

**Florida
Workers Compensation
12/1/2016 Law-Only
Rate Filing Overview**


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**Background on
Recent Florida Legislative Changes**

- *Castellanos v. Next Door Company (2016)*
 - FL Supreme Court concluded that the statutory attorney fee schedule was unconstitutional
- Medical fee schedule change (SB 1402 in 2016)
- *Westphal v. City of St. Petersburg (2016)*
 - FL Supreme Court concluded that the 104-week limit on Temp Total Disability benefits was unconstitutional

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Components of the Rate Indication

Event	Filed	Approved
<i>Castellanos</i>	+15.0%	+10.1%
Medical fee change (SB 1402)	+1.8%	+1.8%
<u><i>Westphal</i></u>	<u>+2.2%</u>	<u>+2.2%</u>
Overall:	+19.6%	+14.5%

Note: Figures are multiplicative, not additive

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Actuarial Analysis—Castellanos

- Data is not available to isolate the cost impacts of not using an attorney fee schedule
- Benefit changes that have been estimated and approved in NCCI filings are reflected in onlevel factors
- An examination of system costs pre- and post-SB 50A* was completed
- 2003-2004 are considered transition years, and are thus excluded from the analysis

*FL SB 50A (2003) replaced hourly attorney fees with an attorney fee schedule, among other benefit and system changes

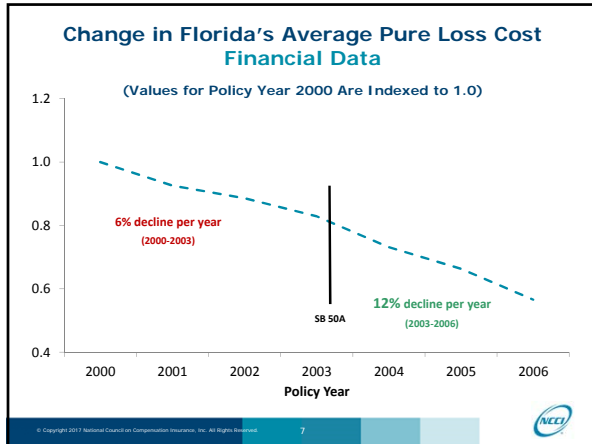
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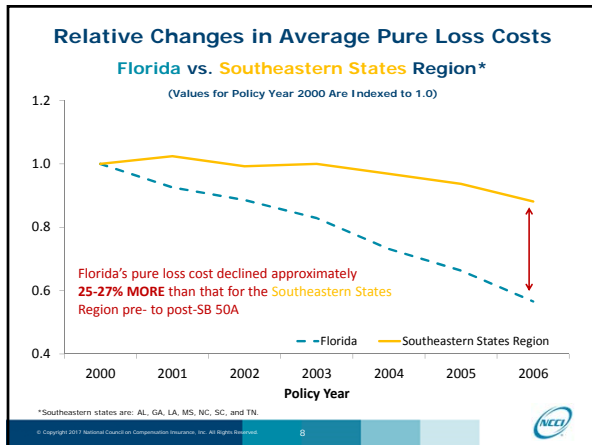
Actuarial Analysis—Castellanos
Analyses Performed and Data Sources Used

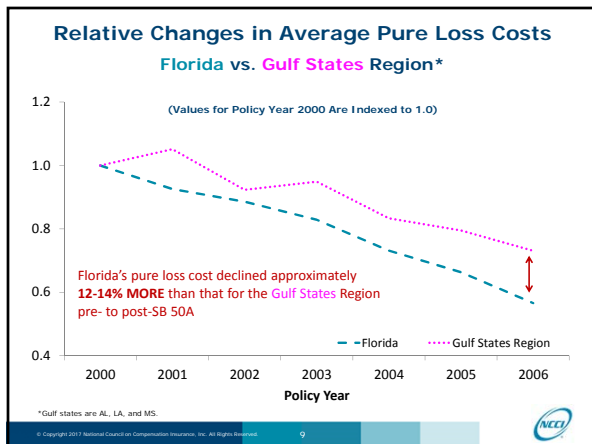
- Changes in Average Pure Loss Costs – Financial Data
- Changes in Average Cost per Case – DCI* data

DCI = Detailed Claim Information

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Actuarial Analysis—Castellanos Financial Data

- Florida's average on-leveled pure loss cost declined more than the originally-estimated impact of SB 50A (excluding attorney fee onlevel impact)
- Florida's average pure loss cost declined MORE than that observed in the region:
 - 25-27% MORE than Southeastern States* Region
 - 12-14% MORE than the Gulf States* Region

*Southeastern states are: AL, GA, LA, MS, NC, SC, and TN. Gulf states are AL, LA, and MS.

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Actuarial Analysis—Castellanos Financial Data


Returning to a pre-SB 50A attorney fee environment and reversing these observed declines, would increase Florida's workers compensation rates by the following percentages:

Pre- to Post-SB 50A	Rate Impact using Southeastern States* Comparison	Rate Impact using Gulf States* Comparison
'00-'02 to '05-'06	+37.5%	+16.7%
'01-'02 to '05-'06	+33.4%	+13.8%

*Southeastern states are: AL, GA, LA, MS, NC, SC, and TN
+37.5% = 1 / (1 - 0.273)
+33.4% = 1 / (1 - 0.253)

Gulf states are AL, LA, and MS
+16.7% = 1 / (1 - 0.143)
+13.8% = 1 / (1 - 0.122)

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Actuarial Analysis—Castellanos Detailed Claim Information Data

- Florida's average benefit cost per claim for claims with attorneys declined about 25-27% pre- to post-SB 50A
- Returning to a pre-SB 50A attorney fee environment and reversing these observed declines, would increase Florida's workers compensation rates as follows:

Pre- to Post-SB 50A	Rate Impact due to Cost Per Case Changes*	Rate Impact due to Cost Per Case Changes* (and excluding largest 1% of claims)
'00-'02 to '05-'06	+16.1%	+18.1%
'01-'02 to '05-'06	+15.0%	+16.7%

*Note: The impacts reflect changes in cost per case only, and ignore that lost-time claim frequency may also be impacted due to Castellanos
+16.1% = [1.0 / (1 - 27%) - 1.0] x 0.436 + 15.0 = (1.0 / (1-0.296) - 1.0) x 0.436, where 0.436 represents the percentage of overall benefit costs associated with claims involving attorneys

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Actuarial Analysis—*Castellanos* Summary of All Indications

The +15.0% first-year impact of the *Castellanos* decision was judgmentally selected after collectively reviewing the indicated rate impacts discussed earlier:

Pre- to Post-SB 50A	Financial Data Rate Impacts		DCI Data Rate Impacts	
	Southeastern States* Comparison	Gulf States* Comparison	All claims	All claims after excluding the largest one percent
'00-'02 to '05-'06	+37.5%	+16.7%	+16.1% <small>(still need to add in frequency impact)</small>	+18.1% <small>(still need to add in frequency impact)</small>
'01-'02 to '05-'06	+33.4%	+13.8%	+15.0% <small>(still need to add in frequency impact)</small>	+16.7% <small>(still need to add in frequency impact)</small>

*Southeastern states are: AL, GA, LA, MS, NC, SC, and TN.
Gulf states are AL, LA, and MS.

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Medical Fee Schedule

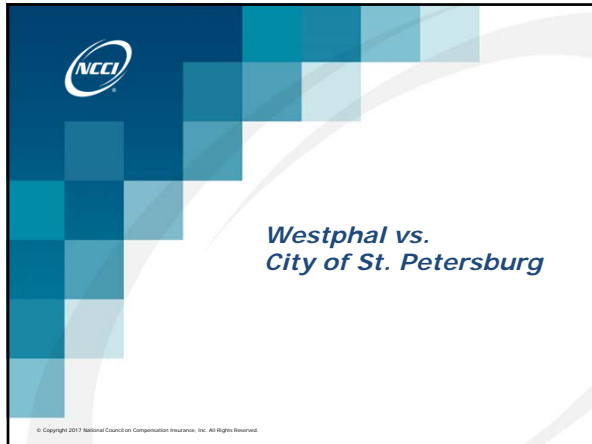
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Update to the *Florida Workers' Compensation Health Care Provider Reimbursement Manual* (Ratified by Senate Bill 1402, Effective July 1, 2016)

Type of Service	Impact
Physician	+2.5%
Hospital Outpatient	+0.1%
<u>Impact on Medical Costs</u>	<u>+2.6%</u>
Overall Impact on Florida Workers Compensation System Costs	+1.8%

The estimated impact is based on data provided by the Florida Division of Workers' Compensation

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Actuarial Analysis—Westphal

- The impact on Florida workers compensation costs due to an increase in the maximum temporary total disability (TTD) duration from 104 to 260 weeks was estimated
- The analysis was based on data provided by the Florida Division of Workers' Compensation as well data collected by NCCI
- Separate analyses were completed for:
 - TTD claim durations having no permanent disability benefit payments
 - The healing period portion of permanent impairment benefits (PIBs)
 - Medical benefits

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**Actuarial Analysis—Westphal
Indemnity Benefits**

	TTD Injuries	Healing Period Portion of PIB Injuries	Total
Florida average claim duration	56.3 days	94.7 days	
Estimated increase in avg. claim duration	3.5 days	12.4 days	
Impact on indemnity benefit-type costs	+6.2%	+13.1%	
Impact on indemnity benefits*	+3.0%	+3.0%	+6.0%
Impact on overall benefits			+1.8%

*Indemnity benefits comprise 29.6% of total benefits in Florida

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Actuarial Analysis—*Westphal* Medical Benefits

- As a percentage of total costs, the share of medical costs expected to be impacted by an increase in the maximum TTD duration is small 
- This portion comprises only a fraction of the benefits that are provided prior to MMI
- Assuming there would be no medical cost impact on TTD claims without permanent disability benefit payments, the estimated increase due to the *Westphal* decision is:
 - +0.5% on medical benefits
 - +0.4% on overall benefits

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Actuarial Analysis—*Westphal* Summary

- The estimated impact of the *Westphal* decision on overall Florida system costs is +2.2%
 - Indemnity impact on total +1.8%
 - Medical impact on total +0.4%
 - Total +2.2%

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