

California Workers' Compensation Aggregate Medical Payment Trends

4th Quarter 2013 Compared to 4th Quarter 2012

July 31, 2014

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Introduction

This report summarizes medical payment trends for the California insurance market in the fourth quarter of 2013 (4Q2013) compared to the fourth quarter of 2012 (4Q2012). The data, comprising approximately \$650 million in payments for each quarter, are generated from WCIRB's medical transaction database. These data have been collected from 44 California workers compensation insurer groups representing over 90% of the state's pure premiums since July 2012. (These data are based on the transaction dates as processed by insurers and their vendors, and do not include many medical costs reported on financial statements, such as medical costs associated with settlements).

The WCIRB aggregated this information according to four specific measures:

1. Type of Provider: Examples include physicians, physical therapists and pharmacists.
2. Place of Service: Examples include offices, hospitals, and ambulatory service centers.
3. Paid Procedures: This report includes payments to providers governed by the OMFS and Medical Legal Fee Schedule as well as payments governed by other schedules, such as those for pharmacy, supplies and hospital care.
4. Fastest Growing Procedures: This report compares the fastest growing procedures in 4Q2013 compared to 4Q2012, as well as to the third quarter of 2013 (3Q2013).

Payments by Type of Provider

Table 1 shows the distribution of payments across major provider types for 4Q2012 and 4Q2013. For both time periods, more than half of the payments went to physician specialists, surgeons, ASCs and hospital-based providers. The amounts paid to general practice and occupational health providers increased from 13% in 2012 to 18% in 2013. On a per transaction basis, payments ranged from \$127 per transaction in 4Q2012 to \$121 per transaction in 4Q2013. Both figures are consistent with the range of per transaction payments in the WCIRB data over the prior six quarters.

Given that the data captures services prior to 2014, it will be important to track whether payment trends change after the introduction of the Resource Based Relative Value Scale (RBRVS)-based fee schedule for services on or after January 1, 2014.

Table 1: Payments by Type of Provider, 4Q2012 and 4Q2013

	4Q2012		4Q2013	
	% of Paid	Avg. Paid Per Transaction	% of Paid	Avg. Paid Per Transaction
MD Specialist	18.4%	\$126	18.1%	\$120
Hospital-Based Provider	19.8%	\$560	17.1%	\$528
MD General Practitioner	10.0%	\$99	14.8%	\$100
Pharmacist	9.4%	\$130	10.0%	\$131
Surgeon	9.0%	\$141	8.3%	\$135
ASC Provider	6.4%	\$242	6.0%	\$160
DME Supplier	3.9%	\$223	3.0%	\$220
Physical Therapist	6.2%	\$43	6.1%	\$45
Psychologist/ Psychiatrist	2.9%	\$242	2.4%	\$214
Occ. Health Provider	3.1%	\$64	3.4%	\$70
Rehabilitation Provider	1.8%	\$120	1.8%	\$118
Chiropractor	2.2%	\$45	1.8%	\$46
Lab Testing Provider	1.3%	\$88	1.6%	\$69
Home Health Provider	1.1%	\$328	1.4%	\$333
Acupuncturist	0.5%	\$39	0.4%	\$39
Miscellaneous	4.0%	\$143	3.9%	\$177
Total	100%	\$127	100%	\$121

Payments by Place of Service

Table 2 shows the distribution payments for each quarter according to locations where services were delivered. Across both time periods, approximately half of the paid services were performed in offices, although that category may include a wide variety of procedures, including examinations, reports, physical medicine, some testing and pharmaceutical dispensing.

For both time periods, approximately one-third of the paid services were performed in hospitals or ASCs, which is comparable to the amounts paid to surgeons, hospital and ASC-based professionals displayed in Table 1.

**Table 2: Payments by Place of Service
4Q2012 and 4Q2013**

	4Q2012		4Q2013	
	% of Paid	Avg. Paid Per Transaction	% of Paid	Avg. Paid Per Transaction
Office	47.5%	\$81	51.4%	\$82
Inpatient Hospital	17.3%	\$1,305	14.6%	\$1,254
Pharmacy	9.7%	\$126	9.4%	\$127
Outpatient Hospital	6.9%	\$229	6.7%	\$202
Ambulatory Surgical Center	6.3%	\$641	5.8%	\$551
Home	3.9%	\$237	4.2%	\$246
Independent Lab	2.1%	\$80	2.0%	\$67
Emergency Room	0.8%	\$108	0.9%	\$111
Urgent Care Center	0.3%	\$111	0.4%	\$50
Others	5.1%	\$226	4.7%	\$447
Total	100%	\$126	100%	\$121

Payments by Type of Fee Schedule

Table 3 shows the distribution of payments across the two time periods according to the various payment fee schedules. The two fee schedules that govern physicians, OMFS and Medical Legal, accounted for 50% of the payments in each year.

Pharmacy payments increased from 12.8% of the total payments in 4Q2012 to 13.7% in 4Q2013. These figures are higher than the approximate average of 9.7% for both years on Pharmacists (Table 1) and Pharmacies (Table 2). This difference may be largely attributed to office-based dispensing. The other fee schedules comprise hospital and ASC payments, liens, supplies, and durable medical equipment (DME).

**Table 3: Paid Procedures Summary by Fee Schedule Type
4Q2012 and 4Q2013**

	4Q2012		4Q2013	
	% of Paid	Avg. Paid Per Transaction	% of Paid	Avg. Paid Per Transaction
OMFS	41.5%	\$72	41.6%	\$68
Medical Legal Fee Schedule	8.7%	\$1,404	8.9%	\$1,550
Pharmacy Fee Schedule	12.8%	\$104	13.7%	\$109
Other Fee Schedules	36.9%	\$420	35.8%	\$440
Total	100%	\$126	100%	\$120

Payments via the Official Medical Fee Schedule (OMFS)

Table 3A shows the distribution of payments under California's Official Medical Fee Schedule. The schedule is divided into 10 major procedure categories. The total share of payments governed by OMFS remained stable from 4Q2012 to 4Q2013 at 41.5%.

Although the total share of OMFS payments was flat from year to year, distributions of procedure categories shifted somewhat from 2012 to 2013. Surgery decreased from 8.8% of the total in 4Q2012 to 7.4% in 4Q2013. There were corresponding increases for Evaluation and Management, Pathology and Laboratory, Physical Medicine and Reports.

**Table 3A: Payments by OMFS Procedure Categories
4Q2012 and 4Q2013**

	4Q2012		4Q2013	
	% of Paid	Avg. Paid Per Transaction	% of Paid	Avg. Paid Per Transaction
Evaluation and Management	10.7%	\$89	11.3%	\$88
Surgery	8.8%	\$405	7.4%	\$349
Physical Medicine	5.6%	\$26	6.0%	\$26
Special Services and Reports	4.7%	\$49	4.9%	\$49
Radiology	5.0%	\$124	4.8%	\$115
Medicine	3.8%	\$105	3.7%	\$102
Pathology and Laboratory	1.8%	\$54	2.0%	\$56
Anesthesia	0.9%	\$349	0.8%	\$347
Acupuncture	0.1%	\$41	0.4%	\$57
Chiropractic	0.3%	\$32	0.3%	\$31
Other	0.0%	\$715	0.0%	\$557
OMFS - Total	41.5%	\$72	41.6%	\$68

Payments via the Medical/Legal Fee Schedule

Table 3B shows the distribution of the total payments under the Medical Legal Fee Schedule for 4Q2012 and 4Q2013. In each time period, two-thirds of these payments were spent on the most highly reimbursed Medical Legal procedure (ML104).

ML104 involves claims with four or more complexities and is reimbursed at a rate of over \$3,000 per report.

**Table 3B: Payments by Procedure — Medical Legal Fee Schedule
4Q2012 and 4Q2013**

	4Q2012		4Q2013	
	% of Paid	Avg. Paid Per Transaction	% of Paid	Avg. Paid Per Transaction
Medical Legal - 4+ Complexities	5.7%	\$2,956	5.9%	\$3,130
Medical Legal - 1-3 Complexities	1.8%	\$824	1.7%	\$832
Medical Legal - Testimony only	1.2%	\$691	1.3%	\$716
Medical Legal - Total	8.7%	\$1,509	8.9%	\$1,550

Payments via the Pharmacy Fee Schedule

Table 3C shows the distribution of total payments for each time period under the National Drug Code (NDC) pharmacy fee schedule. Approximately 27% of all pharmacy dollars are spent on opiates. The most potent Schedule II opiates (primarily Oxycontin and Fentanyl) represent 1.7% of total payments in 4Q2013, a slight drop from 4Q2012. The cost per prescription for these narcotics is more than four times higher than less potent opiates such as Percoset and Vicodin.

Similarly, for non-opiate drugs, the cost per prescription for Brand name drugs is more than four times higher than for Generics. Brand name drugs represent 40% of all pharmacy spend in for both 4Q2012 and 4Q2013.

**Table 3C: Payments by Procedure – NDC Pharmacy Fee Schedule
4Q2012 and 4Q2013**

	4Q2012		4Q2013	
	% of Paid	Avg. Paid Per Transaction	% of Paid	Avg. Paid Per Transaction
Opiates, Schedule II*	1.8%	\$290	1.7%	\$279
Opiates (Others)	2.0%	\$64	2.0%	\$68
All Opiates	3.8%	\$103	3.7%	\$105
Non-Opiates (Generic - Total)**	3.8%	\$58	4.3%	\$63
Non-Opiates (Brand - Total)	5.3%	\$246	5.7%	\$267
All Non-Opiates	9.0%	\$105	10.0%	\$111
Pharmacy Total	12.8%	\$104	13.7%	\$109

*Narcotics with high abuse potential and severe dependence liability

**Drugs with chemical equivalence to a brand drug

Payments via Other Fee Schedules

Table 3D shows the distribution of the approximately 36% of total payments under other fee schedules across the two time periods.

In both 4Q2012 and 4Q2013, the majority of these payments were to hospital services, either under the Diagnosis Related Groups (DRG) schedule for hospital inpatient care or revenue codes for hospital outpatient care.

Payments for medical liens comprise approximately 7% of the total dollars spent for both time periods, although these numbers may be somewhat low due to incomplete reporting.

Supplies and DME equipment (Healthcare Common Procedure Coding System codes) represent a similar portion of the total spending for both time periods

**Table 3D: Payments by Procedure - Other Fee Schedules
4Q2012 and 4Q2013**

	4Q2012		4Q2013	
	% of Paid	Avg. Paid Per Transaction	% of Paid	Avg. Paid Per Transaction
DRG - Inpatient Hospital*	12.5%	\$2,099	11.4%	\$2,082
Outpatient Hospital - Revenue Codes	9.2%	\$597	9.0%	\$506
Medical Liens	6.9%	\$657	7.4%	\$794
HCPCS - DME, Orthotics, Prosthetics	3.1%	\$242	2.6%	\$195
HCPCS - Home Health	1.3%	\$257	1.7%	\$278
HCPCS - Supplies	1.0%	\$52	0.9%	\$54
HCPCS - Transportation	1.1%	\$217	1.0%	\$246
HCPCS - Interpreters via Medicaid	0.4%	\$110	0.4%	\$102
HCPCS - Miscellaneous	1.0%	\$115	0.9%	\$88
Total HCPCS**	7.9%	\$143	7.6%	\$137
Dental	0.4%	\$455	0.4%	\$478
Total Other Schedules	36.9%	\$420	35.8%	\$404

*Diagnoses-Related Groups - used for inpatient hospital stays

**Health Care Common Procedure Schedule Codes

Fastest Growing Procedures

Tables 4A and 4B show the twenty fastest growing OMFS procedures in 4Q2013 compared to 3Q2013 (4A) and 4Q2012 compared to 4Q2013 (4B).

Payments for Office Visits for Established Patients (Code 99214) is the fastest growing procedure between 3Q2013 and 4Q2013 as well as between 4Q2012 and 4Q2013. This code is defined in the OMFS regulations as including a detailed history and examination for moderately complex medical decision- making.

Payments for Special Reports (Code 99080) is the second fastest growing procedure between 3Q2013 and 4Q2013 and the fourth fastest growing procedure between 4Q2012 and 4Q2013. This code is described in the OMFS regulations being a supplement to the Evaluation and Management service to describe a change in the patient's medical condition.

In addition, some codes may be smaller in total paid dollars, but are growing fast. Examples include Assays of Opiates (Code 83925) and Assays of Benzodiazapams (Valium or Xanax-Code 80154) which appear on reports from both time periods.

The method for calculating these findings are shown below.

Illustration for Tables 4A and 4B

Procedure	3Q2013 Paid	4Q2013 Paid	3Q2013 Share	4Q2013 Share	% Share Increase	Ranked Increase
A	\$150,000	\$300,000	3.82%	7.3%	3.47%	1
B	\$1,000,000	\$1,100,000	25.49%	26.76%	1.26%	2
C	\$80,000	\$105,000	2.04%	2.55%	0.51%	3
D	\$210,000	\$240,000	5.35%	5.84%	0.48%	4
E	\$300,000	\$320,000	7.65%	7.78%	0.14%	5

**4A. Fastest Growing Procedures
4Q2013 vs. 3Q2013 (OMFS ONLY)**

Growth Rank	Procedure Description	OMFS Code	% Paid In OMFS 4Q2013
1	Office Visit Established Patient (Evaluation & Management, Level 4)	99214	8.4%
2	Special Reports	99080	3.8%
3	Office Visit Established Patient (Evaluation & Management, Level 3)	99213	4.0%
4	Prolonged Evaluation and Management – Each 15 minutes	99358	2.4%
5	Assay of Opiates	83925	0.8%
6	Office Visit- New Patient (Evaluation & Management, Level 4)	99204	2.2%
7	Myofascial Release and Soft tissue mobilization	97250	4.4%
8	Required Reports	99081	1.6%
9	Prolonged Patient Treatment (1st hour)	99354	0.6%
10	Nerve Conduction Study, Each Nerve – Sensory Study	95904	1.4%
11	Nerve Conduction Study Each Nerve- Wave Study	95903	1.2%
12	Unlisted Physical Medicine Service/Procedure	97799	1.2%
13	MRI, Any Joint Lower Extremity	73721	1.2%
14	Supplies and Materials	99070	2.3%
15	Physical Medicine Treatment- Initial 30 Min; Therapeutic Exercise	97110	3.0%
16	Office Consultation, Level 5 Of 5	99245	1.1%
17	Assay Of Benzodiazepines	80154	0.2%
18	MRI- Spinal Canal & Contents Lumbar; Without Contrast	72148	1.5%
19	Office Visit E&M Established Patient,; Level 5/5	99215	2.5%
20	Unlisted Psychiatric Service or Procedure	90899	0.1%
Total % Paid - Top 20			43.7%

*Relative contribution of a specific procedure to overall increases in all procedures.

4B. Fastest Growing Procedures*
4Q2013 vs. 4Q2012 (OMFS Only)

Growth Rank	Procedure Descriptions	OMFS Code	% Paid in OMFS 4Q2013
1	Office Visit Established Patient (Evaluation & Management, Level 4)	99214	8.4%
2	Unlisted Physical Medicine Procedure	97799	1.2%
3	Prolonged Evaluation and Management – Each 15 minutes	99358	2.4%
4	Special Reports	99080	3.7%
5	Supplies and Materials	99070	2.3%
6	Office Visit, Established Patient (Evaluation and Management, Level 3)	99213	4.0%
7	Myofascial Release and Soft tissue mobilization	97250	4.4%
8	Office Visit- New Patient (Evaluation & Management Level 4)	99204	2.2%
9	Assay of Opiates	83925	0.8%
10	Prolonged Patient Treatment (1 st hour)	99354	0.6%
11	Physical Medicine – Initial 30 Minutes; Therapeutic Exercise	97110	3.0%
12	Unlisted Evaluation & Management Service	99499	0.7%
13	Required Reports	99081	1.6%
14	MRI Any Joint Upper Extremity	73221	1.8%
15	Column Chromotography Quantification	82542	0.2%
16	Unlisted Special Service, Procedure Or Report	99199	3.8%
17	Urinalysis Test Procedure	81099	0.1%
18	Assay Of Benzodiazepines	80154	0.2%
19	Unlisted Psychiatric Service Or Procedure	90899	0.1%
20	DNA/RNA Amplified Probe	87150	0.1%
Total % Paid - Top 20			41.4%

*Relative contribution of a specific procedure to overall increases in all procedures.

Report Summary

This report covers approximately \$1.3 billion in total medical payments made by more than 90% of the California workers compensation insurance market (by pure premium) for 4Q2012 and 4Q2013.

For both time periods, medical specialists, including surgeons, received almost half of the payments by Provider Type (Table 1). When the measure was Place of Service (Table 2), offices were the most frequent site, although this site could include many services, including examinations, physical medicine, testing and dispensing of pharmaceuticals.

Approximately half of the total payments for both time periods went to medical providers, that were covered either under the Official Medical Fee Schedule (OMFS) or the Medical Legal Fee Schedule (Table 3).

On a per transaction basis, payments ranged from \$127 per transaction in 4Q2012 to \$121 per transaction in 4Q2013. Both figures are within the range of per-transaction costs over the prior six quarters.

Total payments for pharmaceuticals increased from 12.8% of the total medical paid in the WCIRB's medical transaction data in 4Q2012 to 13.7 % in 4Q2013. Non-opiate brand name drugs increased the most, while opiates slightly decreased (Table 3C).

As shown in Table 3C, payments for pharmaceuticals in both time periods were approximately 3-4% more than the amounts spent on pharmacists (Table 1) or in Pharmacies (Table 2). Office-based physician dispensing may account for this difference.

As shown in Table 3D, payments for medical liens slightly increased in 4Q2013 compared to 4Q2012. The WCIRB will release its annual lien survey in 2014, which will illuminate these lien trends.

The fastest growing procedures for 4Q2013 compared to two earlier periods were Evaluation and Management for established patients and Special Reports (Tables 4A and 4B). Also, drug testing for Opiates and Benzodiazapams (Valium and Xanax) appeared as two of the fastest growing procedures for both time period comparisons.

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