

BOARD OF DIRECTORS MEETING

AGENDA ITEM 16B

ATTACHMENT

CALIFORNIA WORKERS' COMPENSATION INSTITUTE

PRESENTED BY: Michael Nolan and Alex Swedlow

November 21, 2008

Exhibit 1

**State Compensation Insurance Fund
Board of Directors Meeting**

**Medical Trends in the
California Workers Compensation System**

November 21, 2008
Michael Noland & Alex Swedlow

California Workers' Compensation Institute
www.cwci.org

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Exhibit 2

CWCI: Background

Established in 1964;

Private, nonprofit organization of insurers and self-insured employers representing over 90% of premium dollars;

Dedicated to improving the California workers' compensation system through four primary functions:

- Research
- Education
- Information
- Representation

Website: www.cwci.org

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Exhibit 3

**Reform Monitoring Report:
CY 2002 - 2007**

- Fourth Year of Tracking Reforms
- Areas of Analysis:
 - ✓ Medical Cost Containment
 - ✓ Medical Utilization
 - Inpatient
 - Outpatient
 - ✓ Pharmacy & Repackaged Drugs
 - ✓ Medical Provider Networks

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Reform Monitoring Report:
CY 2002 - 2007

- Data Compiled from Industry Claim Information System (ICIS V9)
- Benefit payments and medical bill review detail
- Study Sample:
 - 1.2 million claims
 - Representative of WC population
 - DOI Jan 2002 – June 2007
 - Valued at Dec 2007

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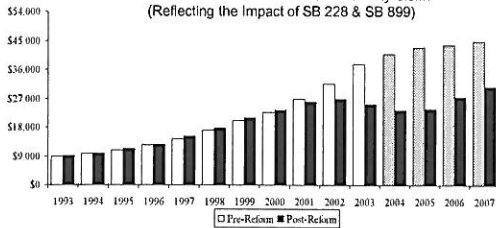
Elements of Medical Reforms

- Repeal of Primary Treating Physician Presumption
- Revised Fee Schedules
- Standard of Care:
 - Evidence-Based Medicine / Medical Treatment Guidelines
 - 24 Visit PT & Chiropractic Caps
- Medical Provider Networks
- Access to Care Standards
- Return-to-work incentives

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Changes in Medical Development

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



Source: Pre-Reform - WCRB as of March 31, 2000; 2004-2007 CWCI Projections based on adjusted trend analysis
Post-Reform - WCRB as of March 2007 released June 2008

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Direct Costs of Implementing Medical Reforms

Medical Cost Containment (MCC)

- Medical Bill Review
- Utilization Review
- MPN Access

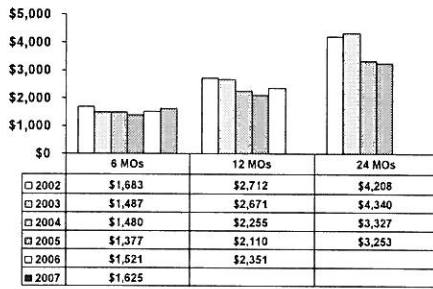
CWCI 2008 Study

Medical Benefits : MCC



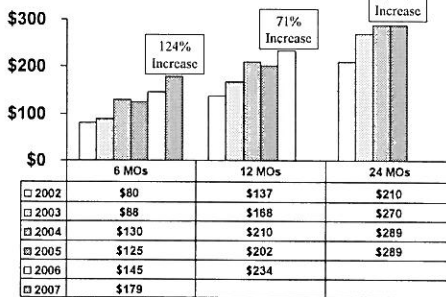
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Medical Cost Containment: Preliminary Results Average Medical Benefit Payments by Injury Year All Claims

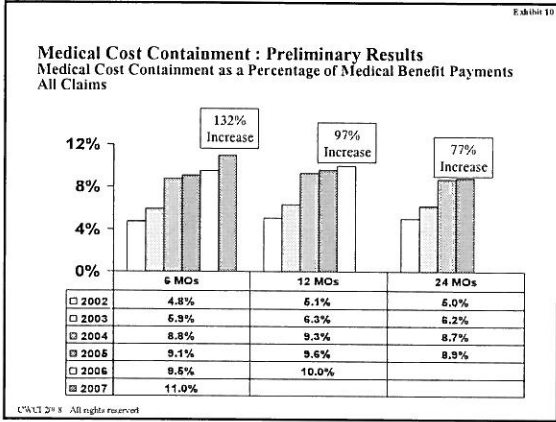


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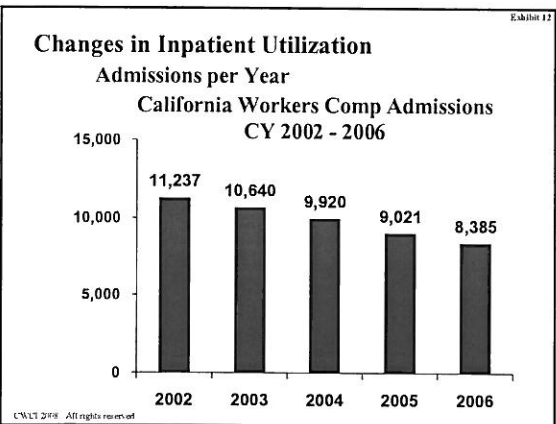
Medical Cost Containment : Preliminary Results Average Medical Cost Containment Payments by Injury Year – All Claims

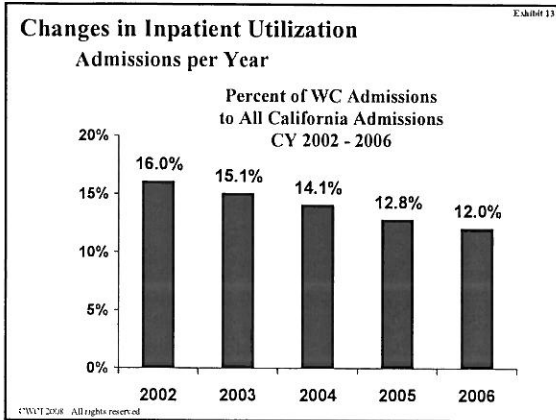


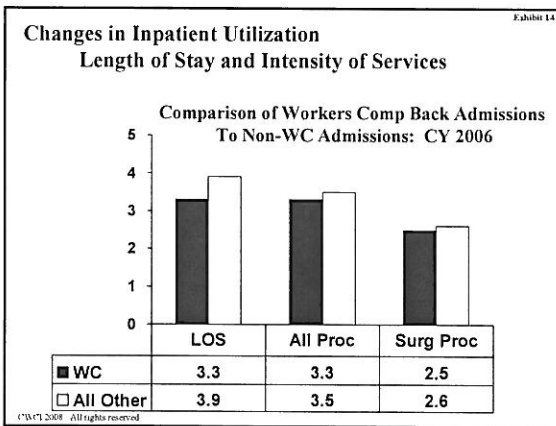
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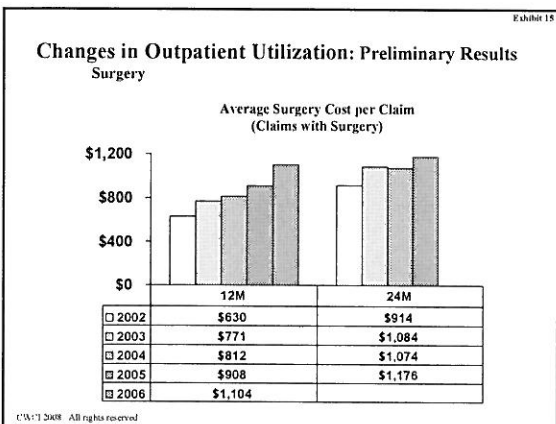


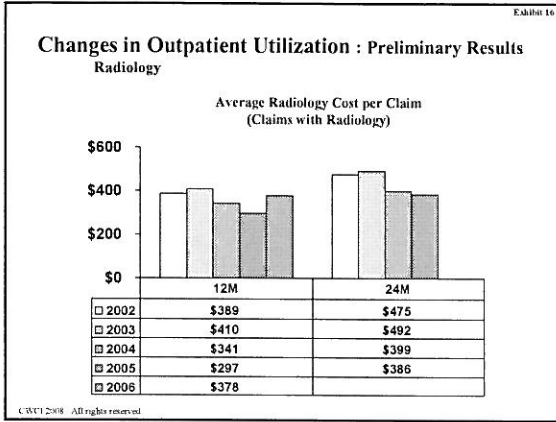
- Exhibit 11
- ### Medical Utilization
- Measure changes in
 - ✓ Inpatient admissions 2002 – 2006
 - ✓ Outpatient utilization from 2002 – 2007
 - Outpatient cost drivers: 7 fee schedule sections
 - ✓ E&M
 - ✓ Surgery
 - ✓ Radiology
 - ✓ Medicine
 - ✓ PT
 - ✓ Chiro
 - ✓ Special Services
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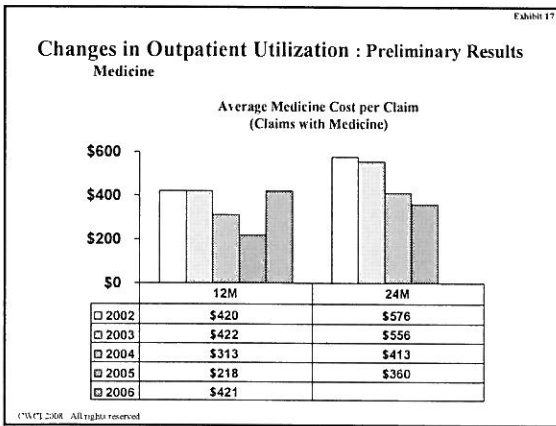


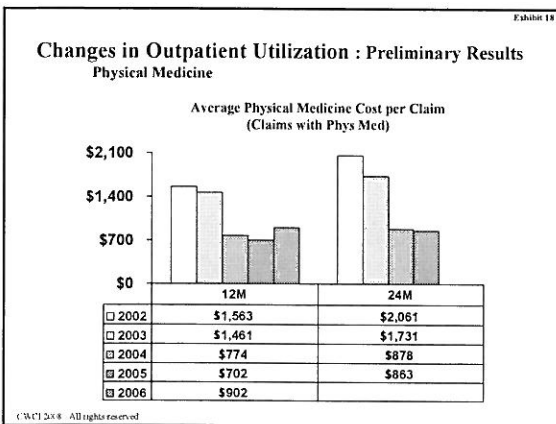


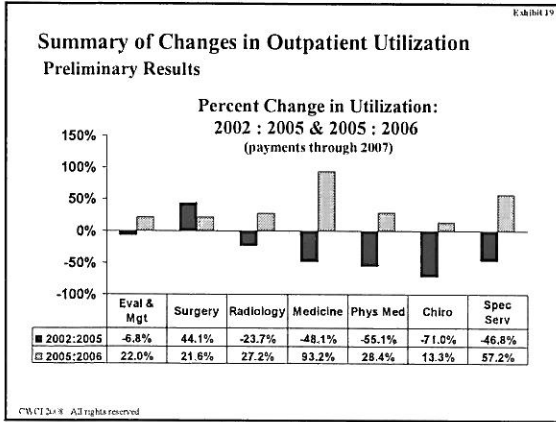










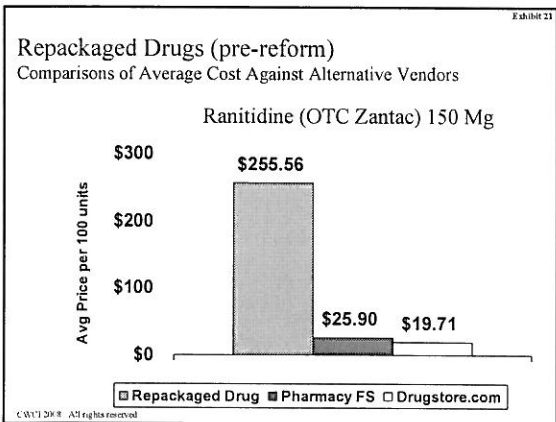


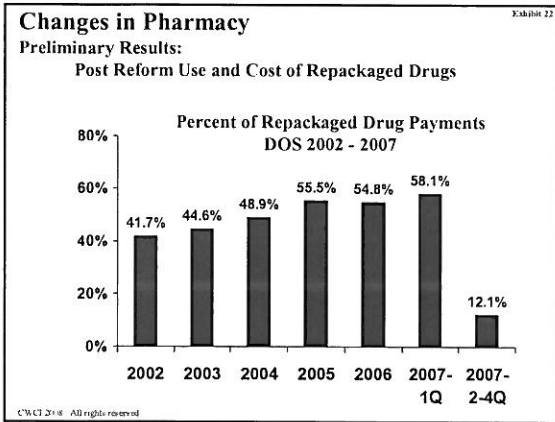
Pharmacy Payments

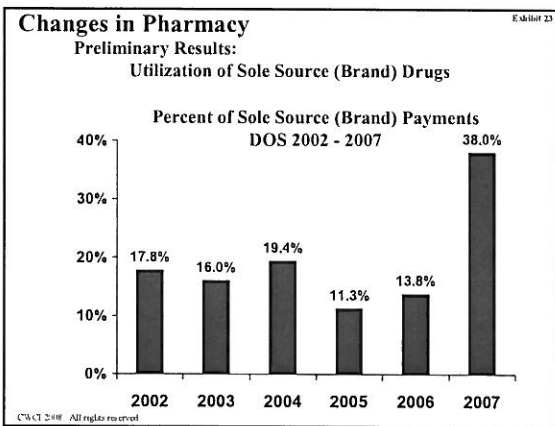
Repackaged Drugs (pre-reform)

- Exempt from MediCal fee schedule
- Reimbursement level reverts to prior FS
 - ➔ 110% of AWP for brand
 - ➔ 140% of AWP for generics
- Repackagers set AWP

Source: CWCI 2005
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MPN Network Outcomes Exhibit 24

Ongoing CWCI 2008 Study

Medical Networks: Physician and claim level analysis

- Pre- and post-reform differences
- Utilization of networks
- Network Links
- Cost & RTW outcomes
- Experience factor of providers
- Treatment comparisons to EBM

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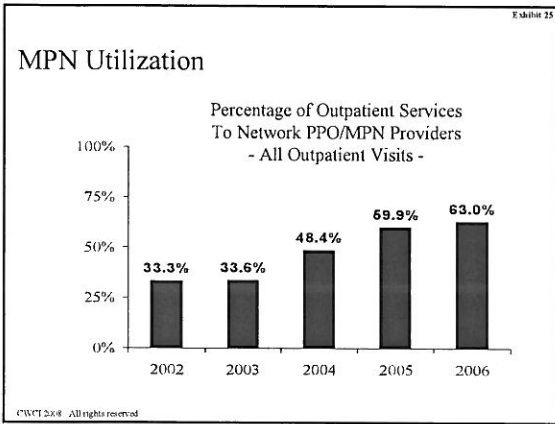


Exhibit 26

Medical Utilization

Summary of Preliminary Results

What happened?

Preliminary results show recent increases associated with intensity of outpatient medical services & sole source Rx

Why is this happening? Areas for additional study:

- Changes in injury-mix
- More complex/invasive/multiple surgeries
- More costly procedures & procedures per visit
- Components of MCC
 - UR
 - Bill Review
 - Medical Provider Network Access Fees

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Exhibit 27

Medical Utilization

Summary

- Areas for additional study (continued):
 - Increasing use and cost of Pharmaceuticals
 - Off-label use
 - Changing nature of repackaged drugs
 - Increased use of "brand" drugs
 - Biologicals / Compounds / Nutritionals
 - Psyche/Sleep/Sexual dysfunction & disorder studies
 - Effect of Multiple Guidelines
 - (ACOEM, Acupuncture, Pain Mgt)
 - Liens

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Exhibit 26

Additional Current and Emerging Issues for Payors

Current Issues

- Compliance with the 25 + post reform DWC regulations
- UR within statutory time lines
- Compliance with DWC and CDI data demands
Re-engineering systems and processes to implement EAMS
- New WCAB/Appellate Court cases (e.g. *Smith/Amar* and *Costa & Barr*)
- Medicare Secondary Payer issues

Emerging Issues

- PDRS/FEC challenge cases
- DWC pending adoption of MTUS on Chronic Pain Management and RBRVS physician reimbursement

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