Medical Analytics Working Group

Meeting Summary

To: Participants of the Medical Analytics Working Group
Date: August 27, 2018

RE: Summary of August 14, 2018 Meeting

Insurer Meeting Participants Were Reminded of the Antitrust Notice
As members of the Workers' Compensation Insurance Rating Bureau of California, you are bound, when involved in meetings or other activities of the WCIRB California, to limit your actions (and discussions other than social ones) to matters relating to the business of the WCIRB California. Matters that do not relate directly to WCIRB California business should be avoided. Members should particularly avoid discussions or conduct that could be construed as intended to affect competition (or access to markets). Thus, as members, you should not discuss or pursue the business interests of individual insurers or others, including, in particular, the plans of individual members involving, or the possibility or desirability of (a) raising, lowering, or stabilizing prices (premiums or commissions); (b) doing business or refusing to do business with particular, or classes of, insurers, reinsurers, agents, brokers, or insureds, or in particular locales; or (c) potential actions that would affect the availability of products or service either generally or in specific markets or locales.

Discussion Topics
At the meeting, the following topics were discussed:

1. Follow-up Analysis on Heavy Opioid Use in California Workers' Compensation
After the last Working Group meeting, staff shared a plan for a follow-up analysis on heavy opioid use with the Working Group and received helpful feedback. At this meeting, staff discussed the methodology and presented some preliminary findings of its follow-up analysis, which focuses on the early indicators of heavy opioid use and potential alternative treatments to heavy use of opioids. Staff noted that for purposes of the analysis, a claimant that used 50 Medical Morphine Equivalents (MME) or more per day for 30 days was identified as a "heavy opioid user". The Working Group agreed that the threshold was reasonable to identify those facing more adverse effects of using opioids, but suggested researching the most appropriate term to categorize this group (e.g., "users with extended high risk"). One member suggested examining how long it takes to become a heavy opioid user.

Regarding early indicators, staff noted heavy opioid users were more likely to use opioids for more than 30 days, and more likely to fill prescriptions of similar opioids from multiple sources. The Working Group suggested it would be more meaningful to identify the number of unique prescribers and examine if heavy opioid users obtained similar opioids from different prescribers. In addition, staff noted that heavy opioid users were more likely to be prescribed long-acting opioids.

Regarding potential alternatives to heavy use of opioids, staff summarized the patterns of reduced opioid use and co-prescribing of opioids and buprenorphine. The Working Group suggested a few additional alternatives to study, including addiction treatments, functional restoration programs, durable medical equipment, physical medicine treatments, and cognitive behavioral therapies. Staff

agreed to incorporate the Working Group's feedback and provide a draft of the analysis for the Working Group to review within the next few months.

2. Methodology for Developing Diagnostic Groups

Staff presented the methodology and a preliminary list of diagnostic groups developed with the intent to characterize the principal medical diagnosis for workers' compensation claims as they initially are treated within the system. Staff noted that the 26 diagnostic groups were developed using the International Classification of Diseases (ICD) information reported in the WCIRB's medical transaction data. The analysis started with ICD data within 30 days of the date of injury (DOI), and will extend to 60 days and 90 days from the DOI to assess the best timeframe to identify the principal diagnosis for each claim.

The Working Group suggested analyzing medical transaction data relative to the date of the first service, excluding medical transactions related to medical-legal (ML) services, examining ICD information related to pharmaceuticals, and grouping cumulative trauma claims separately. Staff also received input from the Working Group on creating groups for multiple injuries/diseases. Staff agreed to incorporate the Working Group's feedback and provide an updated list of the diagnostic groups for the Working Group to review within the next few months.

3. Update on the Medical Severity Trends by Component

Staff presented an updated analysis on the medical severity trends by medical component using medical transaction information through service year (SY) 2017. It was noted that the share of total medical payments for pharmaceuticals decreased by more than half from the second half of SY2012 to SY2017, while that of ML services increased by 2%. The relative share of other medical components experienced very modest changes. Staff noted that while the ML services share had increased since 2012, there recently had been a decline in the most complex and expensive services (ML104) and an increase in the most basic ML services (ML102), which has offset some of the increase in prior years.

Staff summarized the changes in inpatient costs at both the transaction and episode levels, and noted a continued reduction in transactions per claim from SY2015 to SY2017, while the paid per transaction increased. This was likely in part attributable to the changes to the fee schedule applicable to Ambulatory Surgery Centers (ASC) and a shift of minor inpatient procedures to outpatient settings, leaving more intensive (and more expensive) care to dominate the remaining inpatient procedures. Staff also summarized the changes in outpatient costs separately for the ASCs and Hospital outpatient departments. The patterns of costs and transactions of the two groups are very similar. A Working Group member suggested analyzing the pattern combining ASCs and the inpatient care to help assess whether there has been a service shift from inpatient settings to the ASCs.

On a cumulative basis, staff noted that the total medical payments per claim based on medical transaction data have declined by 16% from the second half of SY2012 to SY2017, which was largely attributable to the impact of SB 863, subsequent legislation and anti-fraud efforts. For physician services, staff noted a sharp increase in paid per transaction for Evaluation & Management, Physical Therapy and Other Medicine, and a large drop in payments per transaction for major Surgery, Radiology and Anesthesia services. It was noted that these changes were expected with the four-year transition to the resource-based relative value scale (RBRVS) schedule during this period. A Working Group member suggested grouping Physical Therapy, Acupuncture and Chiropractic services together under Physician Services when analyzing the costs per claim.

4. Potential Physical Medicine Study

The Working Group was advised that, as suggested by the Working Group in the prior meeting, staff anticipates conducting an in-depth analysis of physical medicine costs in early 2019. Staff shared the key research areas contemplated, including (1) the overall patterns of physical medicine treatments and costs by injury type, industry and geographic region, and (2) physical medicine treatments for soft tissue injuries, including access to care, types of treatment, management of care, and treatment outcomes. The Working Group suggested analyzing physical therapy treatments after an emergency room or physician office visits, differentiating cumulative trauma claims from other claims, and examining utilization of different modalities.

5. Potential Future WCIRB Medical Analytics Research

Staff shared with the Working Group potential additional Medical Analytics research topics for 2019, including the impact of the drug formulary, the impact of the 30-day rule regarding utilization review pursuant to Senate Bill No. 1160, an expanded analysis related to provider fraud and an analysis of "jumbo" claims.