

The Painful Truth about Workers Compensation Medical Severity Trends

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Moderator



AGENDA

- Steve DiCenso - Moderator
- Joe Paduda – national perspective
- Alex Swedlow – California perspective



Key Findings of NCCI Study*

- 19% of WC medical costs are prescription costs
 - Share has been increasing in recent years
 - Share increases from 3% for 1-2 year-old claims to 40% for claims > 11 years old
- Cost increases are driven by utilization, as opposed to price
- Physician dispensing continues to increase and is associated with increased drug costs per claim

* NCCI Holdings, Inc.; *Workers Compensation Prescription Drug Study: 2011 Update*; August 2011; includes NCCI ratemaking states, excluding WV, plus CA, DE, MA, MI, MN, NJ, NY, PA and WI.

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Key Findings of NCCI Study - Drugs

- Oxycontin is highest ranking drug by dollars paid
 - May be temporary due to brand drug patent being re-instituted
- Other Top Narcotics
 - Hydrocodone
 - Fentanyl
 - Morphine
 - Propoxyphene

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Key Findings of NCCI Study – Physician Dispensing

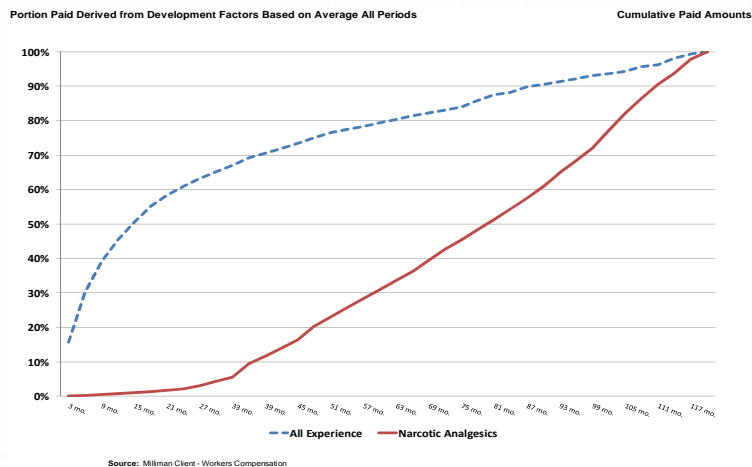
- Shared of physician-dispensed drugs increased dramatically in 2008, and has increased again in 2009
 - Estimated at 28% share for 2009
- FL, CA & GA have the three highest shares (over 40%)
- TX, MA & WI are big states with very low shares
- Typically, increases in physician dispensing correlate with increases in drug costs

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Typical Payment Pattern for Narcotics



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Other Considerations

- Ripe for Predictive Modeling efforts in this area
 - Initial assessment of patients (utilization, dosage, behavioral, etc.)
 - Design triggers in their prescription profile
 - Monitor drug usage/treatments over time
 - Poly-pharmacy
- Monitor impact of:
 - Future prescription drug allocations
 - added as a requirement to MSAs in 2009
 - Healthcare Reform
 - Drugs coming off patent
 - Pharmaceutical industry profits