

Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
June 22, 2021	9:00 AM	Webinar Teleconference	David M. Bellusci
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Released: August 3, 2021

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Liberty Mutual Group
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State Compensation Insurance Fund
AmTrust
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WCIRB

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David Bellusci
Laura Carstensen
Tony Milano
Dilan Sahin
Katrina Sonka
Serina Wu
Julia Zhang

The meeting of the Actuarial Committee was called to order at 9:00 AM following a reminder of applicable antitrust restrictions, with Mr. David Bellusci, Executive Vice President and Chief Actuary, presiding.

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Approval of Minutes

The Minutes of the meetings held on March 15, 2021 and April 16, 2021, were distributed to the Committee members in advance of the meeting for review. As there were no corrections to these Minutes, a motion was made, seconded and unanimously approved to adopt these Minutes as written.

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Item AC16-06-05

Update on Medical Severity Trends by Component

Staff presented an update to the WCIRB's medical severity trend analysis using medical transaction data through December 31, 2020. The update included a comparison of the severity trends before and after the COVID-19 pandemic started and excluded COVID-19 claims.

The Committee was advised that the total medical paid per claim increased by 4% in the pre-COVID-19 period (before March 15, 2020) and 10% in the pandemic period (March 15, 2020 to December 31, 2020). The increase in medical severity during the pandemic period was driven by increases in both paid per transaction and medical service utilization. Staff suggested that these results were at least in part due to shifts in claim mix in which indemnity claims that tend to be more severe and utilize more medical services declined at a significantly lower rate than did medical-only claims.

The Committee was advised of the following specific severity trends:

- *Physical Therapy*: Increases in the number of physical therapy visits per claim during the pandemic is similar to the increase during the pre-pandemic period in 2020. Together with the continued steady increase in the paid per transaction, physical therapy paid per claim increased by 10% in the pandemic period.
- *Telemedicine*: Use of telemedicine services per claim increased by more than 50-fold during the pandemic period.
- *Pharmaceuticals*: Pharmaceutical costs per claim continued to drop (-14%) in the pre-COVID-19 period, mostly driven by continuously steep declines in opioid costs (-42%). During the pandemic period, however, pharmaceutical costs per claim increased by 14%, mostly due to increased use of non-opioids.
- *Inpatient and Outpatient*: Utilization of inpatient services decreased during the pandemic period partly due to the shelter-in-place orders, while the paid per episode increased at a higher rate than during the pre-pandemic level, suggesting more intensive care needed during hospitalization. Higher paid per episode contributed to an increase in the paid per claim. Increased paid per claim for outpatient care after the pandemic started was mostly driven by higher levels of service utilization per claim.

Item AC17-12-02

Legislative Cost Monitoring Update – SB 1160 UR Provisions

Staff shared the updated cost impact analysis of the provisions of Senate Bill No. 1160 (SB 1160) related to utilization review (UR) that were effective January 1, 2018. The analysis was based on medical transaction information three years post reform through December 31, 2020. The Committee was reminded that the SB 1160 UR provisions exempt certain medical services provided in the first 30 days following the date of injury from prospective UR. Staff noted that accident year 2020 data was shown for informational purposes only as it was heavily affected by the COVID-19 pandemic and the patterns were mostly due to factors not related to the SB 1160 UR provisions.

Staff noted the following based on the two years after the SB 1160 UR provisions became effective:

- The number of physical therapy visits per claim increased in the first 30 days from the date of injury, while utilization of other types of medical services decreased during the same period.
- Physical therapy services were provided earlier. The median time from injury to first physical therapy in the first 30 days decreased by 17%, from 12 days for accident year 2017 claims to 10 days for accident year 2019 claims.
- There was less utilization of physical therapy services in the 5 months following the first 30 days.

Given this information, the Committee was advised that the updated evaluation showed no indication of the SB 1160 UR provisions significantly impacting the cost of medical services through 6 months from the date of injury, and the increased medical severity is driven mostly by regular fee schedule updates. Staff also noted that there is no indication of the UR provisions significantly impacting UR costs within two years of the reform implementation.

Item AC21-06-01

3/31/2021 Experience Review

Staff presented a summary of the analysis of statewide accident year experience evaluated as of March 31, 2021, which was included in the Agenda. It was noted that the projected loss ratio for policies incepting between September 1, 2021 and August 31, 2022 based on March 31, 2021 experience was consistent with the projection included in the September 1, 2021 Pure Premium Rate Filing which reflected December 31, 2020 experience. During the discussion, the Committee noted the following:

- Loss development projections based on March 31, 2021 experience were generally consistent with those based on December 31, 2020 experience, with paid development generally modestly increasing for earlier periods and modestly decreasing for more mature periods.
- Indemnity claim settlement rates continued to decelerate. Claim settlement rates for accident year 2018 at 39 months and accident year 2019 at 27 months are significantly below the comparable settlement rate for the prior year. The claim settlement rate for accident year 2020 (excluding COVID-19 claims) at 15 months is relatively similar to that for accident year 2019.
- The most recent projections of wage level changes based on the UCLA Anderson and California Department of Finance forecasts show a modestly higher average wage change projected for 2021 and a modestly lower change projected for 2022 compared to those based on earlier forecasts reflected in the September 1, 2021 Pure Premium Rate Filing. The Committee was reminded of the adjustments to the average wage change forecasts discussed at prior meetings and reflected in the September 1, 2021 Pure Premium Rate Filing. After reflecting the adjustments in the same manner as in the filing, the updated wage forecasts had an overall modest impact on the loss ratio projection.
- The indemnity claim frequency change for accident year 2020 (excluding COVID-19 claims) based on the preliminary measure of changes in indemnity claim counts at 15 months compared to changes in statewide employment levels showed a decrease generally consistent with that reflected in the September 1, 2021 Pure Premium Rate Filing. The indemnity claim frequency change for the first quarter of accident year 2021 (excluding COVID-19 claims) compared to the first quarter of 2020 shows a significant increase. Staff noted that when including COVID-19 claims, the indemnity claim frequency changes for 2020 and the first quarter of 2021 are significantly above the pre-pandemic level.
- Average on-level indemnity severities continue to show modest increases for accident years 2018 and 2019 and a more significant increase for 2020. The indicated increase for 2020 projected based on 15 months was somewhat lower than the increase projected based on 12 months experience. As discussed at prior meetings, the 2020 average indemnity claim severity is likely impacted by shifts in the wage distribution of injured workers and increases in temporary disability duration during the pandemic period.
- Average on-level medical severities show a moderate increase for accident year 2018 and modest decreases for 2019 and 2020. As discussed at prior meetings, the decrease for 2020 may be impacted by shifts in the distribution of injuries and delays or deferrals of medical treatment during the pandemic. Projected changes in accident year 2018 through 2020 average medical severities based on March 31, 2021 experience increased from those projected based on December 31, 2020 experience.

- After declining consistently for the last several years, paid ALAE development in the first quarter of 2021 increased. This is likely related to the recent decreases in claim settlement rates and claims activity beginning to increase after declining during the pandemic period.
- Paid and incurred development on COVID-19 claims from 12 to 15 months was higher compared to development on non-COVID-19 claims. Some of this difference is likely due to the winter surge in infections resulting in a significant number of accident year 2020 COVID-19 claims being filed in the first quarter of 2021.

Item AC21-06-02

Impact of High Deductible Health Plans

Staff shared the preliminary research findings on the potential impact of high deductible health plans in group health on claim frequency and utilization of medical services in the workers' compensation system. The research study was suggested by the Medical Analytics Working Group and is intended to examine if certain injuries on which there is often a question as to whether the injury was work-related may be treated in the workers' compensation system more often in the earlier part of the year than in the later part as workers with high deductible health plans often have not met their annual deductibles early in the year.

The Committee was advised that there were higher levels of utilization of major surgery and pharmaceuticals, especially brand name drugs, in the workers' compensation system in the first quarter compared to the fourth quarter, when workers have often met their deductibles. Staff found less evidence of this pattern among physical therapy utilization and frequency of soft tissue claims. In addition, the study included two control groups, fracture claims and emergency room visits, that would not typically be affected by the cost-sharing element of group health insurance. The Committee was advised that there was no evidence for any potential increased filing of claims in the workers' compensation system during periods in which group health deductibles are typically not exhausted among claims and services in the control groups.

Several Committee members suggested reviewing classification mix impacts and economic factors that may interact with the impact of high deductible health plans and assess if, in addition to frequency, there is any evidence of similar patterns on claim severity. A Committee member also suggested examining the types of services provided on soft tissue claims. Staff agreed to further explore these areas in future analyses. Lastly, the Committee was advised that the WCIRB has acquired a new group health dataset and plans to conduct more analyses on the impact of changes in group health on workers' compensation claim costs.

Item AC21-06-03
WCIRB Member Analytical Tools

Staff provided demonstrations of several new benchmarking analytical tools that have or will shortly become available to WCIRB Members. These analytical tools shown included several significant enhancements to WCIRB Inquiry, the WCIRB's new indemnity benchmarking reports based on indemnity transaction data and WCIRB ClassIntelsm.

The meeting was adjourned at 11:30 AM.

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the meeting scheduled for September 14, 2021 for approval and/or modification.