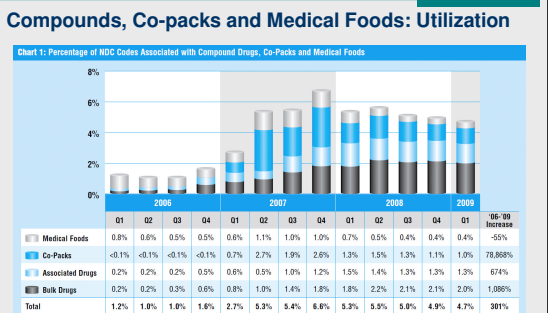


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## Pharmaceutical Utilization & Cost



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Exhibit 41

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## Age & Occupational Injury

Case-mix Adjusted Factor Analysis of Medical Trend:  
Influence of Cost, Power & Prevalence on Medical Cost

	Cost @ 10 Months	Cost Slope (Power)	Prevalence Slope	Overall Impact On CMA Trend
Age 65+	\$184	↑	↑	↑
Occupational Injury				
Age 65+				
Occupational Injury				
Age 65+				
Occupational Injury				
Age 65+				
Occupational Injury				
Age 65+				
Occupational Injury				

- 65+ work-force:
- 50% in 65+ work-force
- Significant differences in
  - Injury rates
  - Types of injuries
  - Medical intervention
  - Claim outcomes<sup>1</sup>

<sup>1</sup> Wolf, M. Claims Characteristics of Workers Aged 65 & Older, NCCI Research Brief, January 2010

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Exhibit 42

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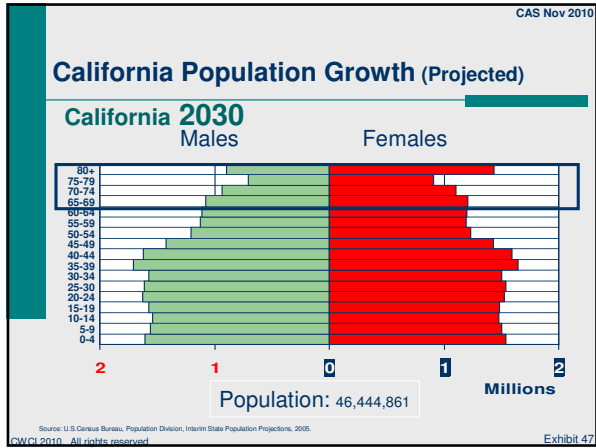
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### California Population Growth

Between 2010 & 2030

- CA population projected to increase by 37%
- Working population 20-69 projected to increase by 34%
- Medicare population projected to increase by 130%

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### Medicare & Workers' Compensation

- Growing political pressure to reconcile costs
- Reporting requirements
- Forthcoming Medicare Set-aside Study

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## Medicare Compliance

### Past

*Conditional Liens- Recovery for Past Med Svcs*

### Present

*Section 111 Reporting- Discovery of Existing Claims*

### Future

*Medicare Set Asides – Forecasting Future Med Costs*

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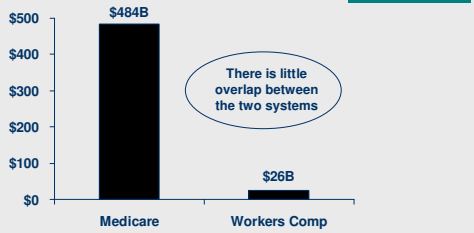
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## Medicare & Workers Comp Medical Annual Medical Spend (2008)



- Most Frequent Medicare DRGs**
- Septicemia
  - Chest Pain
  - Heart Failure
  - Pneumonia
  - Digestive Disorders

- Most Frequent WC DRGs**
- Spinal fusions
  - Medical backs
  - Joint replacement
  - Rehab
  - Lower extremity procedures

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## Medicare & Workers' Compensation

- Payers are finding that settlement values are increasing due to the changes in pharmaceutical rules
- Medicare may be getting fewer set asides as payers stipulate rather than settle.
- MSA's lifetime coverage of opioids is at odds with evidence-based medicine.
- Many of these complications arise out of Medicare's misconceptions about workers' comp.

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**(Still) Pending Issues in California Workers Comp**

Rules and Regs:

- RBRVS
- Medical provider networks
- Medical treatment guidelines & UR
- Surgical implants
- Rx pricing and formularies

Case Law:

- Medical provider networks (MPN)
- Medical treatment utilization schedule (MTUS)
- Ogilvie, Almaraz/Guzman (PD/Medical)

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