



Workers' Compensation Medical Cost Issues

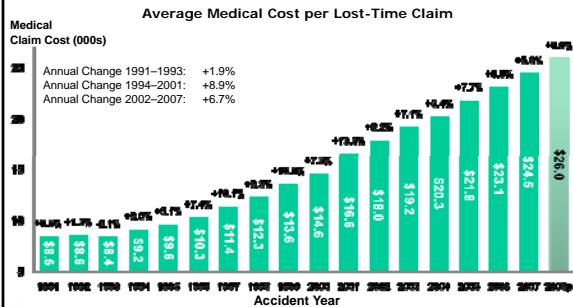
CLRS 2009 Meeting
September 14, 2009
Barry Llewellyn, ACAS, MAAA
Sr. Divisional Executive, Regulatory Services

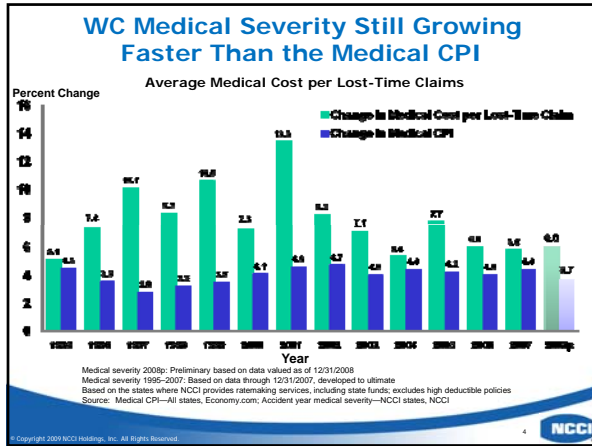
WC Medical Cost Issues

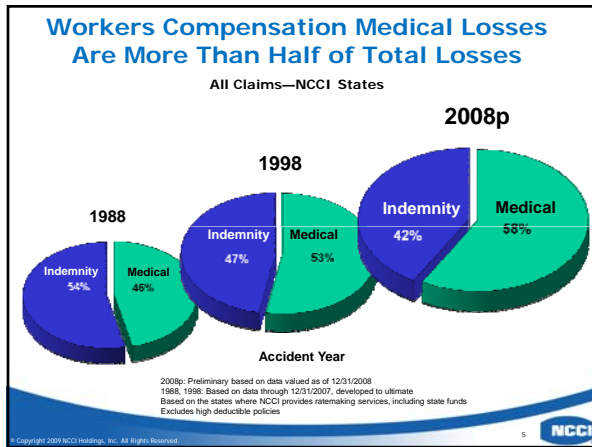
- Cost Growth Factors
- Cost Containment Approaches
- Emerging Pricing and Reserving Challenges
- Nanotechnology—The Next Asbestos

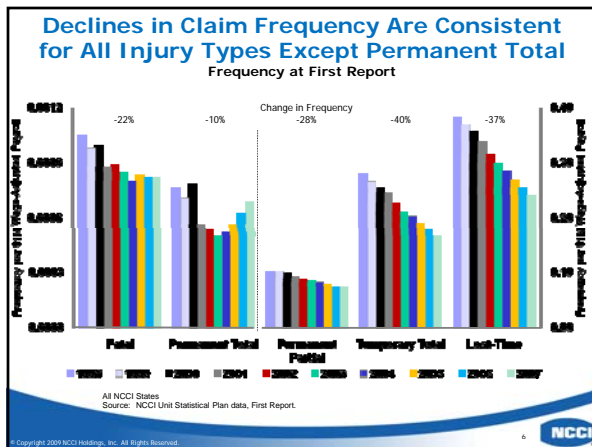


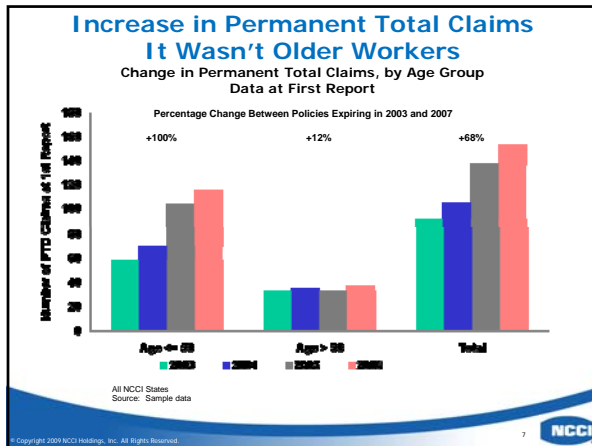
WC Medical Claim Cost Trends—Growth Continues in 2008

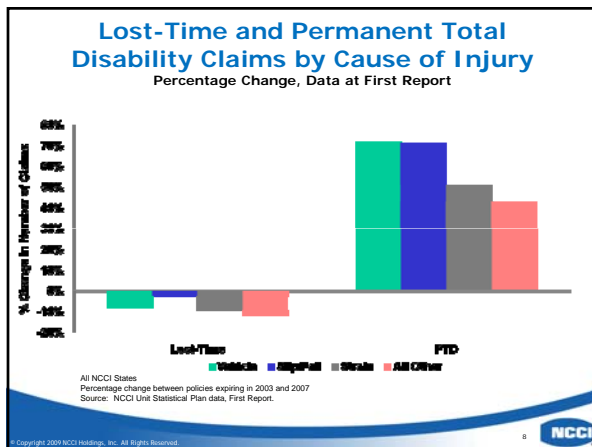


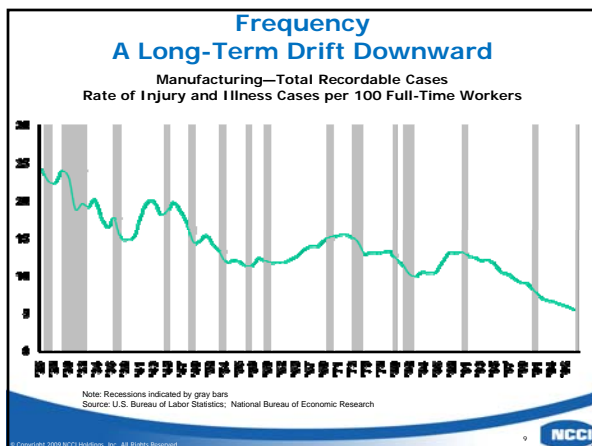














Effectiveness of Medical Cost Containment Approaches

- Discounted Charges
- Usual and Customary
- Silent PPO's
- Prescription Drugs
- Medicare Based Fee Schedules
- Treatment Guidelines

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Effectiveness of Medical Cost Containment Approaches

- Discounted Charges
 - Still in Use
 - Limited to "Other" Services
 - Incentives for Creative Billing

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Effectiveness of Medical Cost Containment Approaches

- Usual and Customary
 - Declining Usage
 - How Derived
 - Under Attack

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Effectiveness of Medical Cost Containment Approaches

- Silent PPO's
 - Carrier Contracts with PPO to Access their Discounted Fee Arrangements
 - Targeted by State Medical Societies

Effectiveness of Medical Cost Containment Approaches

- Prescription Drugs
 - Mandate Generic Drugs
 - Fee Schedules Based on AWP
 - PBM's

Effectiveness of Medical Cost Containment Approaches

- Medicare Based Fee Schedules
 - WC Usually Adopts Substantial Premium Over Medicare
 - Different Approaches for Physician Services, In Patient, Out Patient and ASC, Implants
 - Annual Adjustments
 - State Conversion Factors

Effectiveness of Medical Cost Containment Approaches

- Treatment Guidelines
 - Conditions Covered
 - Evidence Based
 - Presumption of Correctness
 - Hard Cap's for Certain Services

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Emerging Pricing and Reserving Challenges

- New Medical Technology
- Medical Advertising
- Prescription Drugs
- Aging Workforce and Obesity

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Nanotechnology—The Next Asbestos

- What Is it?
- What Concerns Does it Raise?

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Nanotechnology—The Next Asbestos

- What Is it?
 - Particles and Processes Engineered for Speed and Efficiency
 - A Nanometer is One Billionth of a Meter
 - One Hundred Nanometers is About 1/800th the Diameter of a Human Hair
 - Some Nanoparticles can pass through the body

Nanotechnology—The Next Asbestos

- What Is it?
 - In Use Today in Many Industries—Paint, Food, Drug
 - 2008--\$150B of Products Using Nanotechnology
 - 2014—Estimated Market \$2.6T

Nanotechnology—The Next Asbestos

- What Concerns Does it Raise?
 - Health Risks
 - Lack of Regulation
 - Large Population of Workers Potentially Exposed
 - WC Will Likely be Unable to Exclude Coverage
 - Potential Explosion of Litigation-Driven Claims Similar to Asbestos Emergence
