



**Labor and Workforce Development Agency
California Department of Industrial Relations**

We Did It!

SB 863 Accomplishments and Work in Progress

August 14, 2013

Presentation by:

Christine Baker
Director

State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Senate Bill 863

- Historic reform package enacted in Fall 2012



Senate Bill 863

- **Initiated by labor-management group**
- **Focused on best interests of workers & employers**
- **Included other stakeholders at a later point**
- **Each side faced challenges, but found ways to reach agreement**

Goals of SB 863

- **Improve injured workers' access to medical care**
- **Increase benefits**
- **Avoid delays and disputes**
- **Reduce costs for employers**

Where are we now?

- Some provisions have taken effect
- Others are in the works



Timely and appropriate medical care

- **Medical provider networks (MPNs)**
 - **Affirmative acknowledgments, rosters, medical access assistants, stand-alone MPNs**
 - **Inviting public input for upcoming rulemaking**
 - **Regulations must go into effect 1/1/14**

Timely and appropriate medical care

- **Primary treating physician**
 - **Pre-designation allowed if worker has employer-based or other health coverage**
 - **Chiropractor may not be PTP after maximum number of visits**
 - **Effective 1/1/13**

Timely and appropriate medical care

- **Independent medical review (IMR)**
 - **To resolve disputes between injured worker and claims administrator over necessary treatment**
 - **Emergency regulations – in effect 1/1/13**
 - **Permanent rulemaking – in progress**
 - **870 requests for IMR received Jan – June 2013**
 - **On July 1 – numbers shot up**

Earlier return to work

- **Supplemental job displacement benefit (SJBD)**
 - **SJBD offered earlier, at P&S**
 - **Fixed amount - \$6,000**
 - **Emergency regulations – in effect 1/1/13**
 - **Permanent rulemaking – in progress**

Increased PD Benefits

- **Increased minimums, maximums – effective 1/1/13**
 - **Further increases in maximums – effective 1/1/14**
- **All impairment ratings modified by 1.4 – effective 1/1/13**

Special earnings loss supplement

- Labor Code § 139.48
- Workers whose PD benefits are disproportionately low compared to earnings loss
- RAND study to help identify eligible workers – in progress
- Rulemaking and IT systems – after study completed
- Payments will start 2015 or later

Timely payments

- **Billing and independent bill review (IBR)**
 - **To discourage improper billing and speed up proper payment**
 - **Emergency regulations – in effect 1/1/13**
 - **Permanent rulemaking - in progress**
 - **196 requests for IBR received Jan – June 2013**

Appropriate fees: Medical Practitioners

- Fees to be based on resources required to provide services (RBRVS), similar to Medicare
- Inviting public input for upcoming rulemaking
- Regulations must go into effect 1/1/14

Appropriate fees: Ambulatory surgical centers

- Fees not to exceed 80% of Medicare fee for same service in hospital outpatient department
- Regulations – in effect 1/1/13

Appropriate fees: Implantable spinal hardware

- **Double payment eliminated, new appropriate fees**
- **Regulations – in effect 1/1/13**

Appropriate fees

- **Studies – in progress**
 - **Copy services**
 - **Interpreters**
 - **Home care**
 - **Vocational experts**

Reduced delays, disputes, litigation

- **Determination of PD benefits – effective 1/1/13**
 - **FEC no longer an element of PD rating formula**
 - **Add-ons no longer allowed for sleep disorders, sexual disorders, most psychiatric injuries**
 - **15% bump-up/down eliminated for DOI on or after 1/1/13**

Reduced delays, disputes, litigation

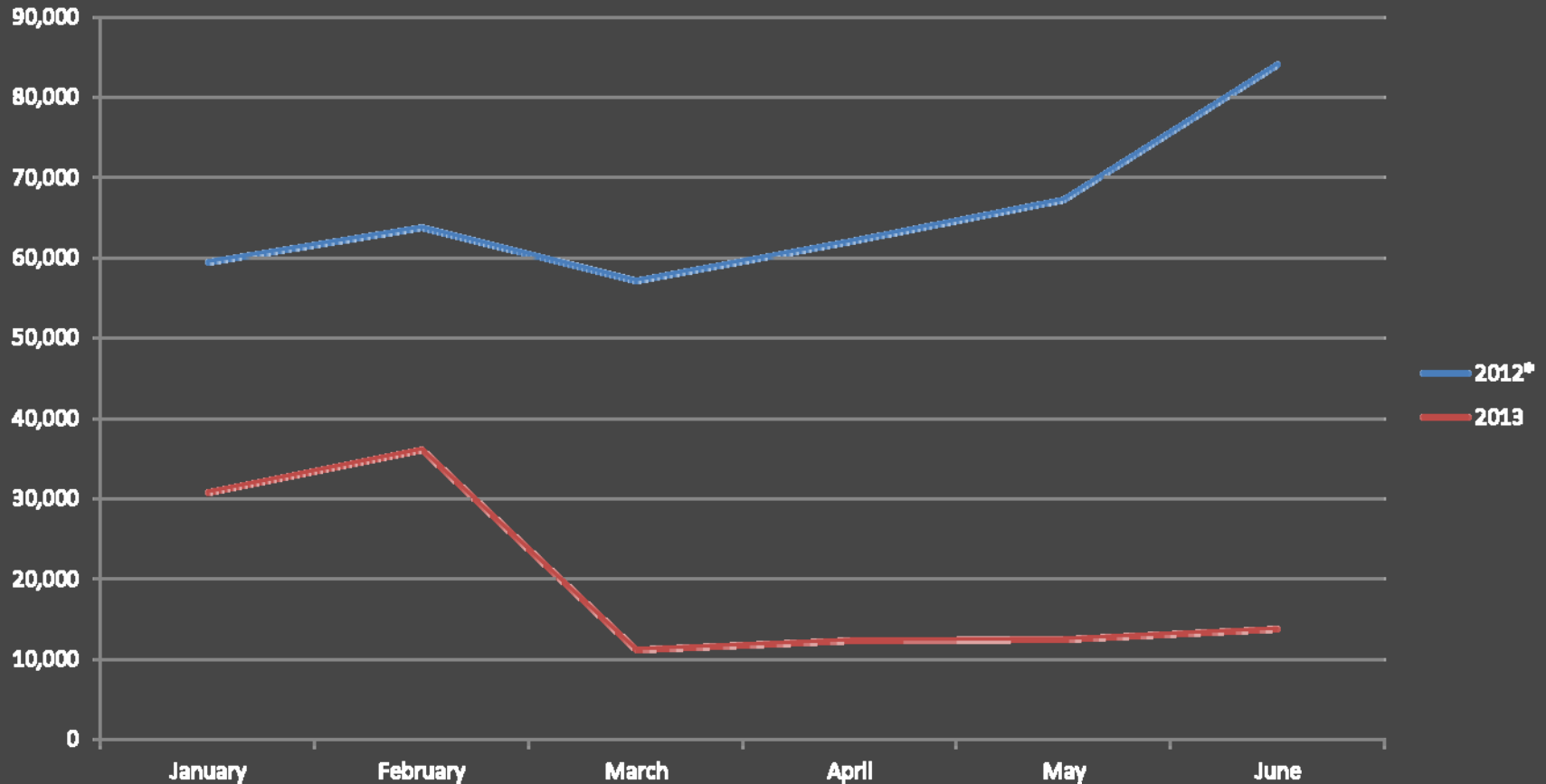
- **Medical evaluations**
 - **In represented cases, no longer required to try to agree on AME – effective 1/1/13**
 - **Spinal surgery second opinion process eliminated – effective 1/1/13**
- **Chiropractors no longer specialists on QME panels**
 - **Emergency regulations – in effect 1/1/13**
 - **Permanent rulemaking – in progress**

Prevention of fraud, conflict of interest

- **Liens**

- **To discourage frivolous liens and frivolous objections**
- **Emergency regulations – in effect 1/1/13**
 - **Permanent rulemaking – in progress**
- **Created IT systems to receive fees and link to EAMS**
- **Fees received**
 - **New liens filed Jan – June 2013 – over \$3 million**
 - **Old liens activated Jan – June 2013 – approx. \$10 million**

DWC Lien Filing Comparison for 2012 and 2013




* It is important to note that these numbers represent the number of cases that liens have been filed on. For example, if a lien is filed on three companion cases for an Injured Worker, traditionally we would have counted that as three liens. This is the "traditional" methodology used to count liens historically. It differs from lien payments instituted in January 2013 where one payment of \$150 would cover all three of the liens filed on the companion case example above.

Prevention of fraud, conflict of interest

- **QMES**
 - **10 QME office locations – effective 1/1/13**
 - **QME may not be IMR reviewer – will be effective 1/1/14**
- **Conflict-of-interest requirements**
 - **Effective 1/1/13**



California Department of Industrial Relations
www.dir.ca.gov



**SB 863:
Pre-Reform Trends & Early Returns in
the California Workers Compensation System**

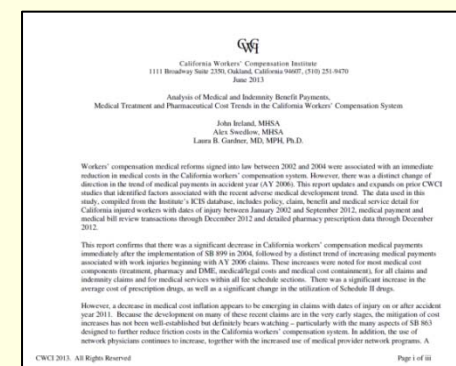
**Alex Swedlow
President, CWCI**

**State Compensation Insurance Fund
August 14, 2013**

Agenda

1. Pre-Reform Trends:
 - A. Benefit Development
 - B. Medical Treatment Utilization & Cost By Fee Schedule
 - C. Medical Provider Networks
 - D. Medical Benefit Cost Drivers
2. SB 863 – Elements of California Workers Comp Reform

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform



Pre-Reform Trends: Data

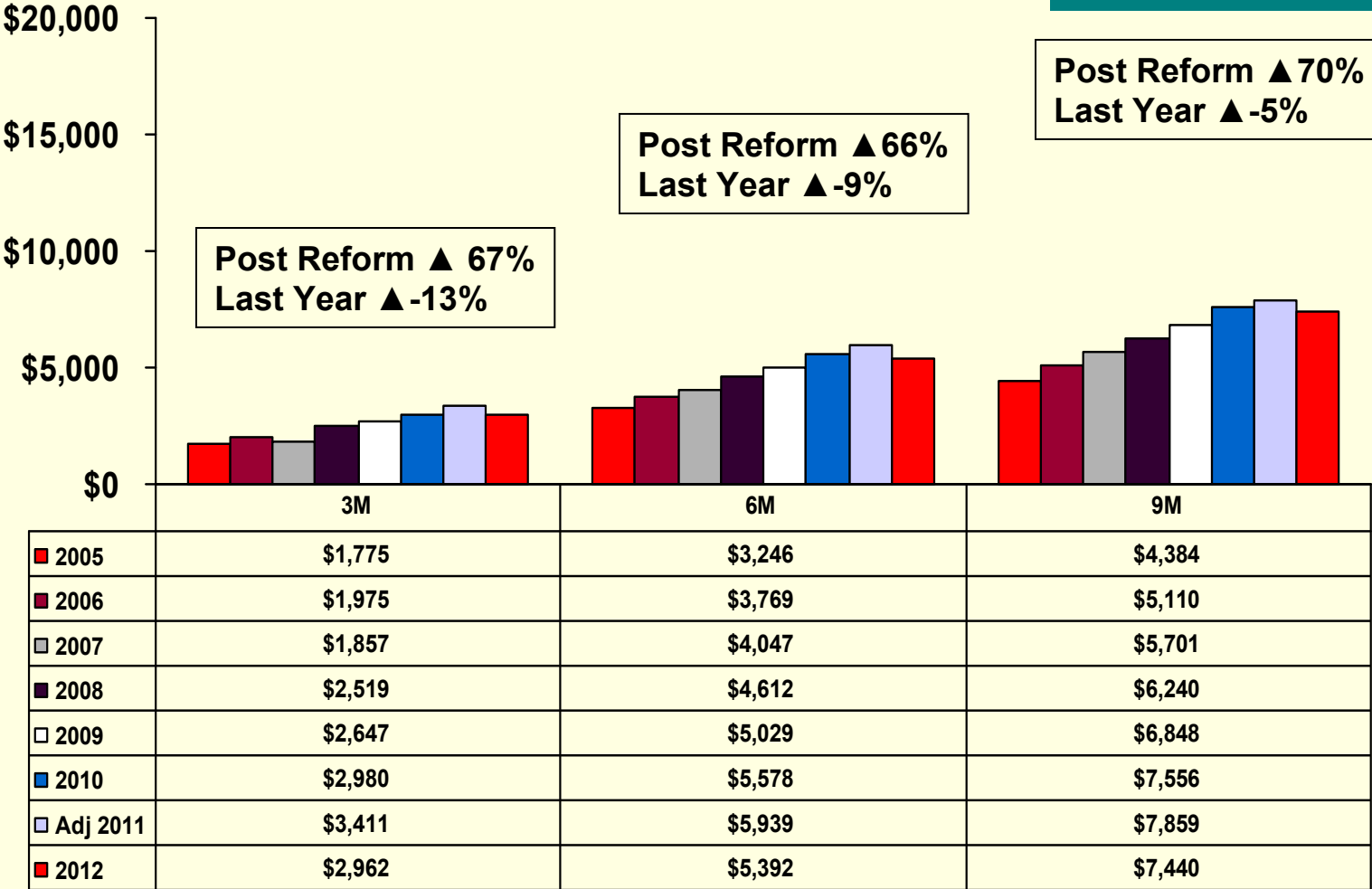
- Industry Claim Information System V14B
- Medical Only & Indemnity Claims
- DOI from Jan 2002 - Sept 2012 valued through Dec 2012
- Payments and services valued at 3 - 60 months

Benefit Development: Pre Reform Trends

- Medical Benefit Trend
- Medical Benefit Components
 - Medical Treatment
 - RX/DME
 - Medical/Legal
 - Medical Cost Containment
- Indemnity Benefit Trends
- Paid Temporary Disability (2-yr cap)

Benefit Development: Pre Reform Trends

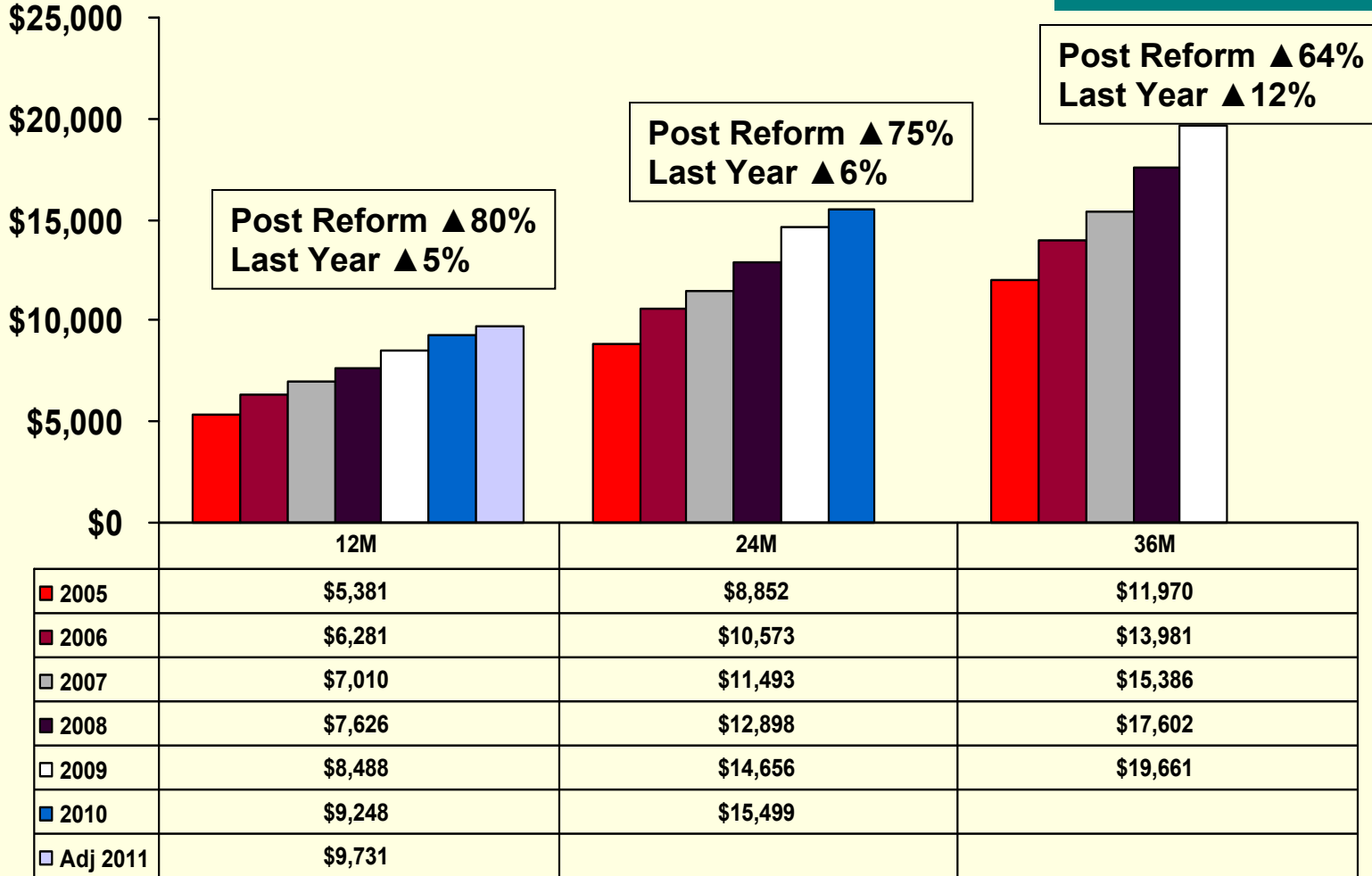
Average Medical Benefits Paid: 3, 6, and 9 Months AY 2005– 2012 Indemnity Claims



State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

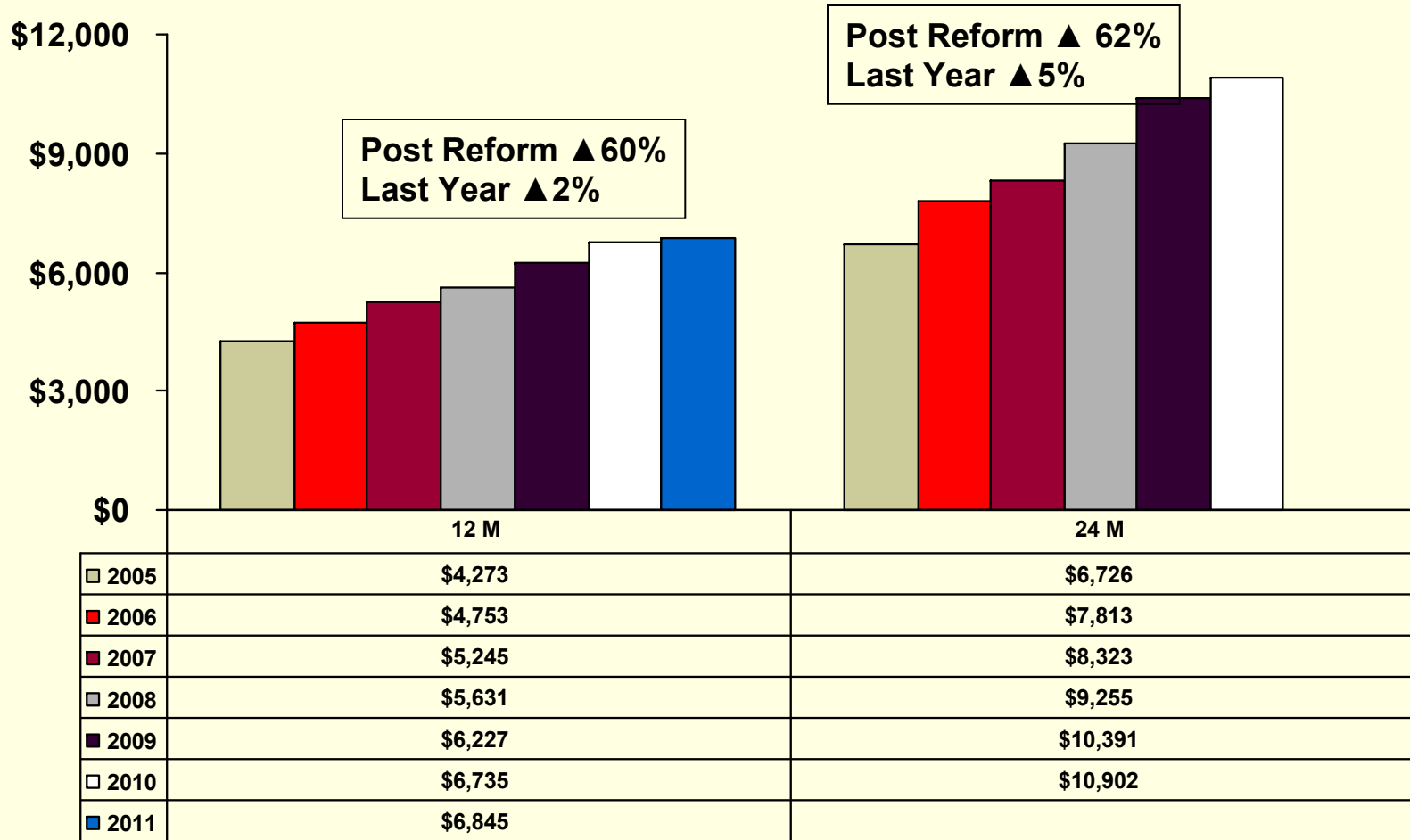
Average Medical Benefits Paid: 12, 24 and 36 Months AY 2005 – 2012 Indemnity Claims



State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

Average Sub-Category of Medical Benefits Paid: Medical Treatment, Indemnity Claims

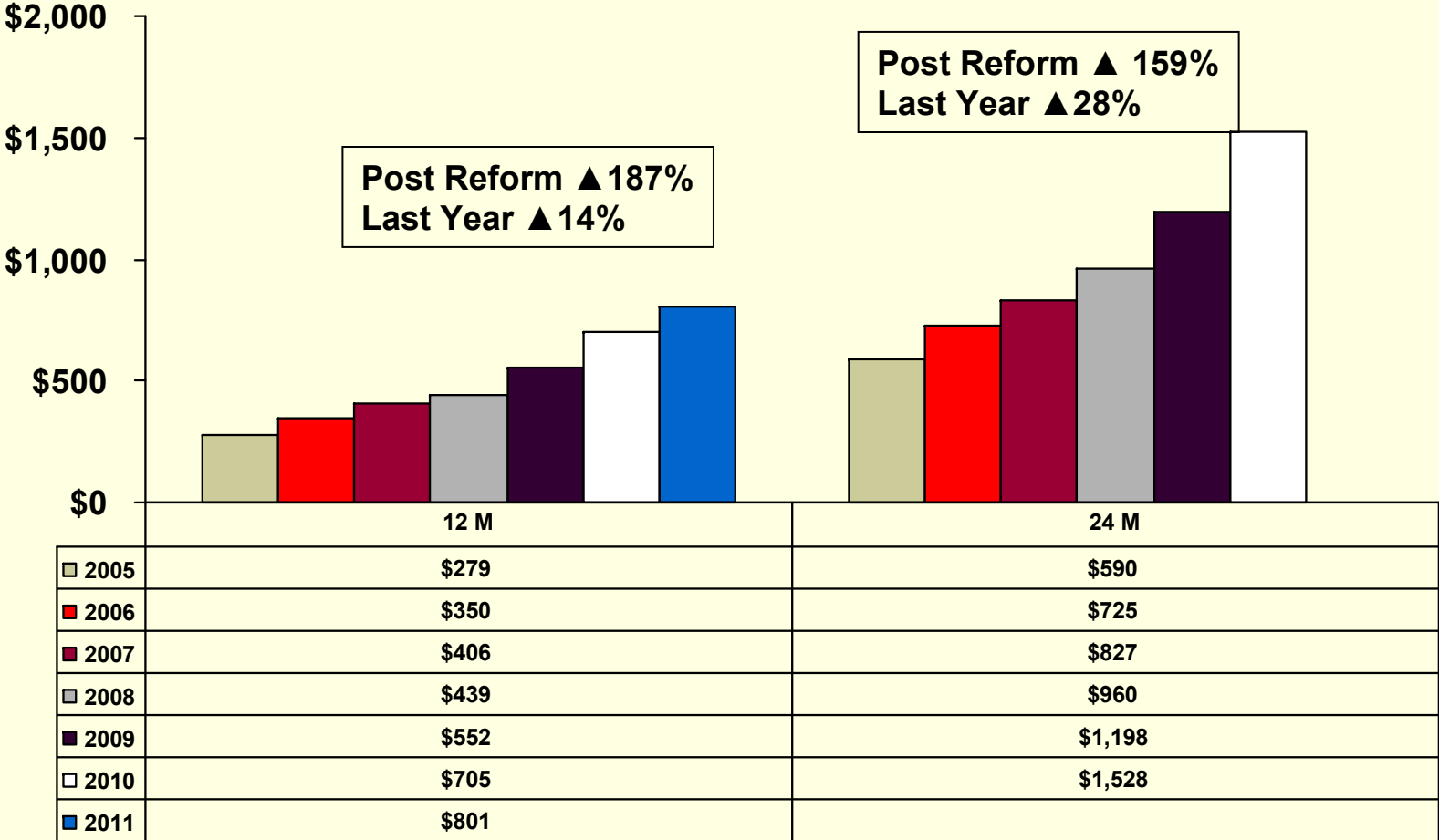


Source: CWCI

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

Average Sub-Category of Medical Benefits Paid: Pharmacy and DME, Indemnity Claims

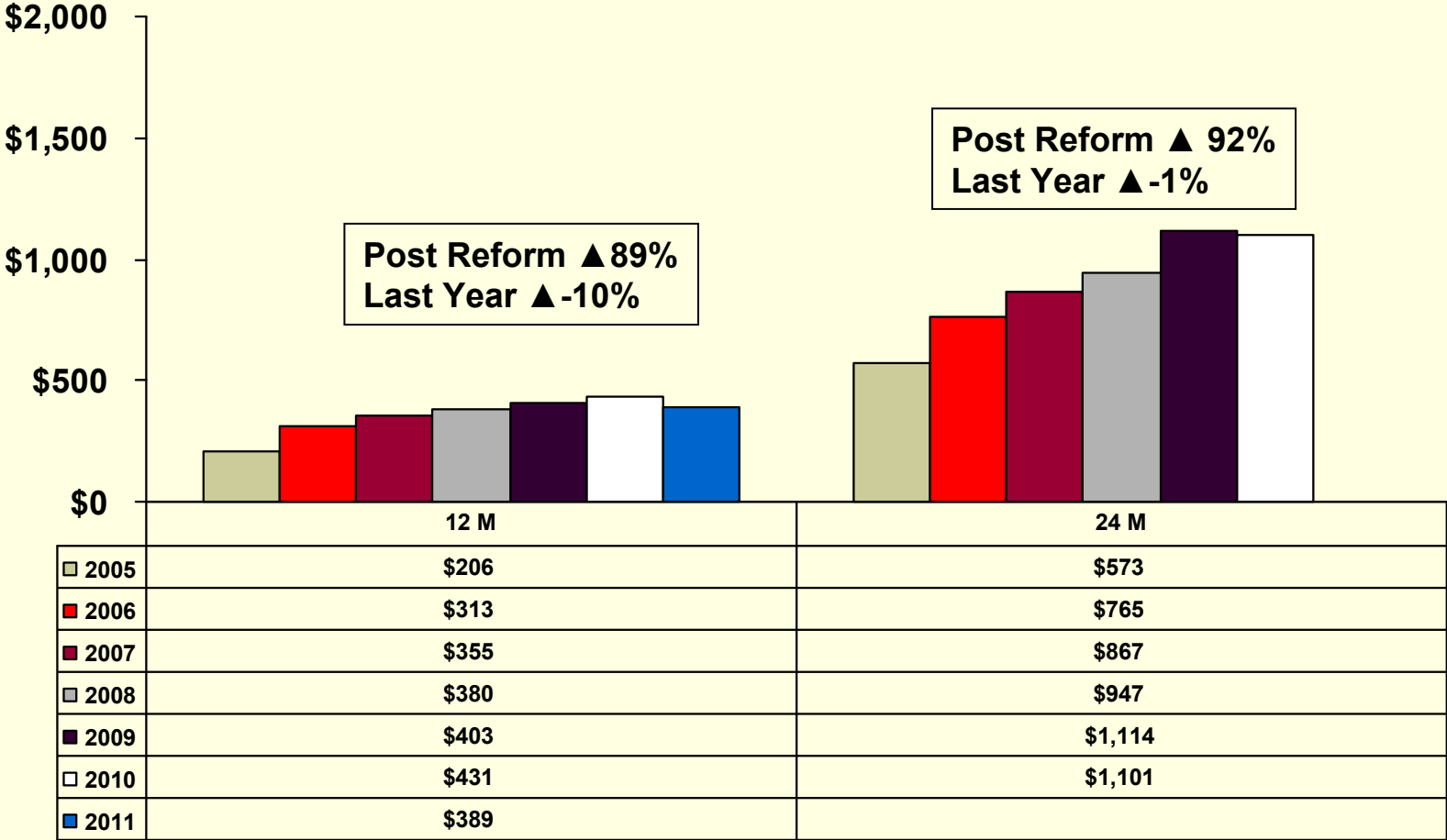


Source: CWCI

State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

Average Sub-Category of Medical Benefits Paid: Medical Legal, Indemnity Claims

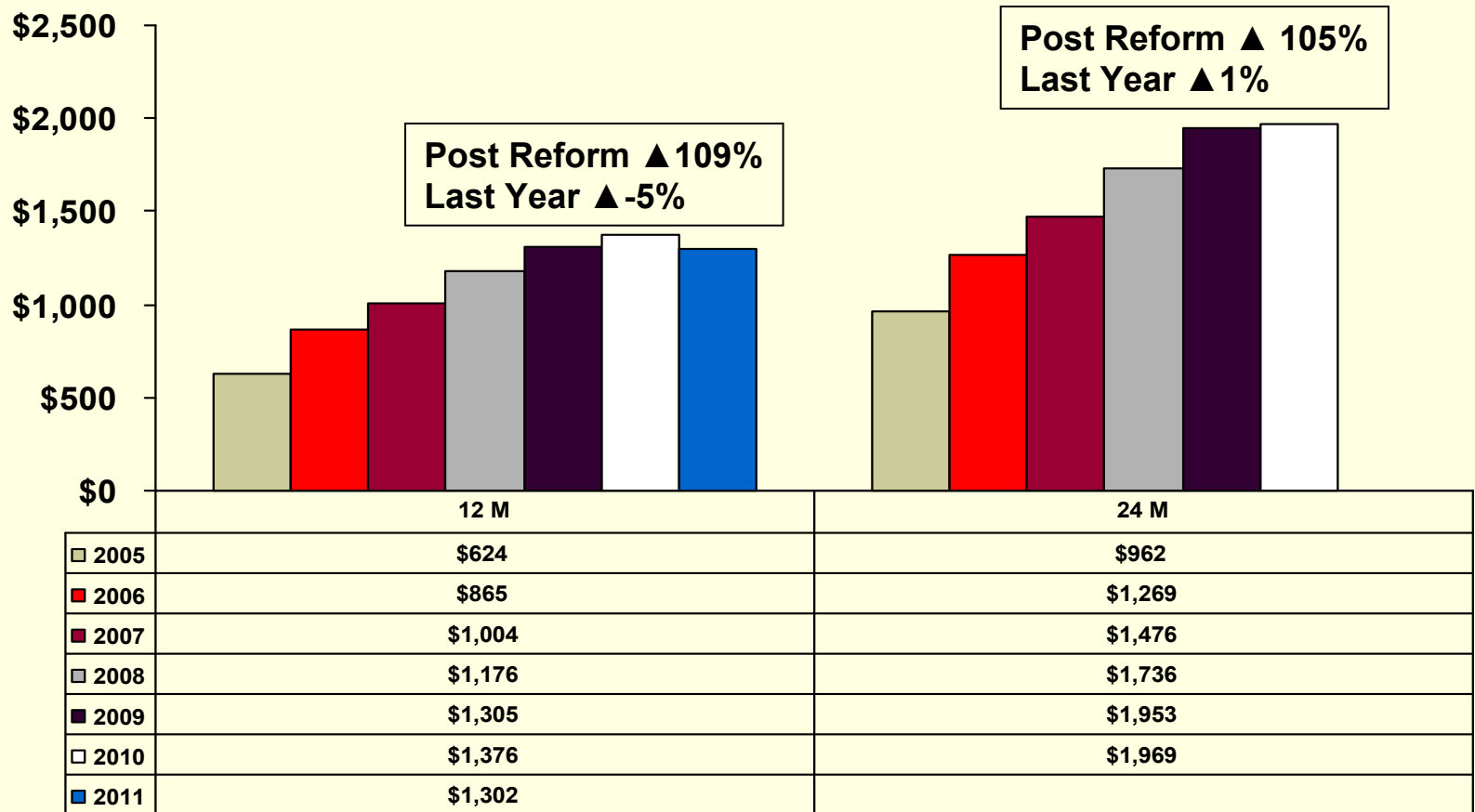


Source: CWCI

State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

Average Sub-Category of Medical Benefits Paid: Medical Cost Containment, Indemnity Claims



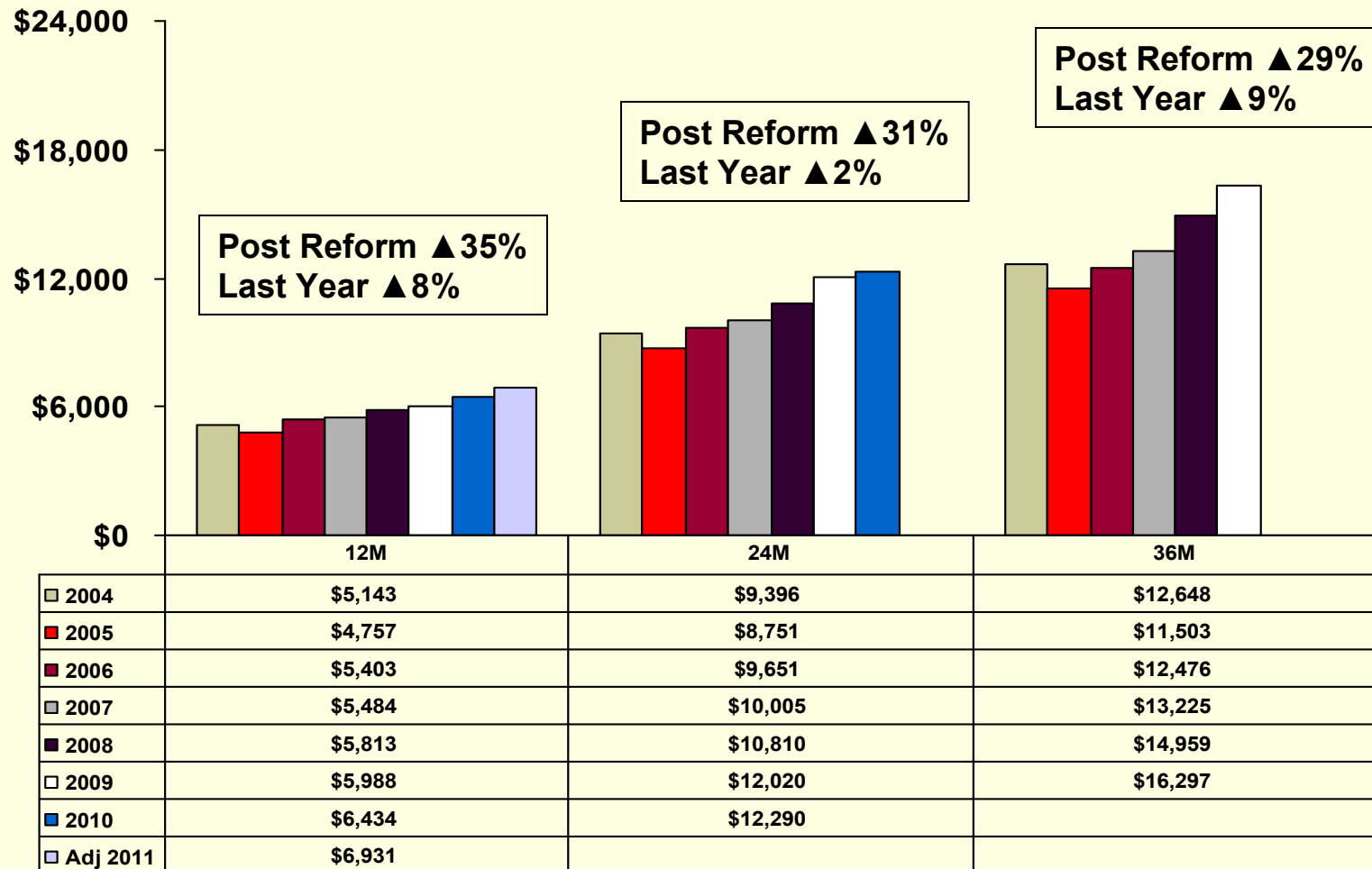
State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Indemnity Benefits

- Indemnity Benefit Trend
- 2-Year Temporary Disability Cap

Benefit Development: Pre Reform Trends

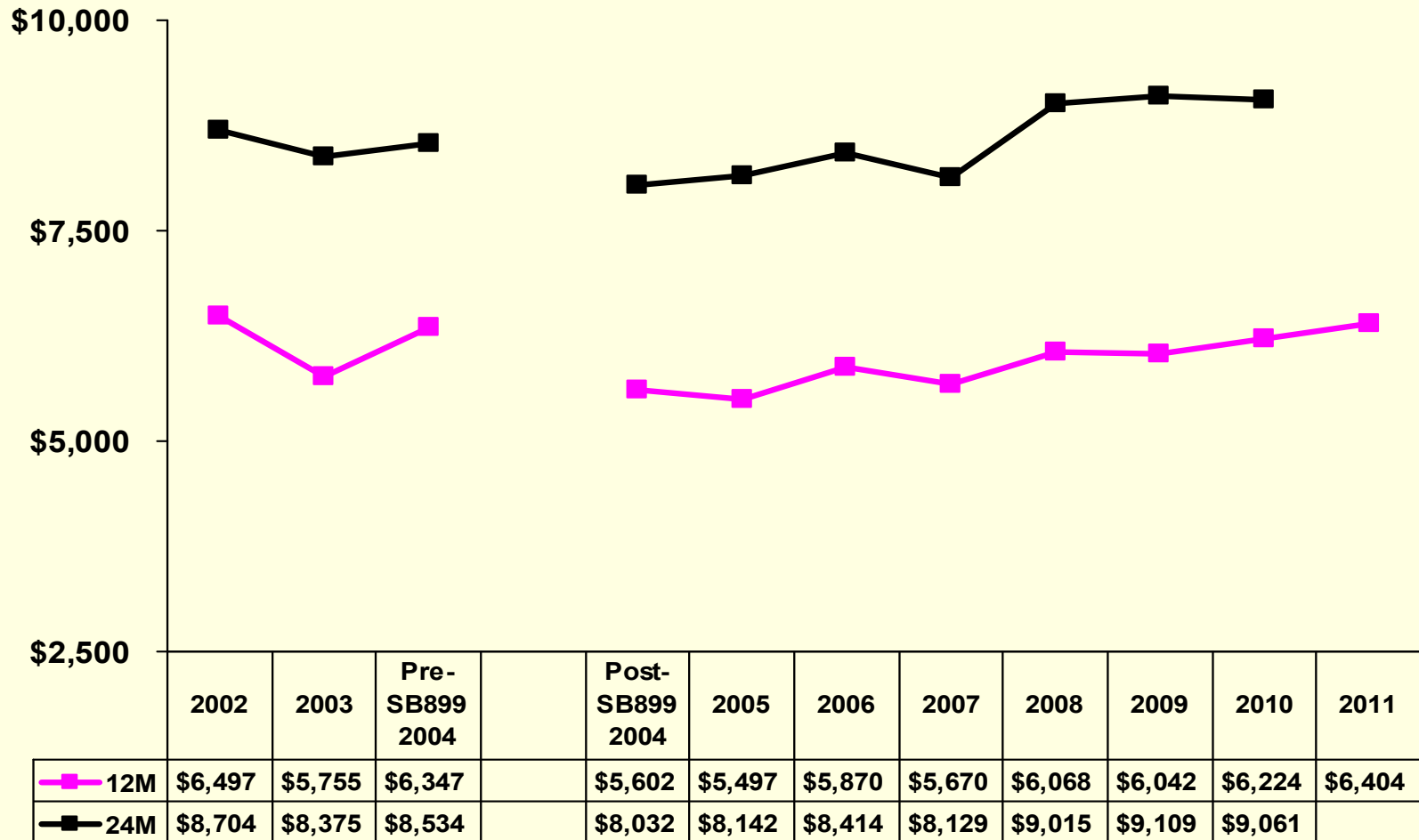
Average Indemnity Benefits Paid: 12, 24, and 36 Months AY 2004 – 2012 Indemnity Claims



State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

SB-899 Temporary Disability 2-year Cap: By Accident Year Average Adjusted TD Benefits



State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

Medical Treatment Utilization and Cost By Fee Schedule

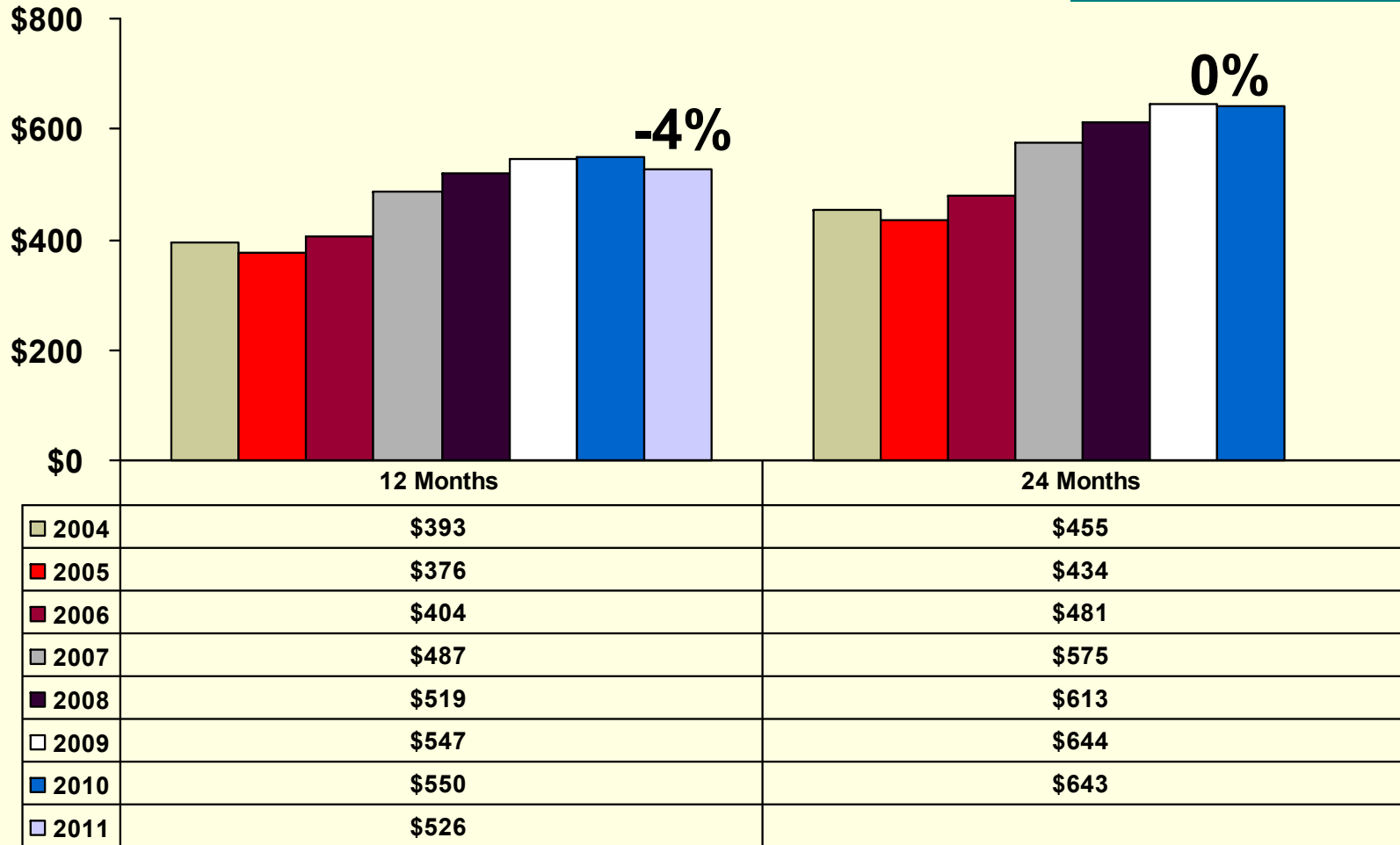
A. Medical Treatment Fee Schedule Section:

- Evaluation & Management
- Surgery
- Medicine
- Physical Therapy
- Chiropractic Manipulation

B. Claims with >24 Visits of PT and Chiro

Benefit Development: Pre Reform Trends

Outpatient Services by Accident Year – Fee Schedule Claims Evaluation & Management Services

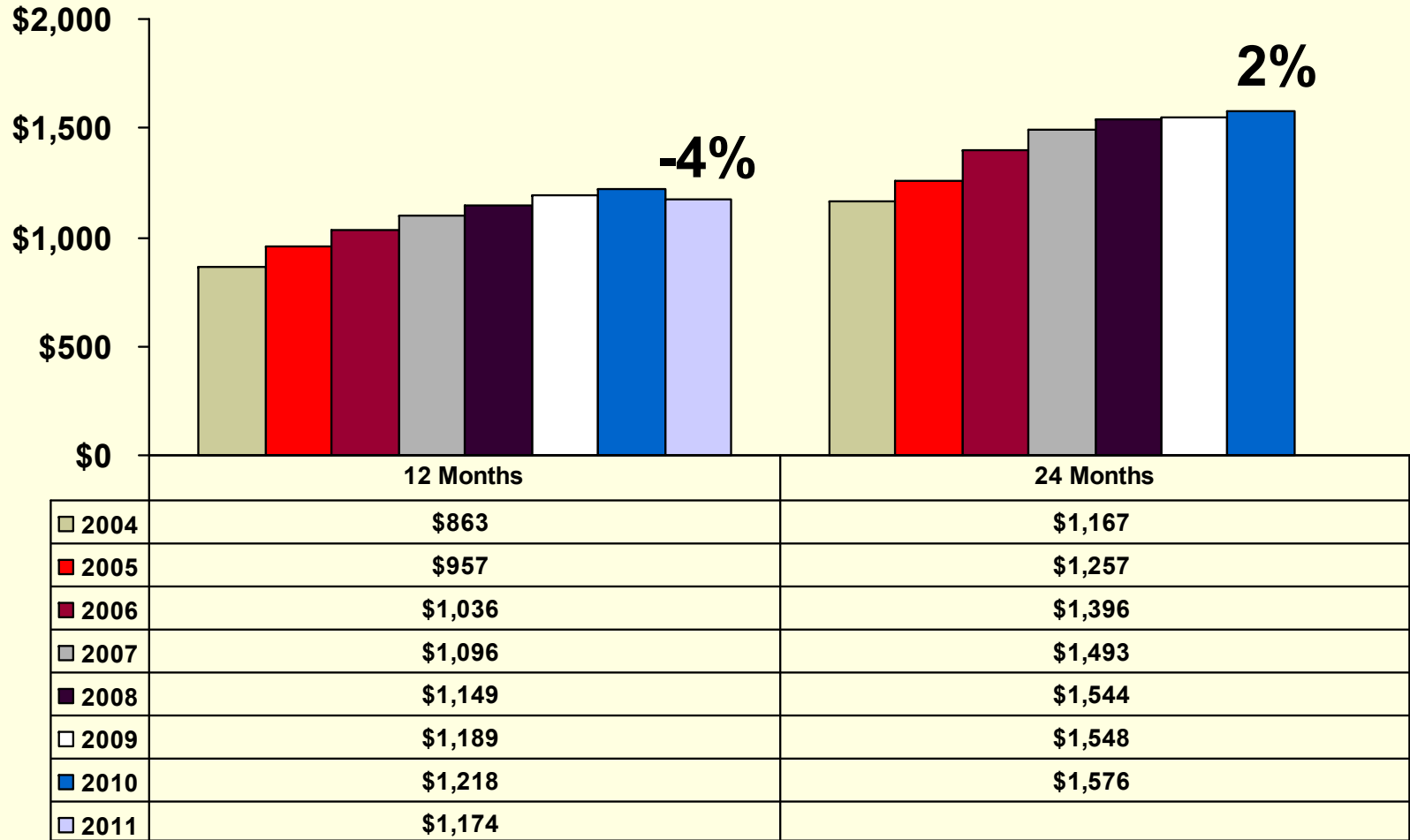


State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

Benefit Development: Pre Reform Trends

Outpatient Services by Accident Year – Fee Schedule Claims Surgery

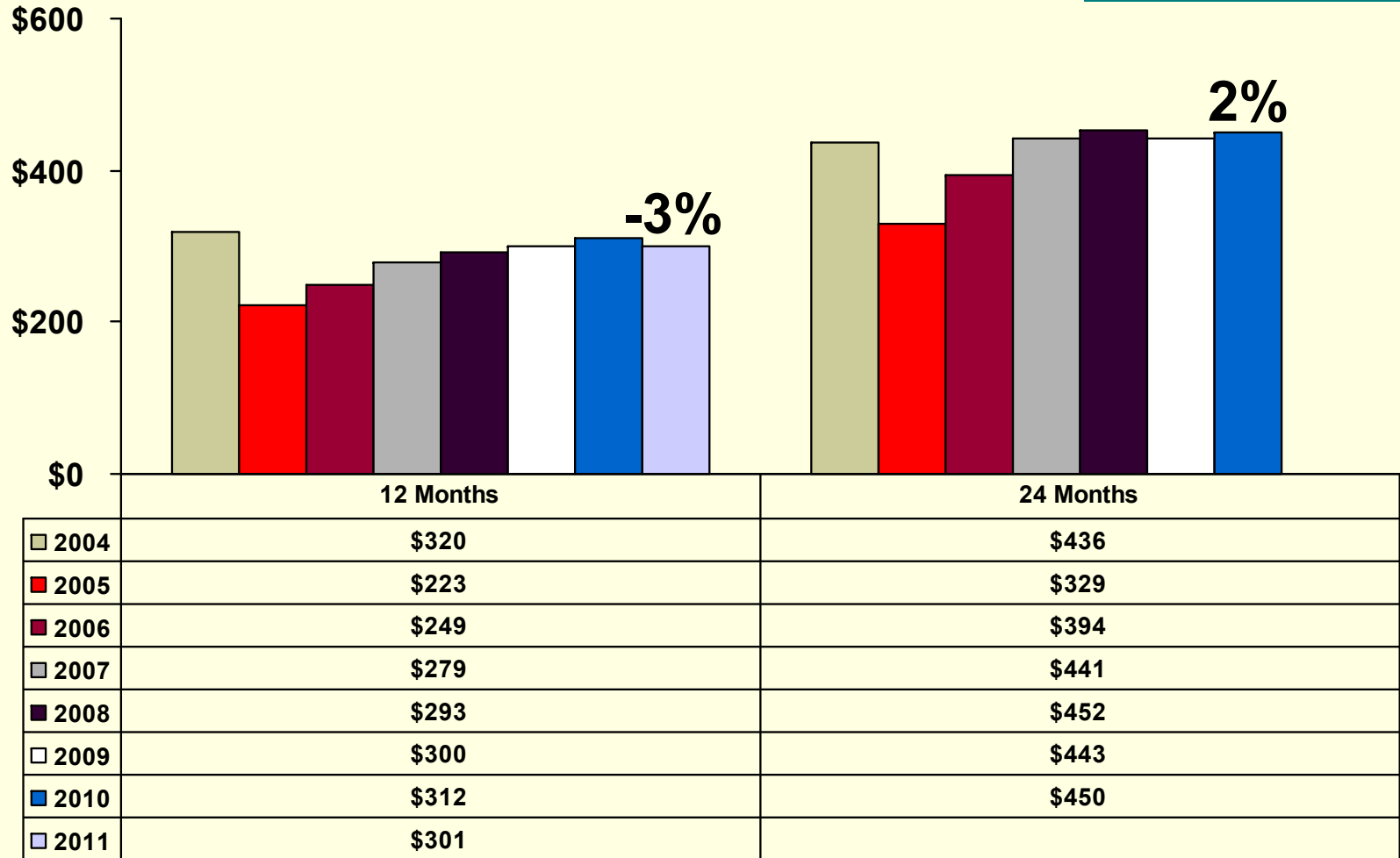


Source: CWCI

State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

Outpatient Services by Accident Year – Fee Schedule Claims Medicine

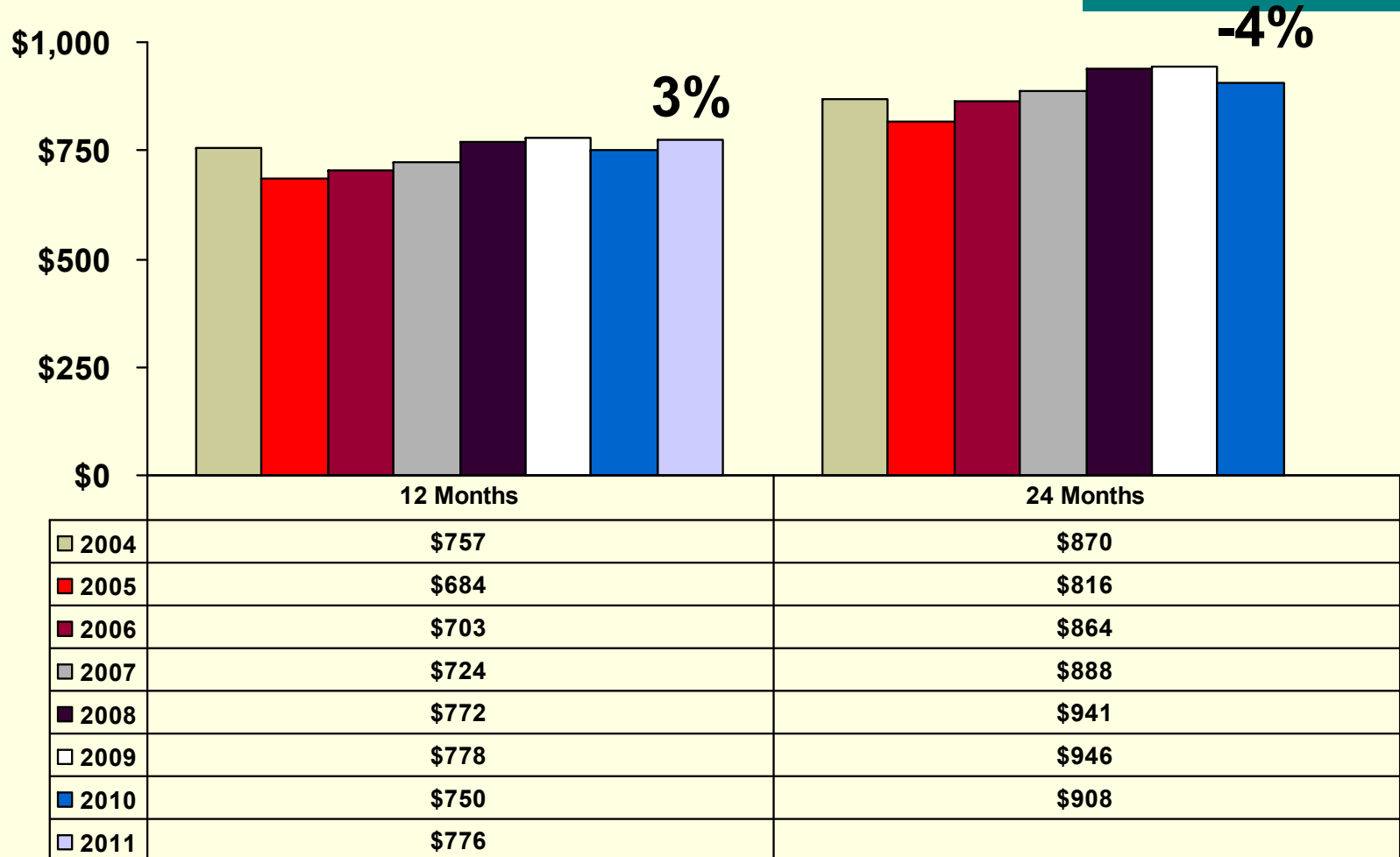


State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

Benefit Development: Pre Reform Trends

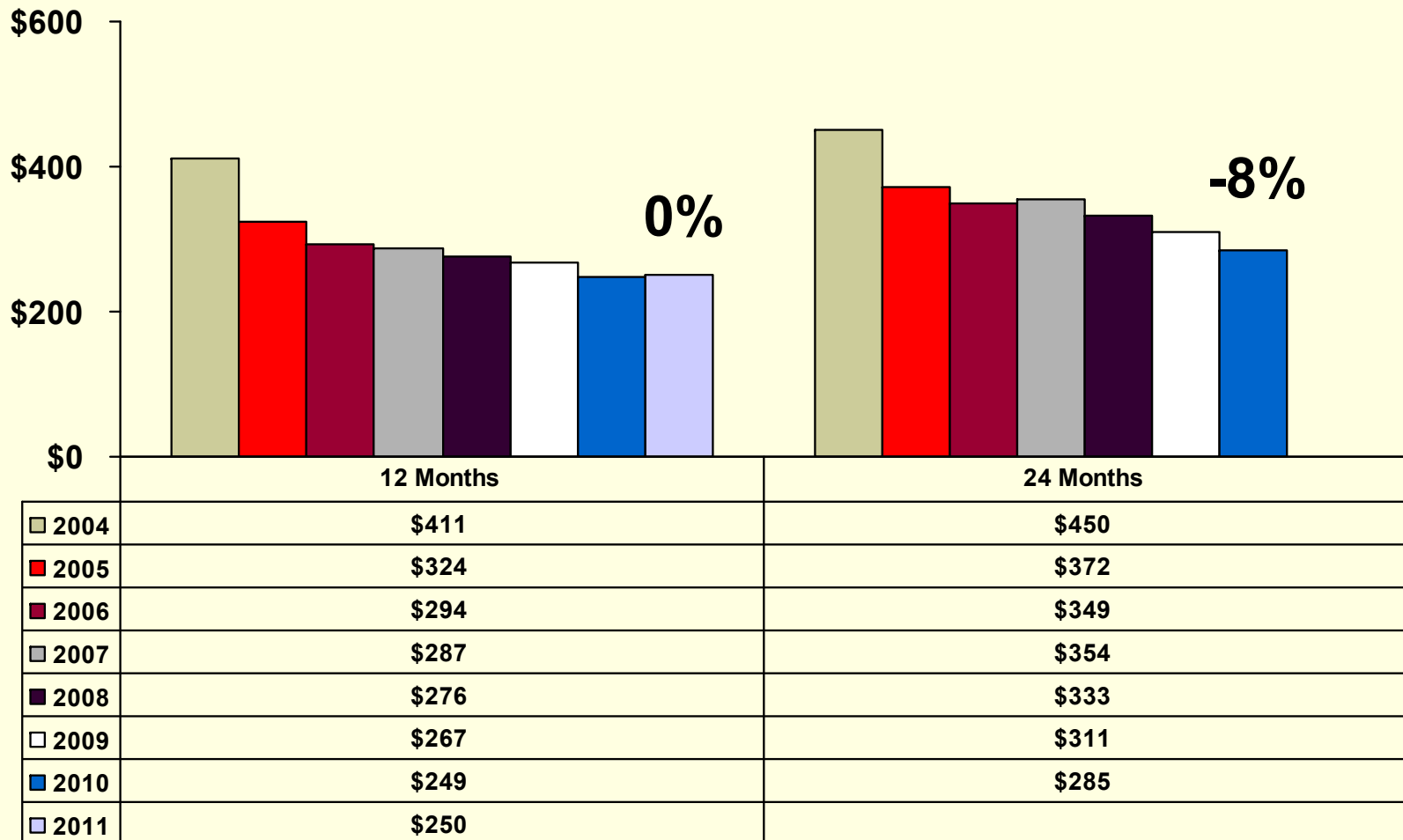
Outpatient Services by Accident Year – Fee Schedule Claims Physical Medicine



State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

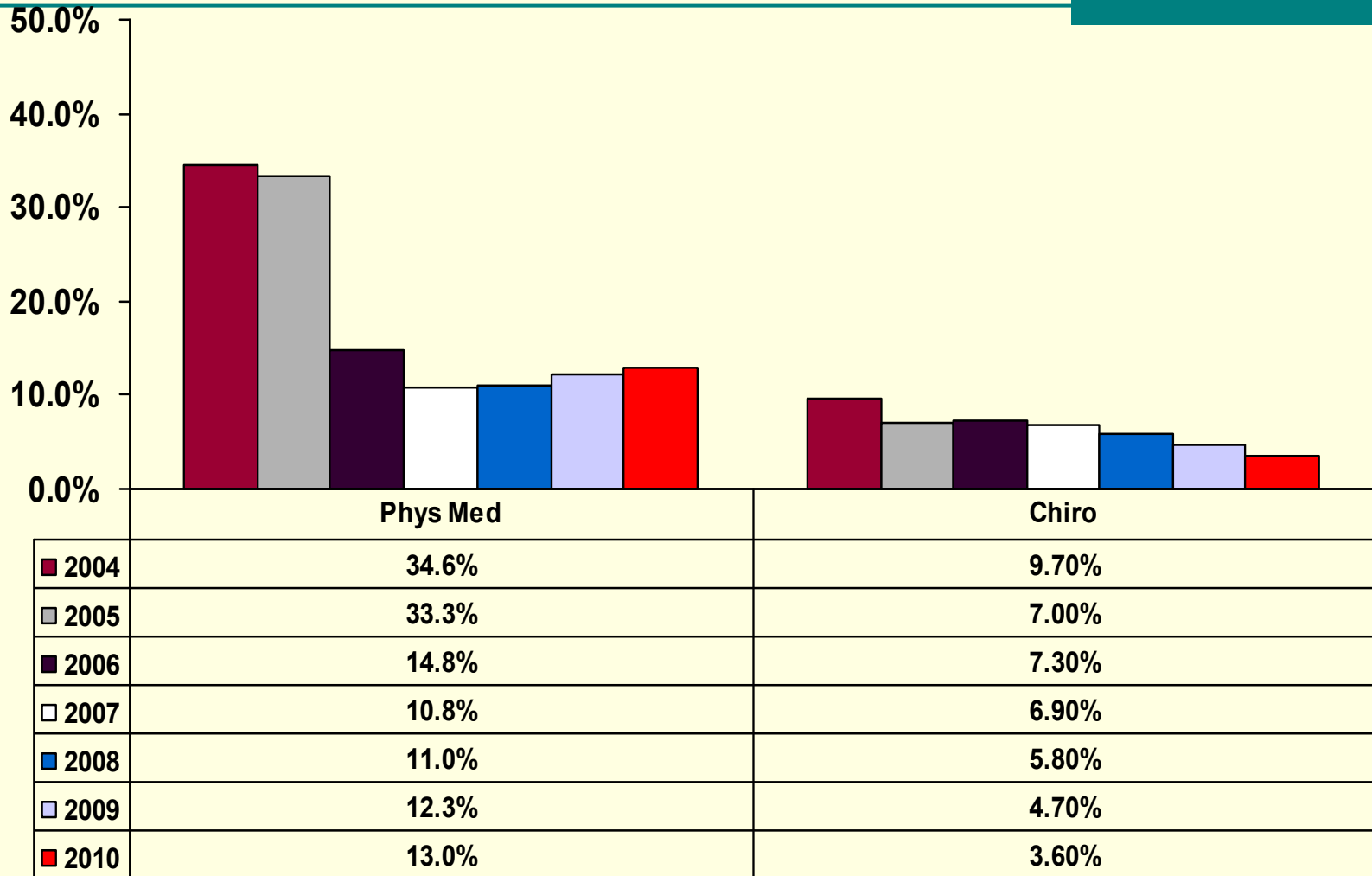
Outpatient Services by Accident Year – Fee Schedule Claims Chiropractic



State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

**Physical Therapy and Chiropractic Manipulation
Claims with PT & Chiro with > 24 visits**

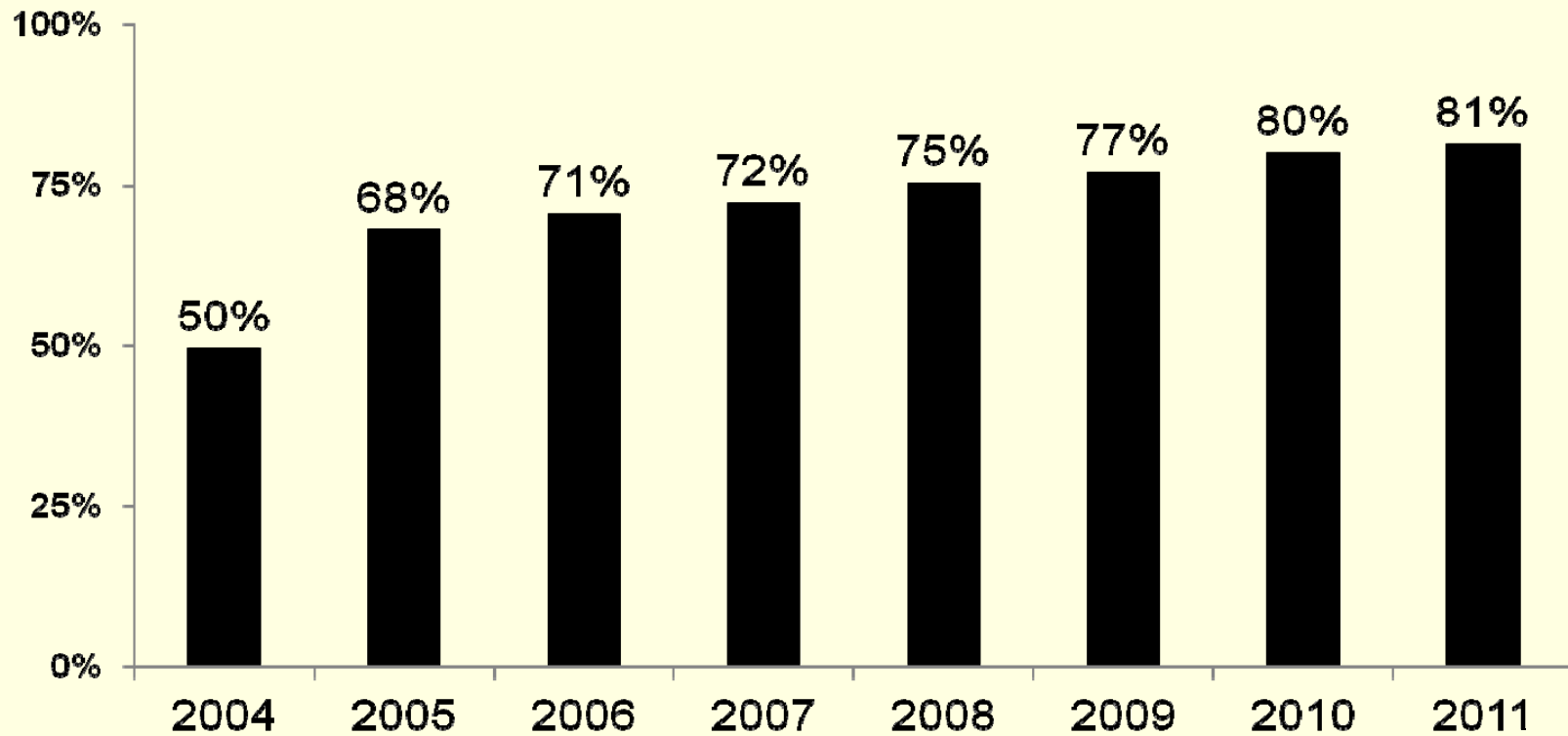


State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

Benefit Development: Pre Reform Trends

Medical Provider Networks : Percent of 1st Year Visits to Network Providers - All Services



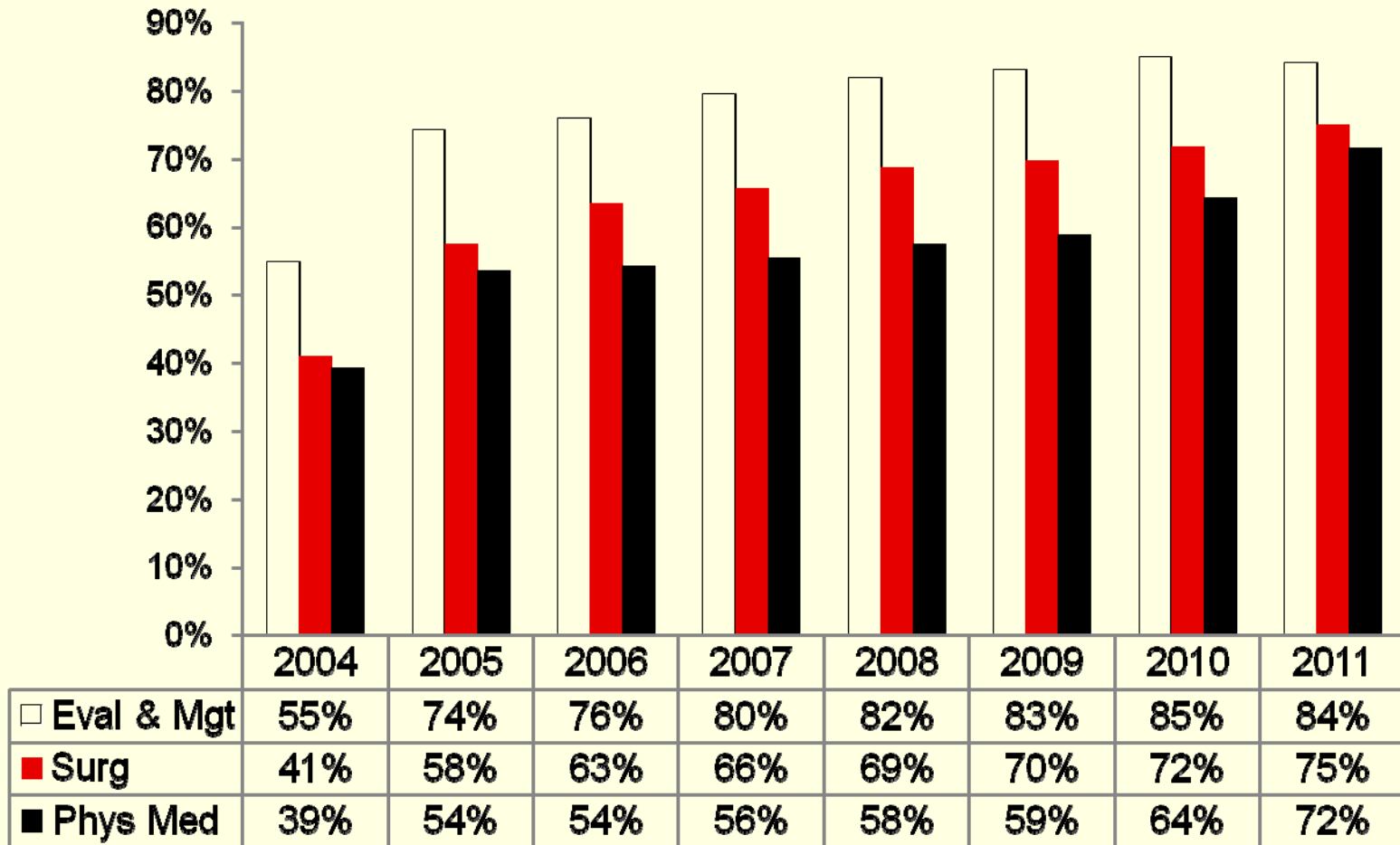
All Services includes evaluation and management, anesthesiology, surgery, medicine, laboratory/pathology, radiology, physical medicine, chiropractic, special services, orthotics/prosthetics, pharmacy & DME, medical legal reports.

Source: CWCI

State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform

Benefit Development: Pre Reform Trends

Medical Provider Networks : Percent of 1st Year Visits to Network Providers - Select Services



State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

Medical Treatment Utilization and Cost By Fee Schedule

Summary: Pre-Reform Trends

Significant change benefit development

- Significant medical trend decrease in early 2012;
- -5% decrease in medical cost containment
- Erosion of 2-year TD cap savings
- Slow down in outpatient utilization
- +62% MPN growth rate;

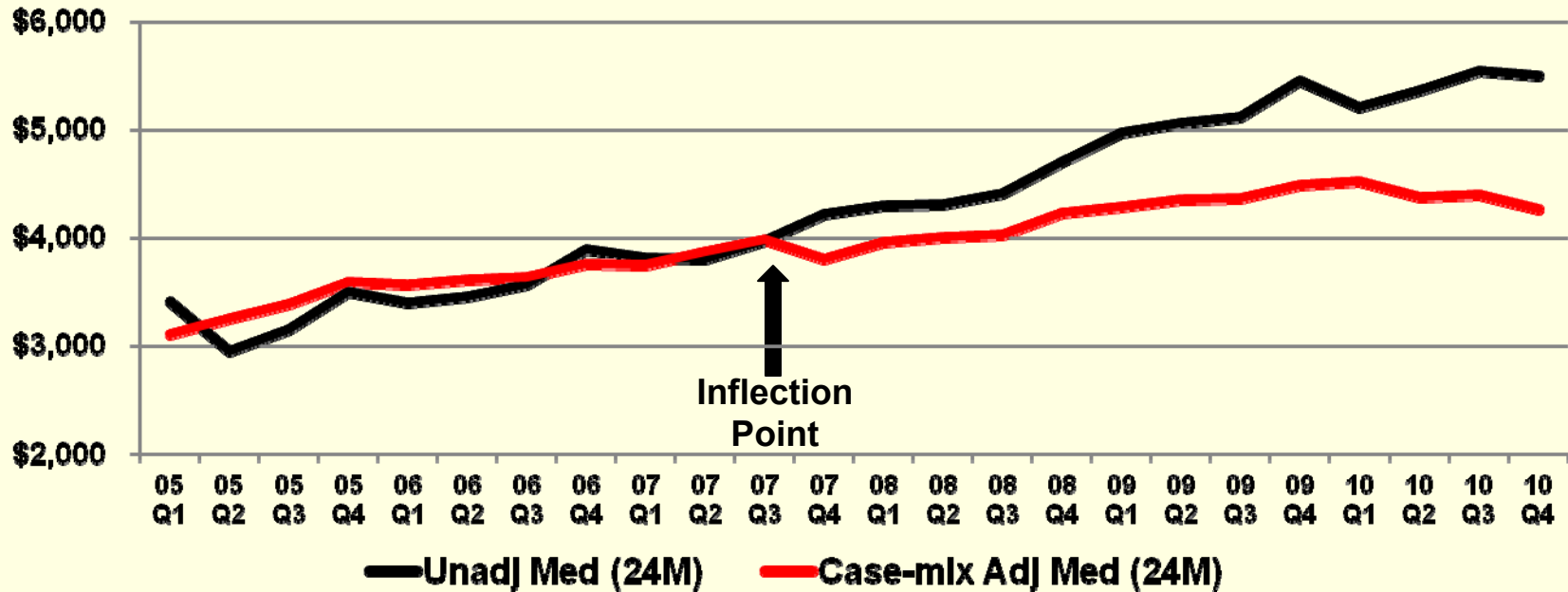
Medical Benefit Cost Drivers

Factors underlying pre-reform medical costs?

- Injured worker characteristics
- Employer and Payor characteristics
- Claim Characteristics

Medical Benefit Cost Drivers

24 Month Unadjusted and Case-Mix Adjusted Medical Benefit Trend



24-Month Medical	Adj R-Square Of Model	Slope Of Trend Line Pre-Inflection Point	Slope Of Trend Line Post-Inflection Point	T-Score Of The Difference In Slopes	P-Value Of The Difference In Slopes
Unadj Med Trend	0.87	\$103	\$125	3.18346	0.01
Case-Mix Adj Med Trend	0.92	\$69	\$44	-5.24251	0.0001

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Medical Benefit Cost Drivers

Top 10 Prevalence Adjusted Factors Associated with Increasing Cost Trend

Rank	Variable	Prev-Adj Weight
1	Claims w/ Attorney Involvement	59.9
2	Indemnity Claims	39.0
3	Claims with Opioid Rx	19.7
4	Inpatient Stay	18.6
5	Claims with Psychotropic Rx	8.9
6	Age >=65	3.4
7	Obesity	2.9
8	Shoulder Injuries	2.5
9	Industry: Prof & Clerical Srvs	2.5
10	Knee Injuries	2.2

((Claims with condition X Beta Slope) / (Total claim count))

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

Medical Benefit Cost Drivers

Top 10 Prevalence Adjusted Factors Associated with Increasing Cost Trend

Rank	Variable	Prev-Adj Weight
1	Claims w/ Attorney Involvement	59.9
2	Indemnity Claims	39.0
3	Claims with Opioid Rx	19.7
4	Inpatient Stay	18.6
5	Claims with Psychotropic Rx	8.9
6	Age >=65	3.4
7	Obesity	2.9
8	Shoulder(s)	2.5
9	Industry: Prof & Clerical Srvs	2.5
10	Knee	2.2

((Claims with condition X Beta Slope) / (Total claim count))

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Source: CWCI

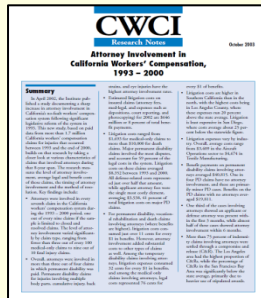
Top 10 Cost Drivers

Attorney Involvement

Rank	Variable	Prev-Adj Weight
1	Attorney Involvement	62.9

Influence of litigation:

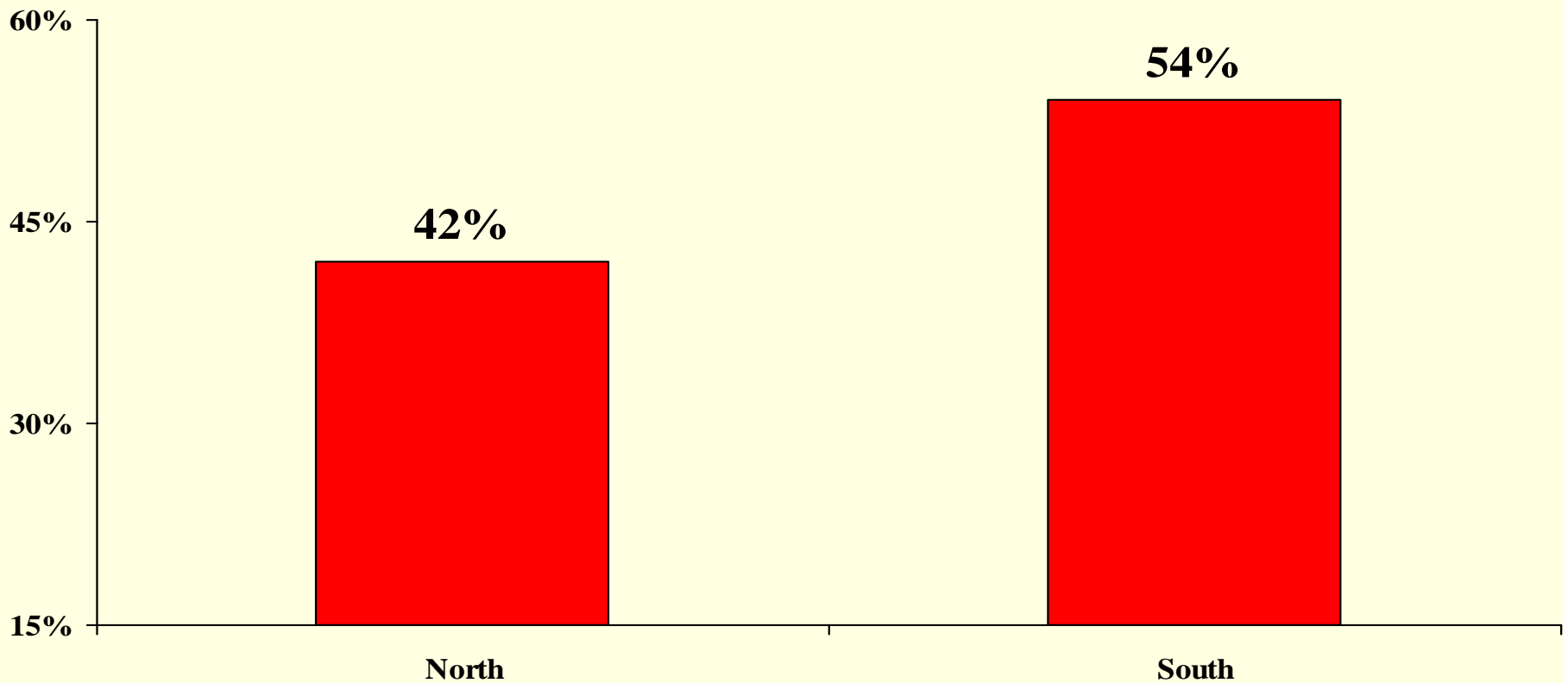
- Factors of litigation
- Benefit development
- Lost time & productivity
- Friction costs



Top 10 Cost Drivers

Attorney Involvement: Regional Differences

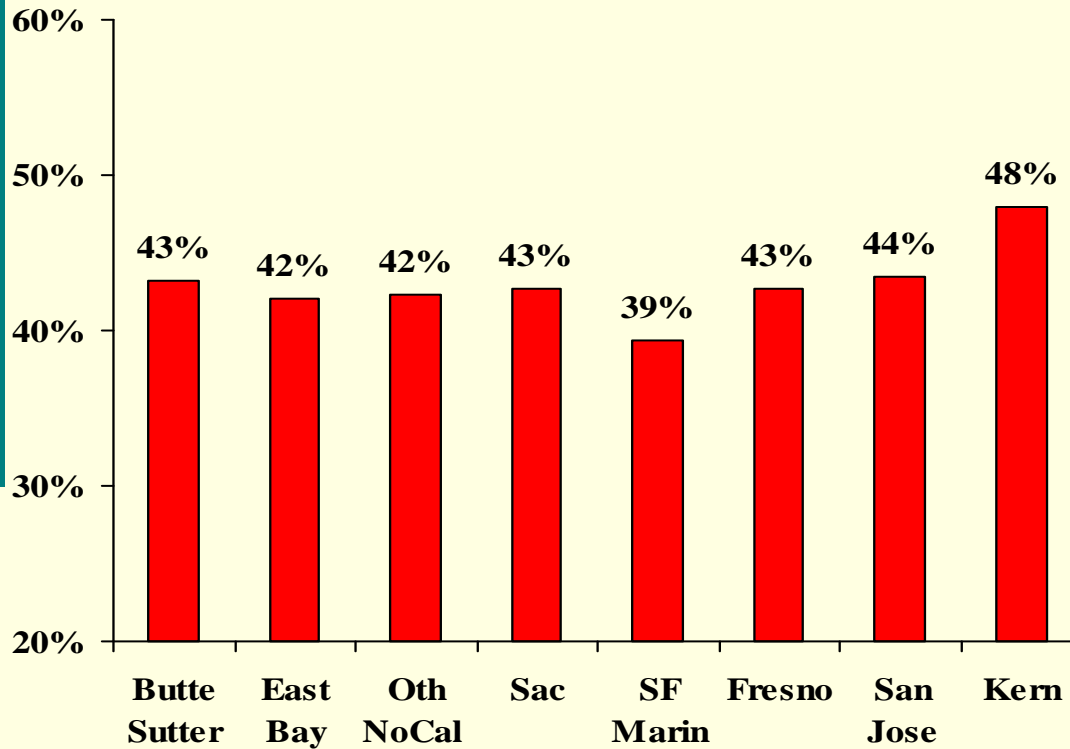
**Claim Characteristics:
Attorney Involvement Rates on Indemnity Claims by Region**



Top 10 Cost Drivers

Attorney Involvement: Regional Differences

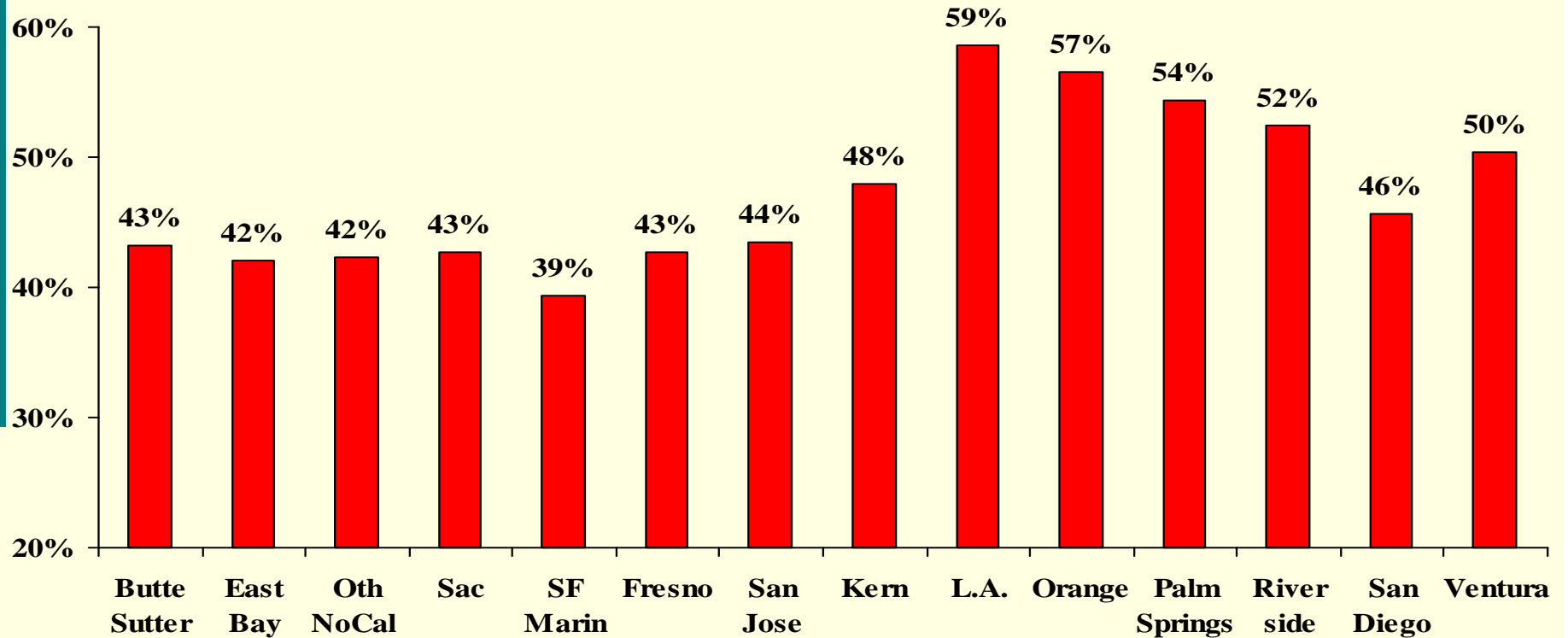
**Claim Characteristics:
Attorney Involvement Rates on Indemnity Claims by Regions**



Top 10 Cost Drivers

Attorney Involvement: Regional Differences

**Claim Characteristics:
Attorney Involvement Rates on Indemnity Claims by Regions**



Case-Mix Adjusted Medical Trend Analysis

Top 10 Prevalence Adjusted Factors Associated with Increasing Cost Trend

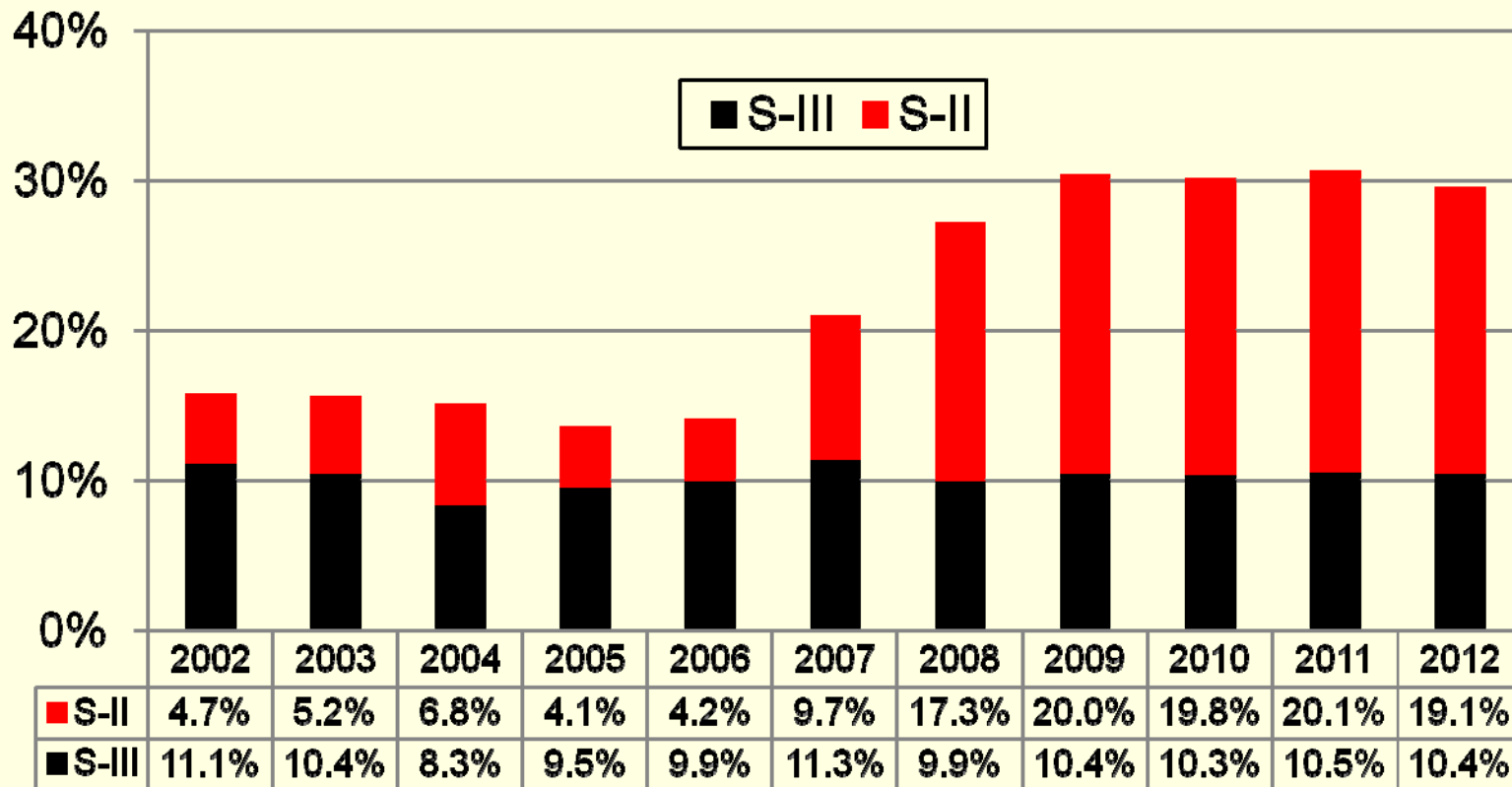
Rank	Variable	Prev-Adj Weight
1	Claims w/ Attorney Involvement	59.9
2	Indemnity Claims	39.0
3	Claims with Opioid Rx	19.7
4	Inpatient Stay	18.6
5	Claims with Psychotropic Rx	8.9
6	Age >=65	3.4
7	Obesity	2.9
8	Shoulder(s)	2.5
9	Industry: Prof & Clerical Srvs	2.5
10	Knee	2.2

Source: CWCI

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Pharmaceutical Utilization & Cost

Schedule II & III Opioid Drug Payments¹



Source: CWCI

¹ Calculations are on a calendar year basis

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Agenda

1. Pre-Reform Trends (& Early Returns):
 - A. Benefit Development
 - B. Medical Treatment Utilization and Cost By Fee Schedule
 - C. Medical Provider Network Utilization
 - D. Case-Mix Adjusted Factor Analysis of Medical Trend
 - E. Opioid Utilization and Cost
 - F. Early Returns
2. SB 863 – Elements of California Workers Comp Reform

SB 863 – Timeline for Measuring Reforms

2nd Quarter 2013

Liens

3rd - 4th Quarter 2013

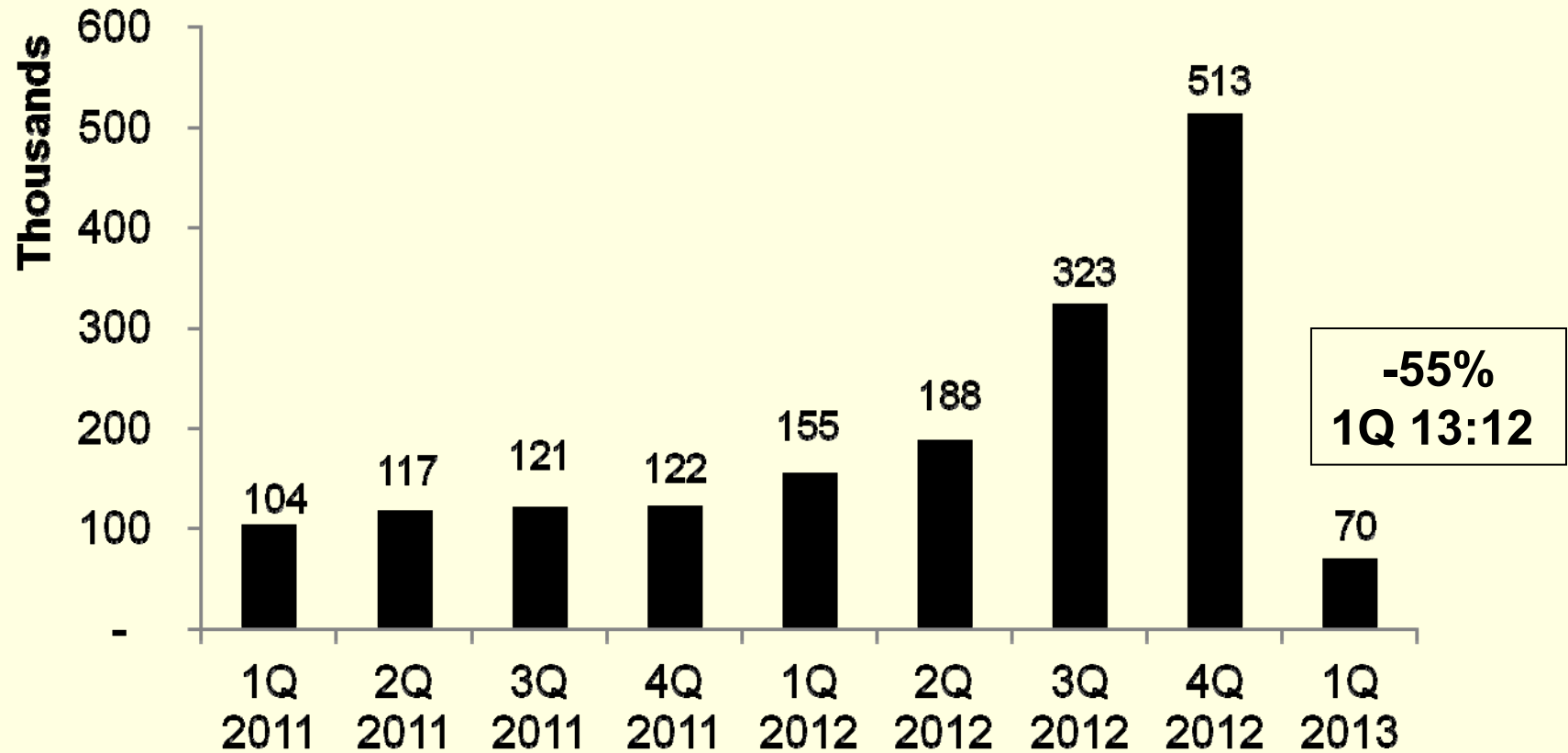
Ambulatory Surgery Center Fee Schedule
Surgical Implants
Independent Medical Review
Independent Bill Review
Lien Volume and Settlements

2014/15:

Permanent Disability
RBRVS
Additional Fee Schedules

SB 863 – Early Returns

Lien Volume: 2011 – 1Q 2013



Source: EAMS

SB 863 – Early Returns Independent Medical Review

**Preliminary Results:
Comparison of IMR Reviews
(1Q 2013) and 2010-11 UR
Denials/Adjustments**

Next Steps:
1. Comparison of Outcomes:

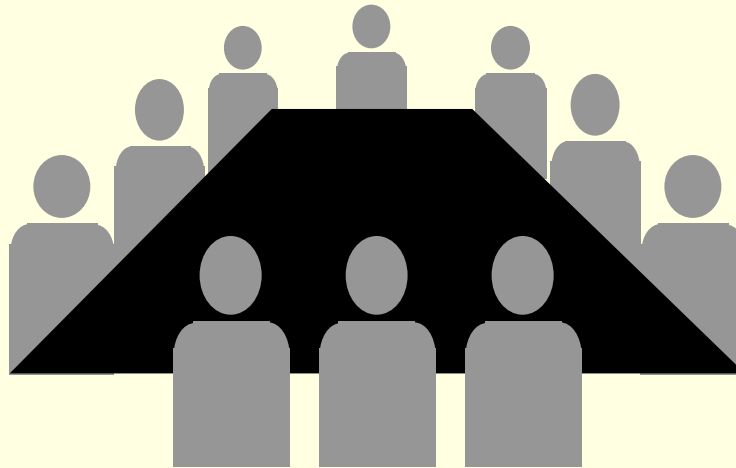
- Approvals
- Denials
- Adjustments

2. Cost : Savings Evaluation

Review Category	IMR	UR
	N=115	N=1M
MRI	25.2%	7.3%
Pharmacy	18.3%	31.5%
PT - OT	13.9%	10.0%
Acupuncture	6.1%	2.1%
Injections	6.1%	5.1%
Chiropractic	5.2%	4.5%
EMG - NCV	5.2%	0.9%
DME	5.2%	9.1%
Consults	3.5%	3.5%
X-Ray	2.6%	2.3%
CT-Scan	1.7%	1.8%
Surgery	1.7%	3.1%
HHC	1.7%	0.5%
FCE	0.9%	0.1%
Other	2.6%	17.9%

State Compensation Insurance Fund
 Board of Directors – August 14, 2013
 Open Agenda Item 7 – Review of SB 863 Reform

Discussion...



California Workers' Compensation Institute
www.cwci.org

State Compensation Insurance Fund
Board of Directors – August 14, 2013
Open Agenda Item 7 – Review of SB 863 Reform