California Workers' Comp Reform
&
Access to Medical Care

A Research Update
On California Workers' Compensation Reform

August 16, 2006

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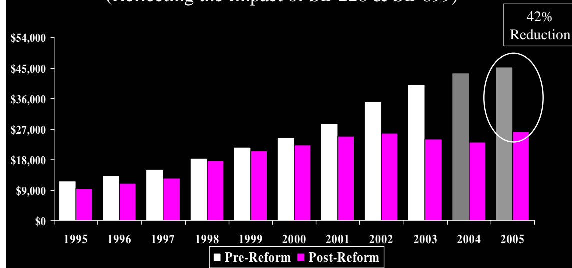
Changes in Medical Development - Impact of Reforms
Estimated Ultimate Medical Per Indemnity Claim
(Reflecting the Impact of SB 228 & SB 899)

42% Reduction



Source: Pre-Reform - WCIRB as of Sept 2003; released Jan 2004
2003-2005 CWCI Projections based on prior trends
Post Reform - WCIRB as of Dec 2005; released May 2006

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Why was medical reform important?

- Unprecedented adverse development
- Inconsistent/irrational volume and selection of medical services
- Excessive treatment & delayed RTW
- Medical errors

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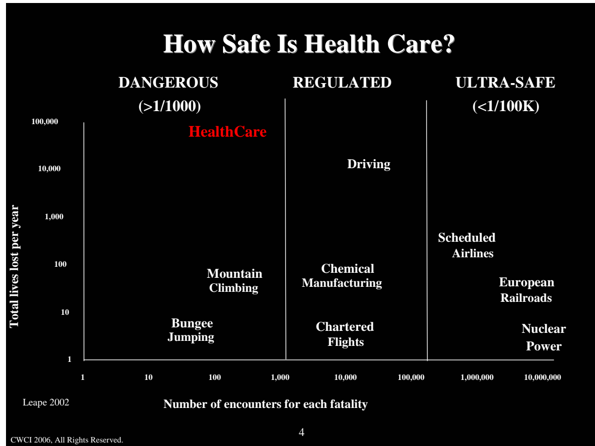

Summary of Medical Reforms

- LC 4600: reasonable & necessary care - redefined
- UR & evidence-based medicine (ACOEM)
- Revised & expanded fee schedules
- Medical provider networks

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Early Returns on Workers' Comp Reform

A six-part CWCI research series:

- Outpatient Surgery Facility Costs
- Utilization and Cost of PT and Chiropractic
- Reimbursements for Physician Services
- Prescription Drug Utilization & Cost
- Medical Utilization
- Inpatient Hospital Cost

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Early Returns on Workers' Comp Reform

Pharmacy Fee Schedule

Impact of New Fee Schedule

Pre-2004:

- Reimbursement at 110% and 140% of AWP

2004:

- Effective January 2004
- Implement Medi-Cal fee schedule
- Estimated savings → 40%
- Repackaged drugs are exempt

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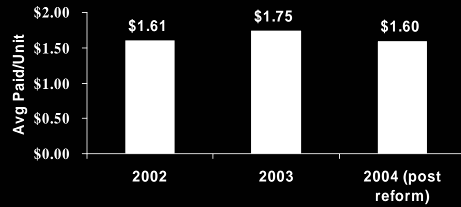
Early Returns on Workers' Comp Reform

Pharmacy Payments

Average Unit Payment
All Workers' Comp Prescriptions



Source: CWCI 2005

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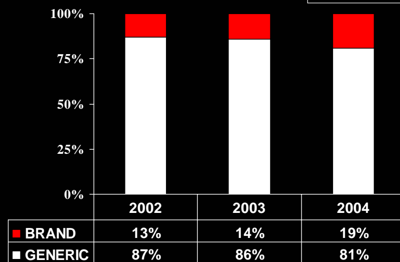
Early Returns on Workers' Comp Reform

Pharmacy Fee Schedule

Distribution of Brand and Generic Drugs

52% Increase In Brand Use



	2002	2003	2004
BRAND	13%	14%	19%
GENERIC	87%	86%	81%

Source: CWCI 2005

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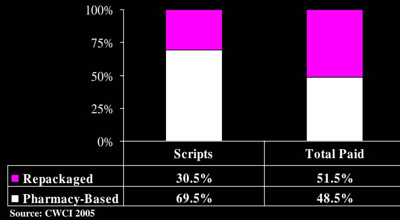
Pharmacy: Repackaged Drugs

- Exempt from Fee Schedule
- Pending Regulatory Action

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



	Scripts	Total Paid
Repackaged	30.5%	51.5%
Pharmacy-Based	69.5%	48.5%

Source: CWCI 2005

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Pharmacy: Repackaged Drugs

Conventional Wisdom on Repackaged Drugs:

- Generics are cheaper than brand name drugs.
- 98% of repackaged scripts are generic
- Significant use of life-saving drugs
- Convenience of POS delivery

Findings:

- 2/3 of the generic scripts are priced at brand levels
- Virtually all repackaged drugs prescribed are antacids, pain relievers, NSAIDs and antibiotics

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Pharmacy: Repackaged Drugs

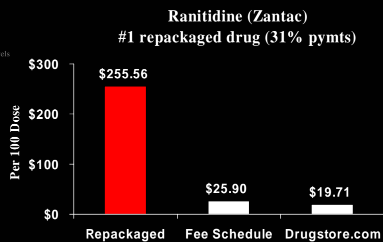
Conventional Wisdom on Repackaged Drugs:

- Generics are cheaper than brand name drugs.
- 98% of repackaged scripts are generic
- Significant use of life-saving drugs
- Convenience of POS delivery

ICIS Findings:

- 2/3 of the generic scripts are priced at brand levels
- Virtually all repackaged drugs prescribed are antacids, pain relievers, NSAIDs and antibiotics

Ranitidine (Zantac)
#1 repackaged drug (31% pymts)



Source: CWCI 2005

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Early Returns on Workers' Comp Reform

Utilization Review Schedule

- Utilization schedule (LC § 5307.27) will be "presumptively correct"
- Emphasis on evidence-based medicine
  - ACOEM guidelines
  - DWC to consider other guidelines
- Chiro & PT Caps: 24 visits per injury (LC § 4604.5)

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UR & Treatment Guidelines

Percentage of Claims with Medical Encounters by Fee Schedule

Fee Schedule Section	2002 DOI Claims	2005 DOI Claims	Pcnt Change
Physical Therapy	40.4%	29.9%	-26.0%
Chiropractic	10.2%	3.7%	-63.9%
Evaluation and Management	94.1%	97.4%	3.5%
Medicine	25.2%	25.4%	0.6%
Surgery	37.7%	34.1%	-9.5%
Radiology	58.5%	54.2%	-7.3%

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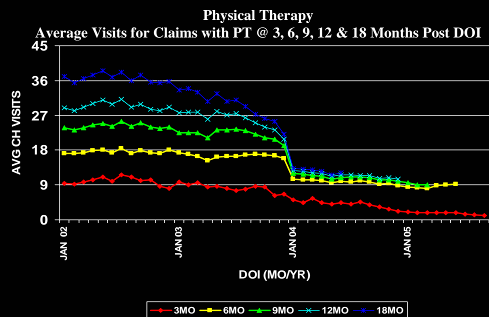
UR & Treatment Guidelines



Preliminary Results – Do Not Cite

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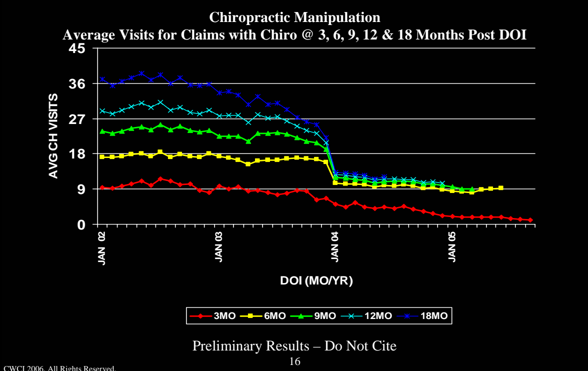
UR & Treatment Guidelines



Preliminary Results – Do Not Cite

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Summary of TD Reforms

- For injuries beginning April 19, 2004
- Limit of 104 weeks of paid temporary disability
- Exception for specified injuries:
  - acute and chronic hepatitis B,
  - acute and chronic hepatitis C,
  - amputations,
  - severe burns,
  - HIV,
  - high-velocity eye injuries,
  - chemical burns to the eyes,
  - pulmonary fibrosis and
  - chronic lung disease

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Temporary Disability

Employer and Carrier Notification

	Date of Injury to ER Notification		Date of Injury to Carrier Notification		Days Between ER to Carrier Notification	
	Pre 899	**Post 899**	**Pre 899**	**Post 899**	**Pre 899**	**Post 899**
Mean	**8.9**	**5.5**	**19.3**	**14.2**	**9.3**	**8.1**
Median	**0**	**0**	**6**	**5**	**3**	**3**

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Temporary Disability

TD Paid within One Year of First TD Payment

	TD Paid (1 Year Post 1st TD Payment)			
	Pre 899 (Actual)	Pre 899 (Adj to 899)	Post 899	Diff
Mean	**$5,813**	**$6,446**	**$5,679**	**-11.9%**
Median	**$2,400**	**$2,665**	**$2,184**	**-18.1%**

Preliminary Results – Do Not Cite

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Summary of Medical Provider Network Reforms

- Lifetime control of claim
- Access to care requirements

 - Choice of 3 Primary Care Providers w/in 15 miles

 - Choice of 3 Specialty Providers w/in 30 miles

Preliminary Results – Do Not Cite

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Network Visits by Fee Schedule Section

Percentage of Total Visits to PPO/MPN Provider

	2002	2003	2004	2005
PPO Visits <= 30 Days	62.6%	63.9%	65.7%	72.5%
PPO Visits > 30 Days	21.9%	22.4%	33.8%	52.6%
PPO Visits Total	32.1%	32.6%	47.6%	63.2%

Preliminary Results – Do Not Cite

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Network Visits by Fee Schedule Section

Percentage of Total Visits to PPO/MPN Provider

Evaluation and Management Visits

	2002	2003	2004	2005
PPO Visits <= 30 Days	72.3%	73.7%	72.9%	77.3%
PPO Visits > 30 Days	42.7%	41.6%	48.0%	68.6%
PPO Visits Total	56.7%	55.9%	61.6%	74.1%

Preliminary Results – Do Not Cite

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Network Visits by Fee Schedule Section

Percentage of Total Visits to PPO/MPN Provider

Surgery Visits

	2002	2003	2004	2005
PPO Visits <= 30 Days	67.3%	68.8%	65.8%	73.9%
PPO Visits > 30 Days	36.2%	36.5%	39.4%	58.4%
PPO Visits Total	51.7%	52.6%	55.7%	69.5%

Preliminary Results – Do Not Cite

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Network Visits by Fee Schedule Section

Percentage of Total Visits to PPO/MPN Provider

Physical Therapy

	2002	2003	2004	2005
PPO Visits <= 30 Days	51.9%	52.7%	57.7%	65.9%
PPO Visits > 30 Days	19.2%	19.4%	29.0%	43.1%
PPO Visits Total	23.3%	23.5%	36.7%	50.3%

Preliminary Results – Do Not Cite

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Network Visits by Fee Schedule Section

Percentage of Total Visits to PPO/MPN Provider

Chiropractic Manipulation

	2002	2003	2004	2005
PPO Visits <= 30 Days	14.6%	15.2%	16.6%	32.7%
PPO Visits > 30 Days	7.5%	7.3%	9.0%	31.7%
PPO Visits Total	8.1%	7.9%	11.2%	31.9%

Preliminary Results – Do Not Cite

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Early Returns on Workers' Comp Reform

Outcomes on Medical Reforms

- Noted changes in utilization patterns
- Changes in reporting cycle/1st yr Cost for TD claims
- More pending changes for prescription/repackaged drugs

Debate: Are the Reforms Working or Have They Gone Too Far?

- Premium reductions
- Conflicting anecdotes of physician dissatisfaction, denial of care and declining access to medical care

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Public Policy Question:

Is there an association between California workers' compensation reforms and changes in access to medical care?

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Access to Medical Providers

Relevant Issues in Public Policy Research:

- California Medical Association 2002/2005 surveys
- DWC access study (UCLA)
- Provider dissatisfaction, intention & actual exit from system
- Access issues beyond workers' compensation

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Access to Medical Providers

Provider dissatisfaction, intention to leave & actual exit from system

High correlation:
- Provider dissatisfaction and intention to exit
- Intention & actual exit (older physicians only)

No correlation between
- Intention and actual exit (all other providers)

Source: No Exit, An Evaluation of Measures of Physician Attrition, Rittenhouse 2004

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Access to Medical Providers

CWCI Study: Dimensions of Access

1. Proximity
   - Large database of injured workers (ICIS V6)
   - Providers accepting and servicing injured workers
   - Before and after reform comparison
2. Experience (Volume-based outcomes)
   - Experience level of providers

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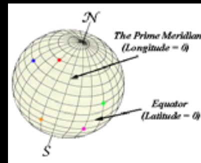
Access to Medical Providers

Data

- Claims with 1993 – 2005 DOI
- Claims receiving medical treatment
- Active providers servicing claims within same time period



Distance

- Address of injured worker & physician/pharmacy
- Latitude & longitude
- Calculate distance to the 3 closest providers;
  - ➔ not necessarily injured workers specific provider

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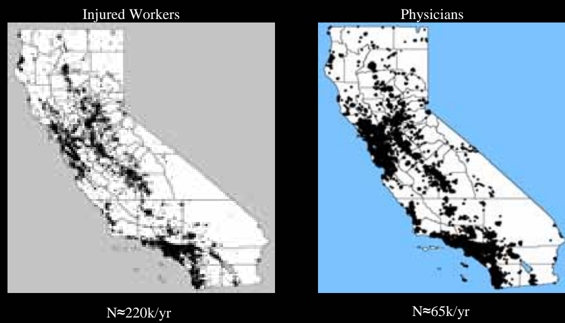
Access to Medical Providers

Location of Injured Workers and Physicians (ICIS V6.1)

Injured Workers | Physicians



N≈220k/yr | N≈65k/yr

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Medical Reform Timeline: UR, Guidelines, Fee Schedules and MPNs (2004)

Pre-Reform Issues (Pre- 2002-04)

- PTP presumption
- No "standard of care"
- Ineffective utilization controls
- 30-day network control

Reform (2004)

- UR Schedule presumption
- ACOEM & 24 visit caps
- Revised/Expanded Fee Schedules
- Lifetime medical control via reinvigorated networks (MPNs)

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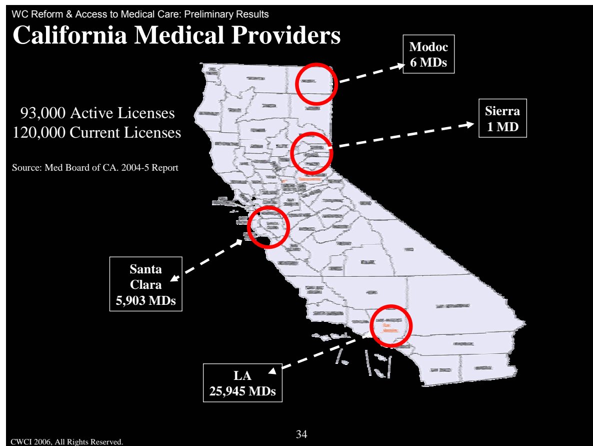
WC Reform & Access to Medical Care: Preliminary Results
California Medical Providers
93,000 Active Licenses
120,000 Current Licenses
Source: Med Board of CA. 2004-5 Report
Modoc
6 MDs
Sierra
1 MD
Santa
Clara
5,903 MDs
LA
25,945 MDs
34
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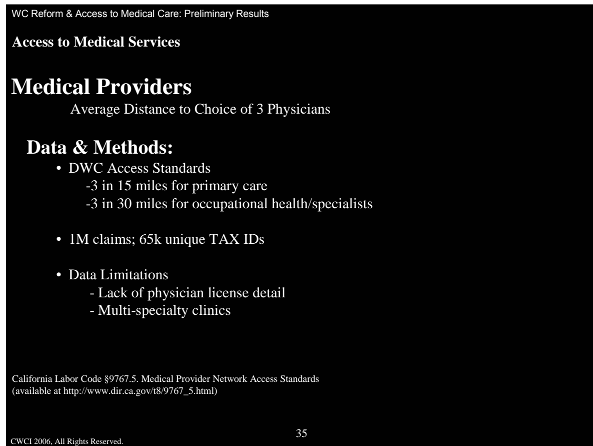
WC Reform & Access to Medical Care: Preliminary Results
Access to Medical Services
Medical Providers
Average Distance to Choice of 3 Physicians
Data & Methods:
• DWC Access Standards
-3 in 15 miles for primary care
-3 in 30 miles for occupational health/specialists
• 1M claims; 65k unique TAX IDs
• Data Limitations
- Lack of physician license detail
- Multi-specialty clinics
California Labor Code §9767.5. Medical Provider Network Access Standards
(available at http://www.dir.ca.gov/t8/9767_5.html)
35
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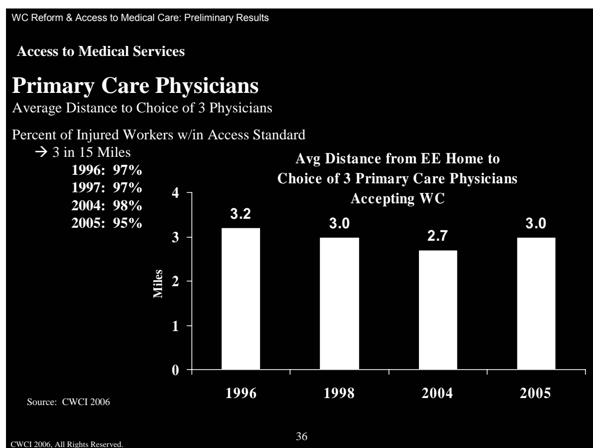
WC Reform & Access to Medical Care: Preliminary Results
Access to Medical Services
Primary Care Physicians
Average Distance to Choice of 3 Physicians
Percent of Injured Workers w/in Access Standard
→ 3 in 15 Miles
1996: 97%
1997: 97%
2004: 98%
2005: 95%
Avg Distance from EE Home to
Choice of 3 Primary Care Physicians
Accepting WC
Miles
0
1
2
3
4
3.2
3.0
2.7
3.0
1996
1998
2004
2005
Source: CWCI 2006
36
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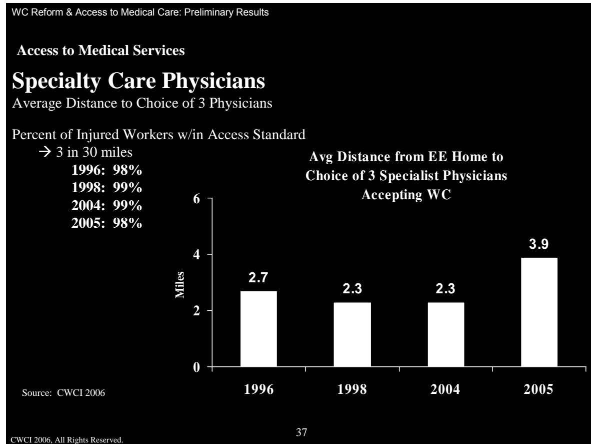
WC Reform & Access to Medical Care: Preliminary Results
Access to Medical Services
Specialty Care Physicians
Average Distance to Choice of 3 Physicians
Percent of Injured Workers w/in Access Standard
→ 3 in 30 miles
1996: 98%
1998: 99%
2004: 99%
2005: 98%
Avg Distance from EE Home to Choice of 3 Specialist Physicians Accepting WC
Miles
0
2
4
6
2.7
2.3
2.3
3.9
1996
1998
2004
2005
Source: CWCI 2006
37
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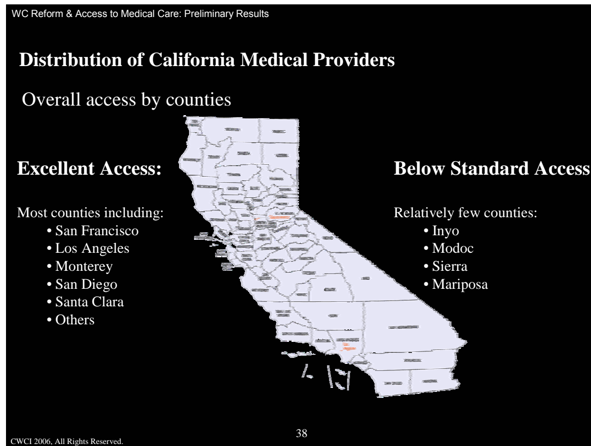
WC Reform & Access to Medical Care: Preliminary Results
Distribution of California Medical Providers
Overall access by counties
Excellent Access:
Most counties including:
• San Francisco
• Los Angeles
• Monterey
• San Diego
• Santa Clara
• Others
Below Standard Access:
Relatively few counties:
• Inyo
• Modoc
• Sierra
• Mariposa
38
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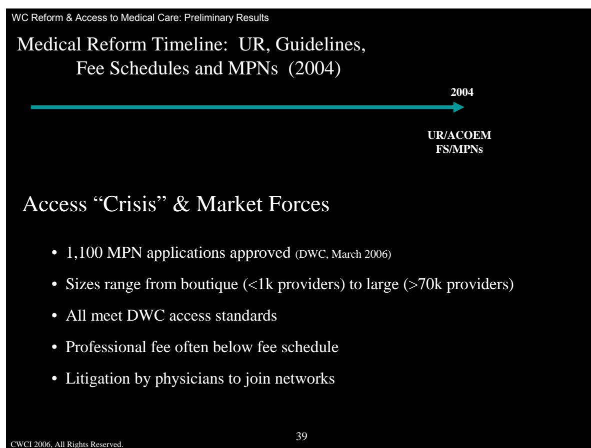
WC Reform & Access to Medical Care: Preliminary Results
Medical Reform Timeline: UR, Guidelines, Fee Schedules and MPNs (2004)
2004
UR/ACOEM
FS/MPNs
Access "Crisis" & Market Forces
• 1,100 MPN applications approved (DWC, March 2006)
• Sizes range from boutique (<1k providers) to large (>70k providers)
• All meet DWC access standards
• Professional fee often below fee schedule
• Litigation by physicians to join networks
39
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Access to Medical Providers

Access issues beyond workers' compensation

- Population growth
- National healthcare issues
- The medical supply "pipeline"

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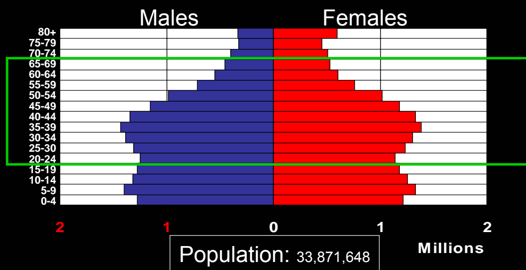
Access issues beyond workers' compensation

Population Growth

California - 2000



Population: 33,871,648

Source: U.S.Census Bureau, Population Division, Interim State Population Projections, 2005.

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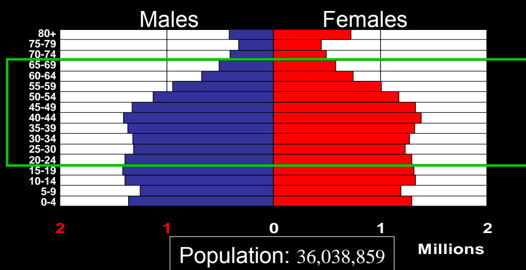
Access issues beyond workers' compensation

Population Growth

California - 2005



Population: 36,038,859

Source: U.S.Census Bureau, Population Division, Interim State Population Projections, 2005.

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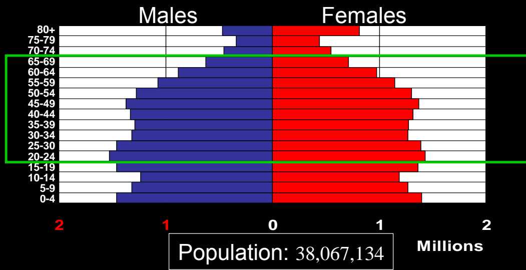
Access issues beyond workers' compensation
Population Growth (Projected)
California - 2010
Males
Females
80+
75-79
70-74
65-69
60-64
55-59
50-54
45-49
40-44
35-39
30-34
25-30
20-24
15-19
10-14
5-9
0-4
2
1
0
1
2
Population: 38,067,134
Millions
Source: U.S.Census Bureau, Population Division, Interim State Population Projections, 2005.
43
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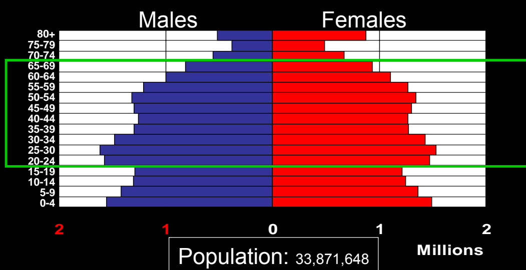
Access issues beyond workers' compensation
Population Growth (Projected)
California - 2015
Males
Females
80+
75-79
70-74
65-69
60-64
55-59
50-54
45-49
40-44
35-39
30-34
25-30
20-24
15-19
10-14
5-9
0-4
2
1
0
1
2
Population: 33,871,648
Millions
Source: U.S.Census Bureau, Population Division, Interim State Population Projections, 2005.
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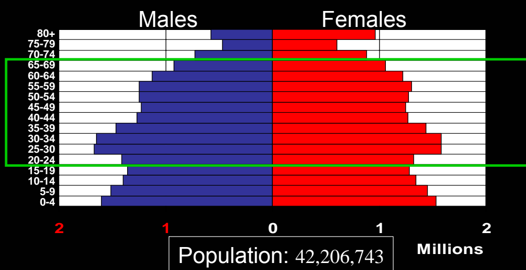
Access issues beyond workers' compensation
Population Growth (Projected)
California - 2020
Males
Females
80+
75-79
70-74
65-69
60-64
55-59
50-54
45-49
40-44
35-39
30-34
25-30
20-24
15-19
10-14
5-9
0-4
2
1
0
1
2
Population: 42,206,743
Millions
Source: U.S.Census Bureau, Population Division, Interim State Population Projections, 2005.
45
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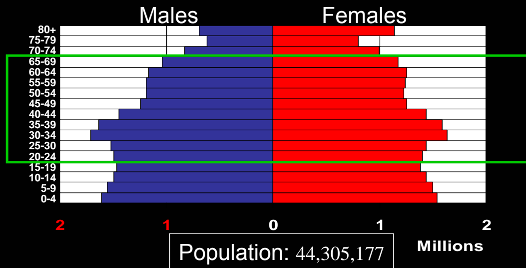
Population Growth (Projected)

California - 2025



Population: 44,305,177

Source: U.S.Census Bureau, Population Division, Interim State Population Projections, 2005.

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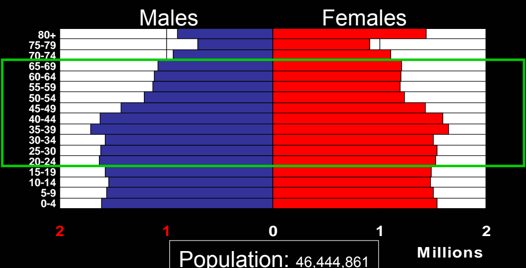
Population Growth (Projected)

California - 2030



Population: 46,444,861

Source: U.S.Census Bureau, Population Division, Interim State Population Projections, 2005.

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California Population Growth

Between 2000 and 2030

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

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Access issues beyond workers' compensation

Supply of Medical Services

National health issues

- Increasing number of uninsured
- Strategic planning in era of uncertain funding

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Access issues beyond workers' compensation

Supply of Medical Services

National health issues
- Increasing number of uninsured
- Strategic planning in era of uncertain funding

Medical Supply "Pipeline" (Coffman, et al, 2004)

- 92% increase in physicians inventory between 1978 and 2002
- Rapidly increasing 65+ yr old MDs; declining <40 yr old MDs
- Inadequate distribution of MDs throughout state
- Static medical school graduates
- No correlation between HMO/MC plans & MDs leaving system
- Decreasing inventory of specialists

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California Workers' Compensation Reform
& Access to Medical Care

Conclusion

1. Limitations of access studies
   - Anecdotes
   - Surveys
   - Data
2. Future national and statewide access issues
3. Common unilateral proposals to "fix" workers' comp access:
   - Raise reimbursement levels
   - Reduce UR/administrative requirements
   - "Mandatory" availability
4. No clear evidence of access crisis to date
   More study is needed

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