

# WCIRB Actuarial Committee Meeting

Materials Presented at the WCIRB Actuarial Committee Meeting  
November 4, 2015

## Notice

The information provided in this presentation was developed by the Workers' Compensation Insurance Rating Bureau of California (WCIRB) solely for the purpose of discussion during this presentation. The WCIRB shall not be liable for any damages, of any kind, whether direct, indirect, incidental, punitive or consequential, arising from the use, inability to use, or reliance upon information provided in this presentation.

© 2015 Workers' Compensation Insurance Rating Bureau of California. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including, without limitation, photocopying and recording, or by any information storage or retrieval system without the prior written permission of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), unless such copying is expressly permitted by federal copyright law. No copyright is claimed in the text of statutes and regulations quoted within this work.

Workers' Compensation Insurance Rating Bureau of California, WCIRB, WCIRB California, WCIRB Online, X-Mod Direct, eSCAD and the WCIRB California logo (WCIRB Marks) are registered trademarks or service marks of the WCIRB. WCIRB Marks may not be displayed or used in any manner without the WCIRB's prior written permission. Any permitted copying of this work must maintain any and all trademarks and/or service marks on all copies.

To seek permission to use any of the WCIRB Marks or any copyrighted material, please contact the Workers' Compensation Insurance Rating Bureau of California at [customerservice@wcirb.com](mailto:customerservice@wcirb.com).

# SB 863 Cost Monitoring

WCIRB Actuarial Committee Meeting  
November 4, 2015

**Notice**

The information provided in this Presentation was developed by the Workers' Compensation Insurance Rating Bureau of California (WCIRB) solely for the purpose of discussion during this Presentation. The WCIRB shall not be liable for any damages, of any kind, whether direct, indirect, incidental, punitive or consequential, arising from the use, inability to use, or reliance upon information provided in this Presentation.

© 2015 Workers' Compensation Insurance Rating Bureau of California. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including, without limitation, photocopying and recording, or by any information storage or retrieval system without the prior written permission of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), unless such copying is expressly permitted by federal copyright law. No copyright is claimed in the text of statutes and regulations quoted within this work.

Workers' Compensation Insurance Rating Bureau of California, WCIRB, WCIRB California, WCIRB Online, X-Mod Direct, eSCAD and the WCIRB California logo (WCIRB Marks) are registered trademarks or service marks of the WCIRB. WCIRB Marks may not be displayed or used in any manner without the WCIRB's prior written permission. Any permitted copying of this work must maintain any and all trademarks and/or service marks on all copies.

To seek permission to use any of the WCIRB Marks or any copyrighted material, please contact the Workers' Compensation Insurance Rating Bureau of California, 1221 Broadway, Suite 900, Oakland, California 94612 at [customerservice@wcirb.com](mailto:customerservice@wcirb.com).

# WCIRB SB 863 Cost Monitoring

- Cost Monitoring Plan Submitted to CDI in March 2013
- Identifies Cost Components to Be Measured, Data Elements and Methodology, and Scheduled Timeframes
- Initial Retrospective Evaluation Released in October 2013
- 2015 Report to Be Released by Mid-November

## PD Benefits – WCIRB Prospective Estimate

- 2013 Changes to PD Benefits Estimated to Increase Costs by 0.3% (\$60M) (Incl. Frequency Impact)
  - Includes increases to weekly PD benefit min. & max., increase in burial allowance, and changes to SJDB benefits
  - Increase to PD minimums most significant component for 2013
- 2014 Changes to PD Maximums Estimated to Increase Costs by 3.1% (\$590M) (Incl. Freq. Impact)
- Estimates Based on WCIRB Legislative Evaluation Model
  - Model reviewed by Committee in 2013

## PD Benefits – Summary of Current Information

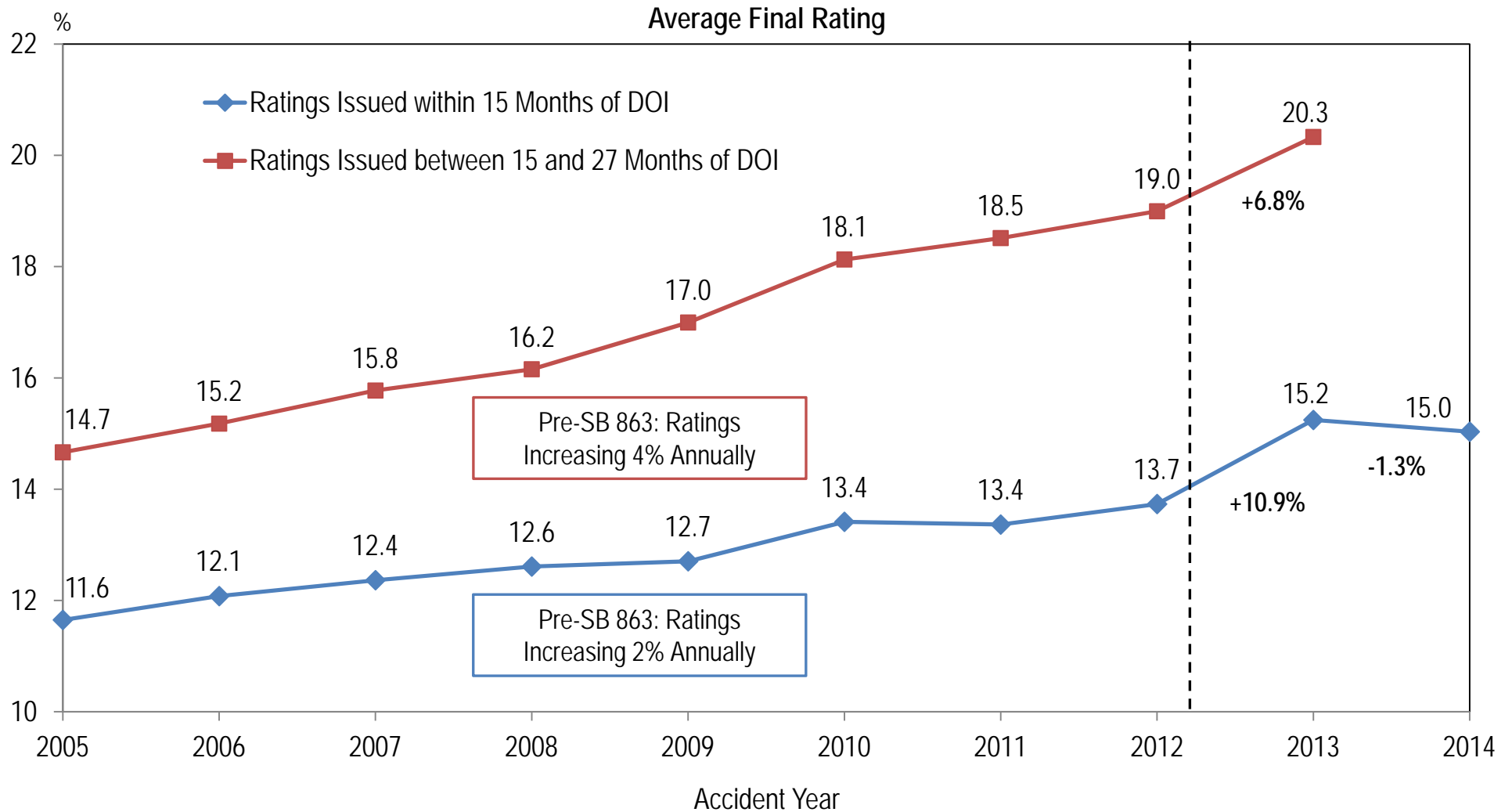
- Early PD Claims Available from USR Data for AYs 2013 & 2014
- Estimated PD Benefits Calculated Using Old (2012 & Prior) and New (2013 & 2014) Min. & Max.
  - Based on reported weekly wage and PD rating on USR
- Results were Generally Consistent with Prospective Estimates

## PD Ratings – WCIRB Prospective Estimate

- Replacement of FEC Factor with Uniform 1.40 Adjustment Estimated to Increase Costs by 2.7% (\$510M) (Incl. Freq. Impact)
- Elimination of PD Rating Add-ons Estimated to Decrease Costs by 0.8% (\$160M) (Incl. Freq. Impact)
  - 10% of psych add-ons assumed to remain as a result of catastrophic injuries or violent acts
- Estimates Based on Analysis of Final Ratings from DEU Data
- Combined Impact Estimated At 6% Increase in Average PD Rating
  - Does not reflect additional impact of eliminating Ogilvie (-1.1%; -\$210M impact on total costs)

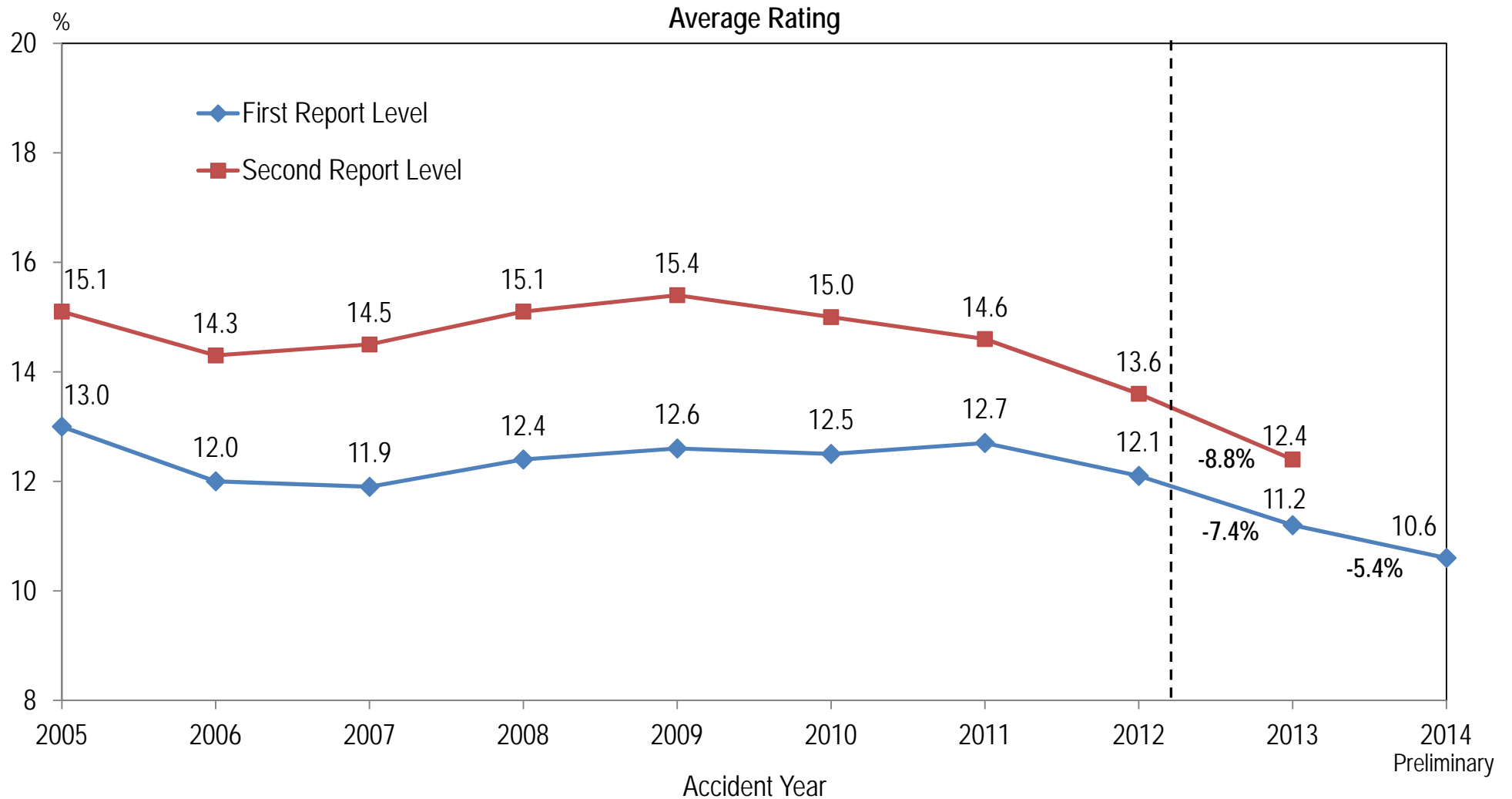


# Average PD Ratings Based on DEU Data



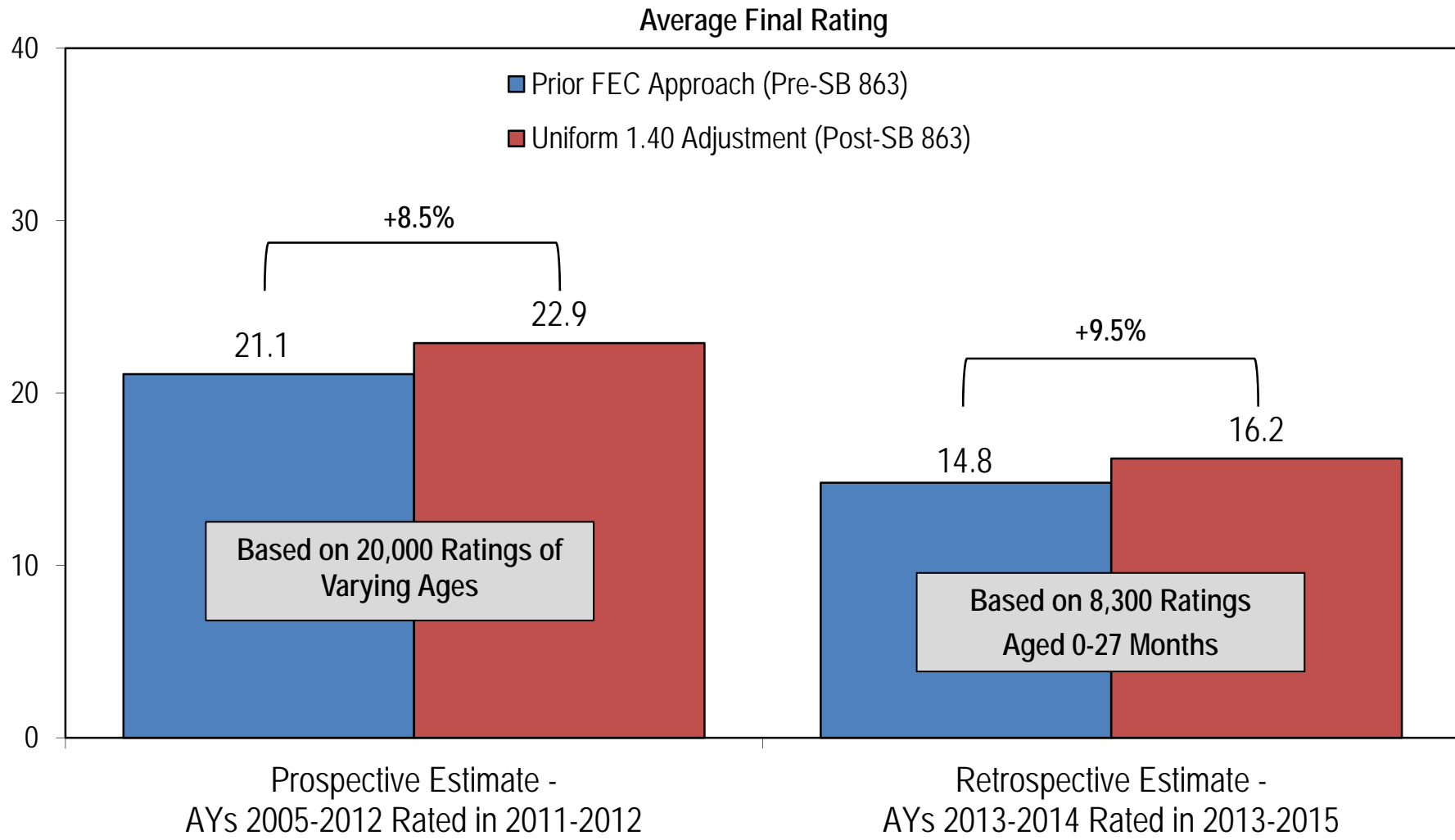
Source: Disability Evaluation Unit data.

# Average PD Ratings Based on USR Data



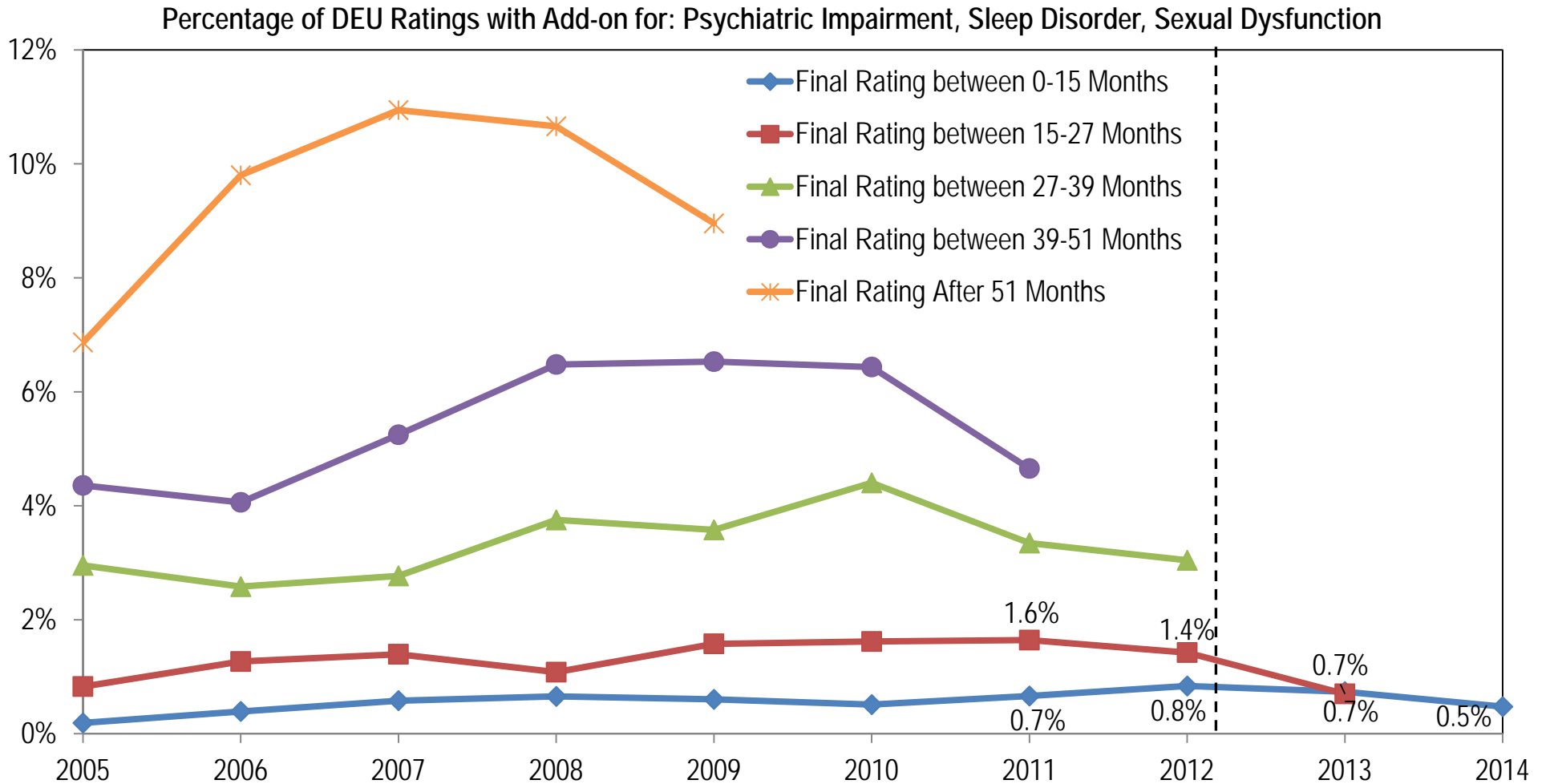
Source: WCIRB unit statistical data.

# Impact of Replacing FEC Adjustment



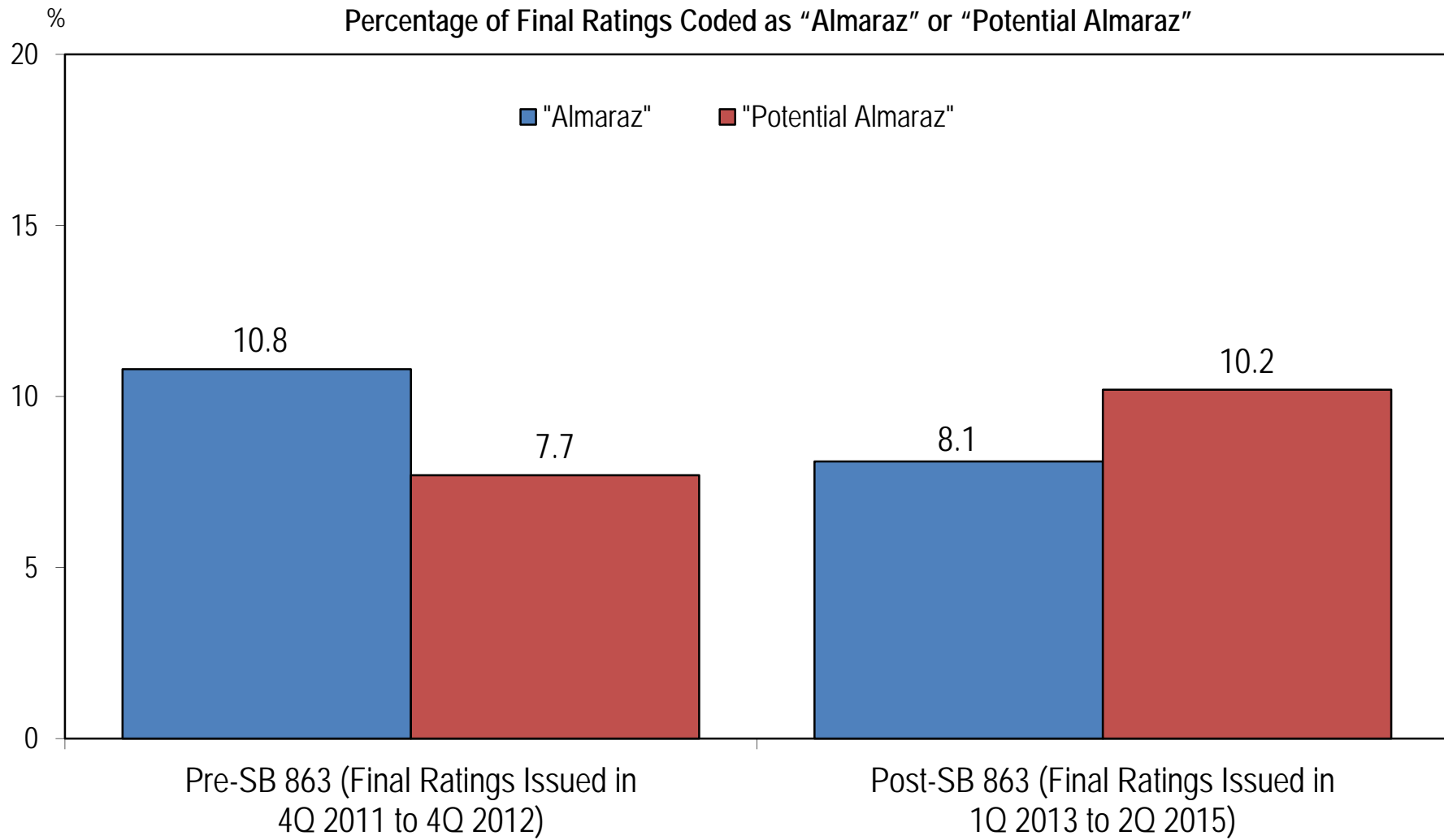
Source: Disability Evaluation Unit data.

# Prevalence of PD Add-ons Based on DEU Data



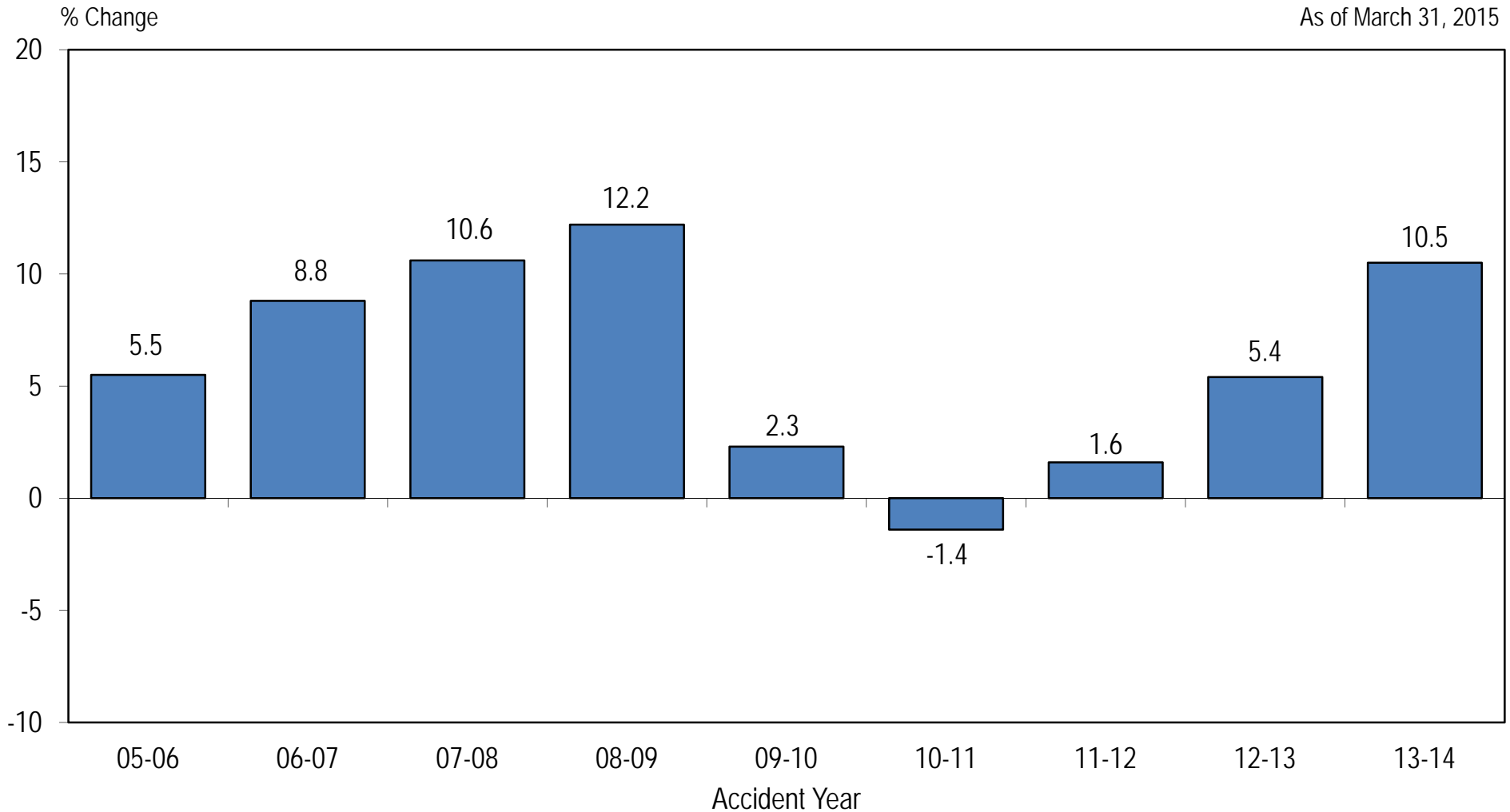
Source: Disability Evaluation Unit data.

# Prevalence of Almaraz/Guzman Adjustments Identified by DEU



Source: Disability Evaluation Unit data.

# Change in Ultimate ALAE Severity – Private Insurers



Source: WCIRB aggregate financial data

## PD Ratings – Summary of Current Information

- Early 2013 and 2014 PD Ratings from DEU Increasing Generally Consistent with Projections
- Early 2013 and 2014 PD Ratings from USR Data Declining
- Impact of FEC Changes Generally Consistent with Projections
- Add-ons Declining in Early 2013 and 2014 Ratings but Still Exist
  - Typically do not appear until much later
  - Prevalence declining in older accident year ratings
  - Add-ons (in total) increase 2013 & 2014 average final ratings by 0.3%
  - Prevalence in “new” add-ons not shifting dramatically in early 2013 and 2014 ratings (~1% of ratings)

## PD Ratings – Staff Recommendations

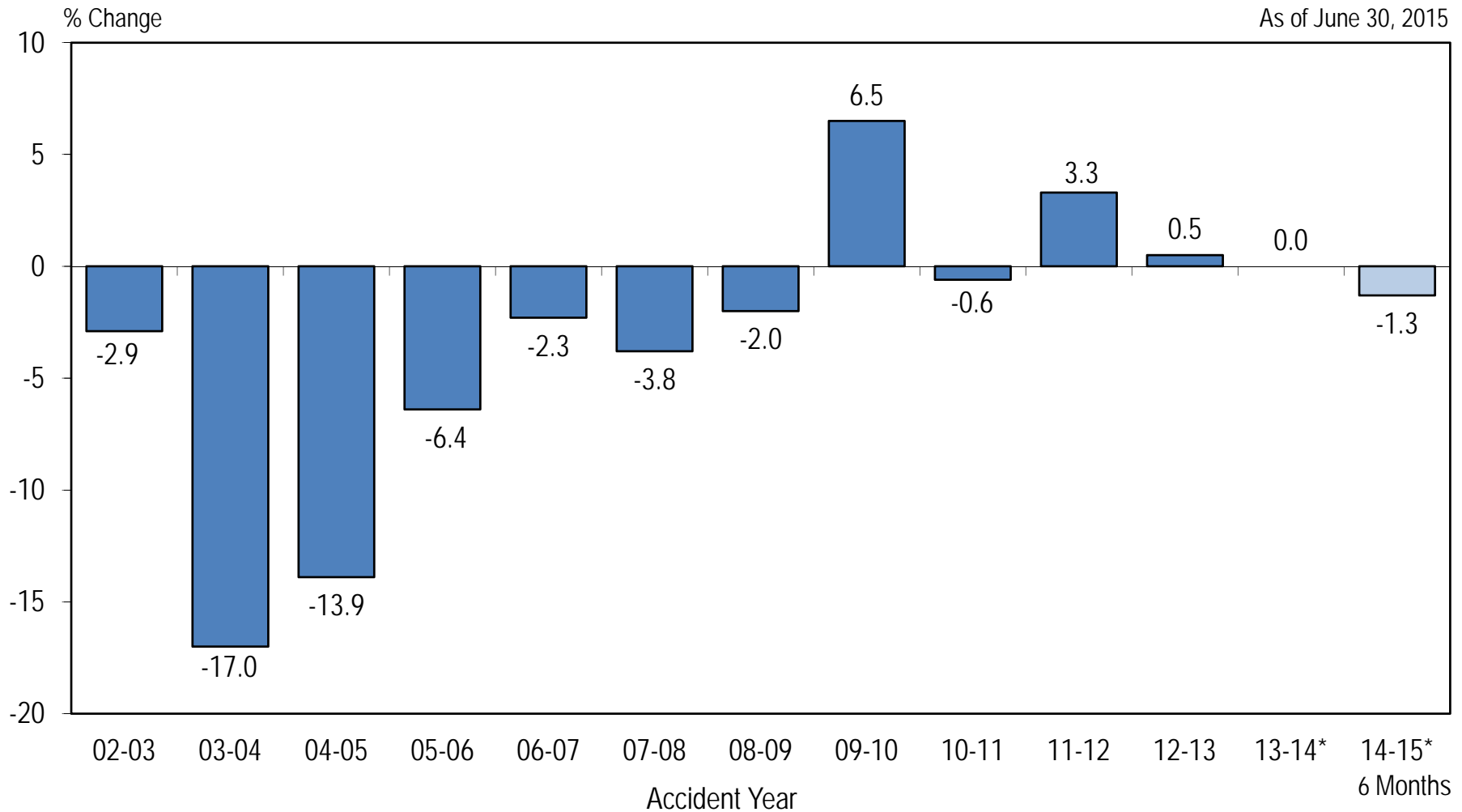
- Overall Impact of SB 863 on PD Still Uncertain Since Final PD Ratings Emerge Slowly
- However, Some Savings to ALAE Costs from Ogilvie Decision were Projected
  - ALAE severities up sharply in 2013 and 2014
  - Representation rates up on PD claims
- Staff Recommendation: Eliminate Frictional Cost Savings from Ogilvie Decision; Reduces Savings by \$80M



## Indemnity Claim Frequency – WCIRB Prospective Estimate

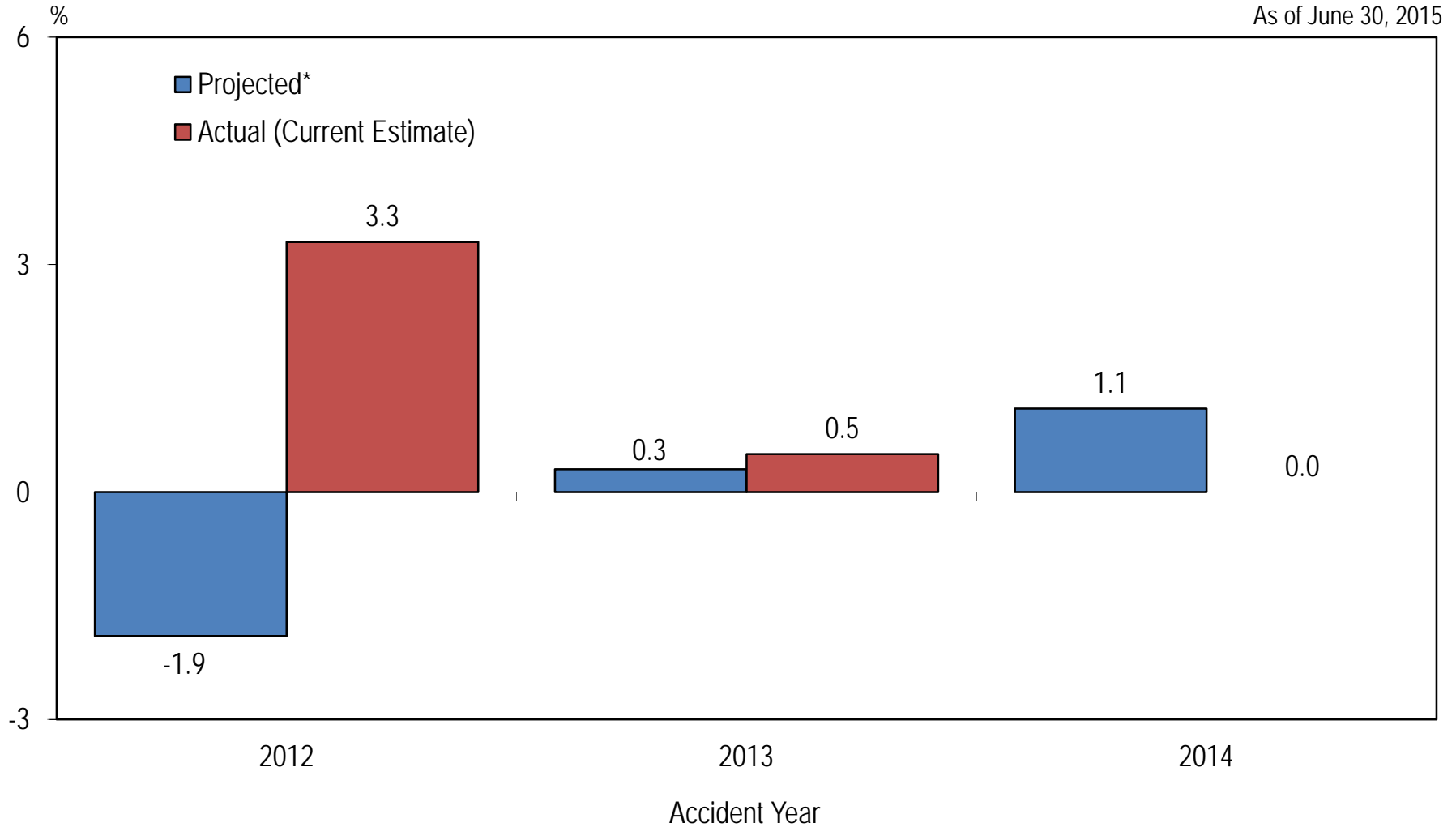
- Total SB 863 Impact (Including 2014 PD Benefit Increases) on Frequency Estimated to Increase Costs by 1.1% (\$200M)
- Assumed Frequency Changes Approx. 0.2% for Every 1% Change in Indemnity Benefits

# Estimated Change in Indemnity Claim Frequency



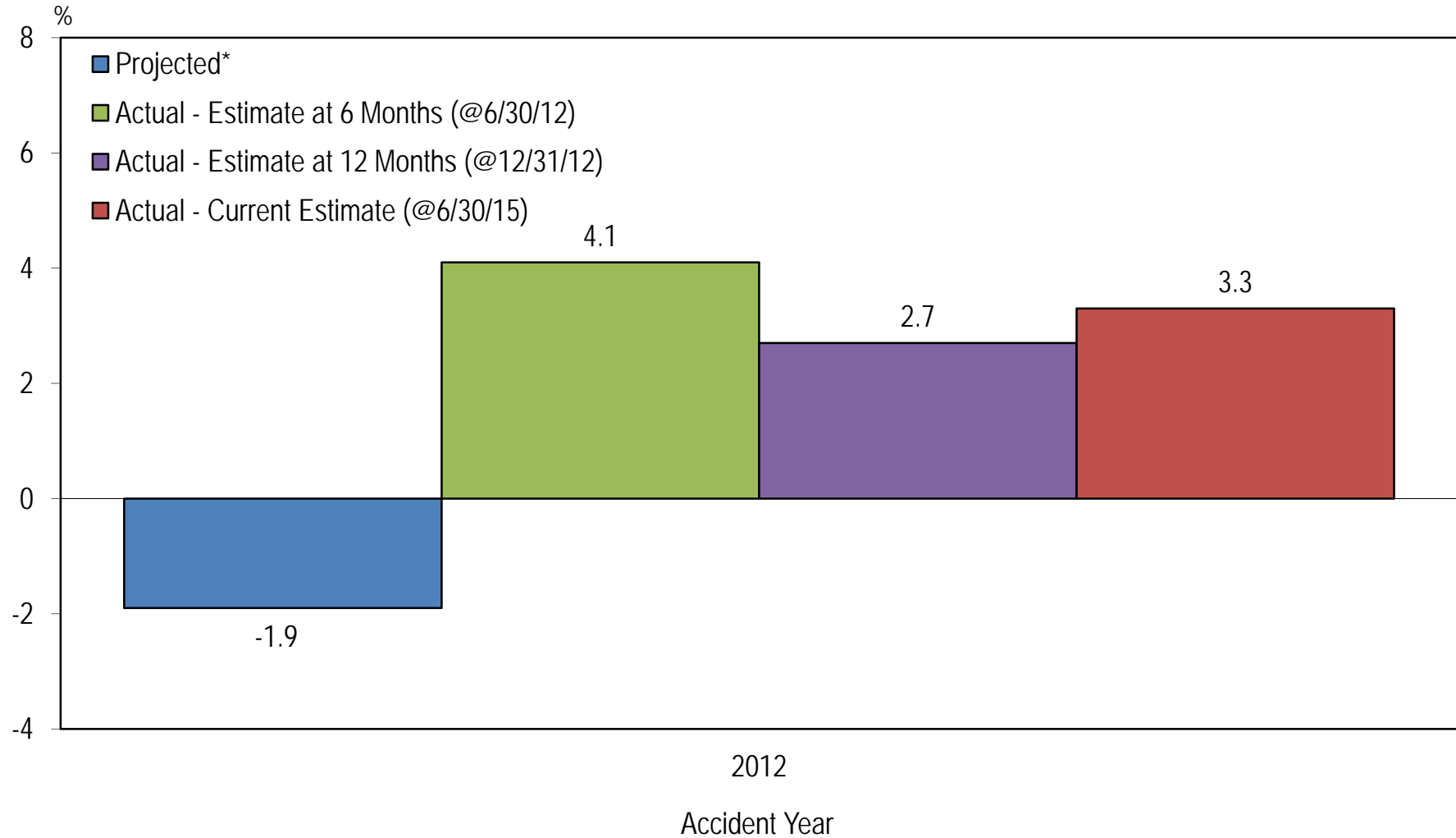
\*Based on changes in reported aggregate indemnity claim counts compared to changes in statewide employment. All other estimates based on unit statistical indemnity claims compared to reported insured payroll.

# Estimated Change in Indemnity Claim Frequency Projected vs. Actual



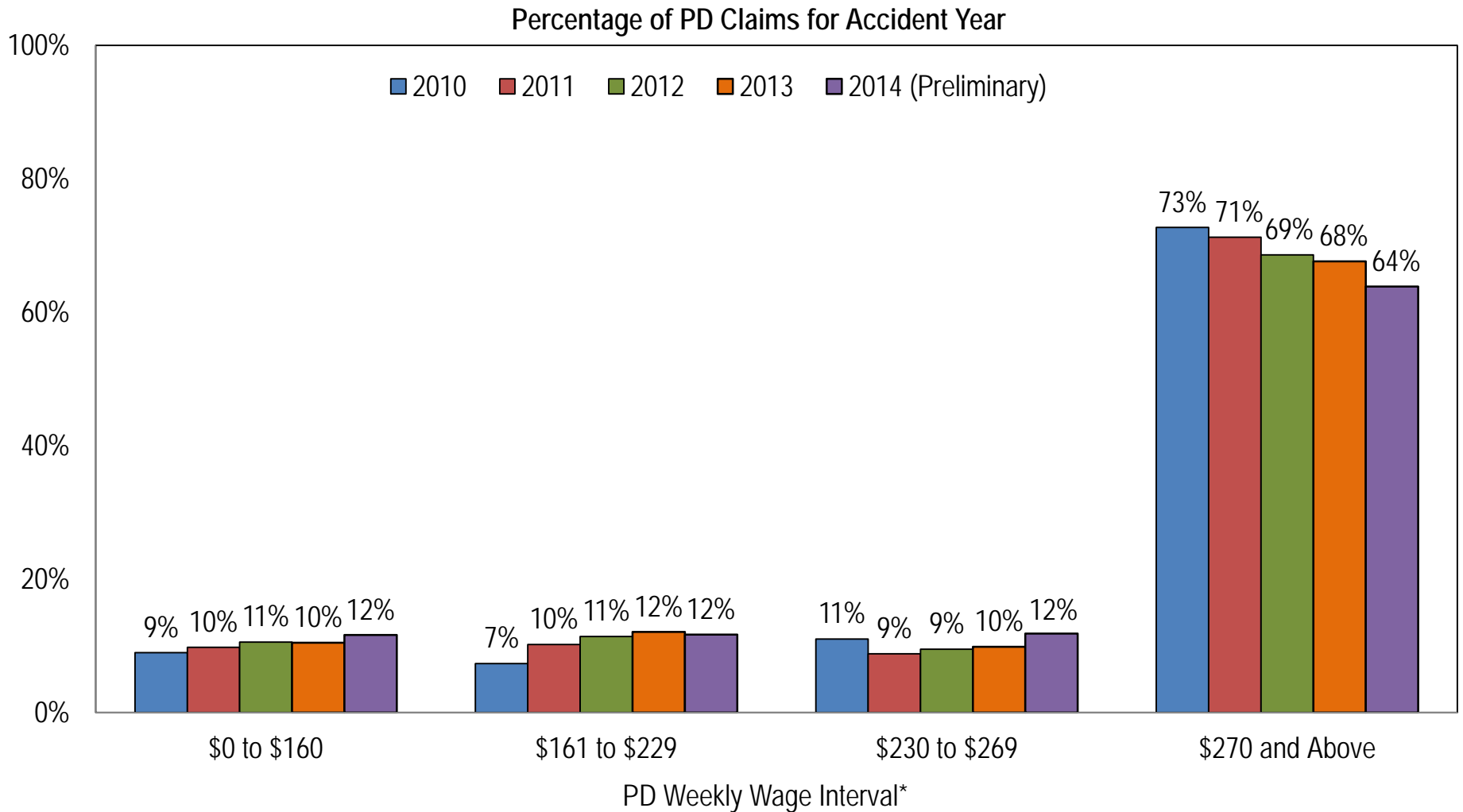
\*Based on the WCIRB's indemnity claim frequency model. Frequency changes also include the projected impact of shifts in classification mix.

# Accident Year 2012 Indemnity Claim Frequency Change



\*Based on the WCIRB's indemnity claim frequency model. Frequency changes also include the projected impact of shifts in classification mix.

# Distribution of PD Claims by Average Weekly Wage Interval



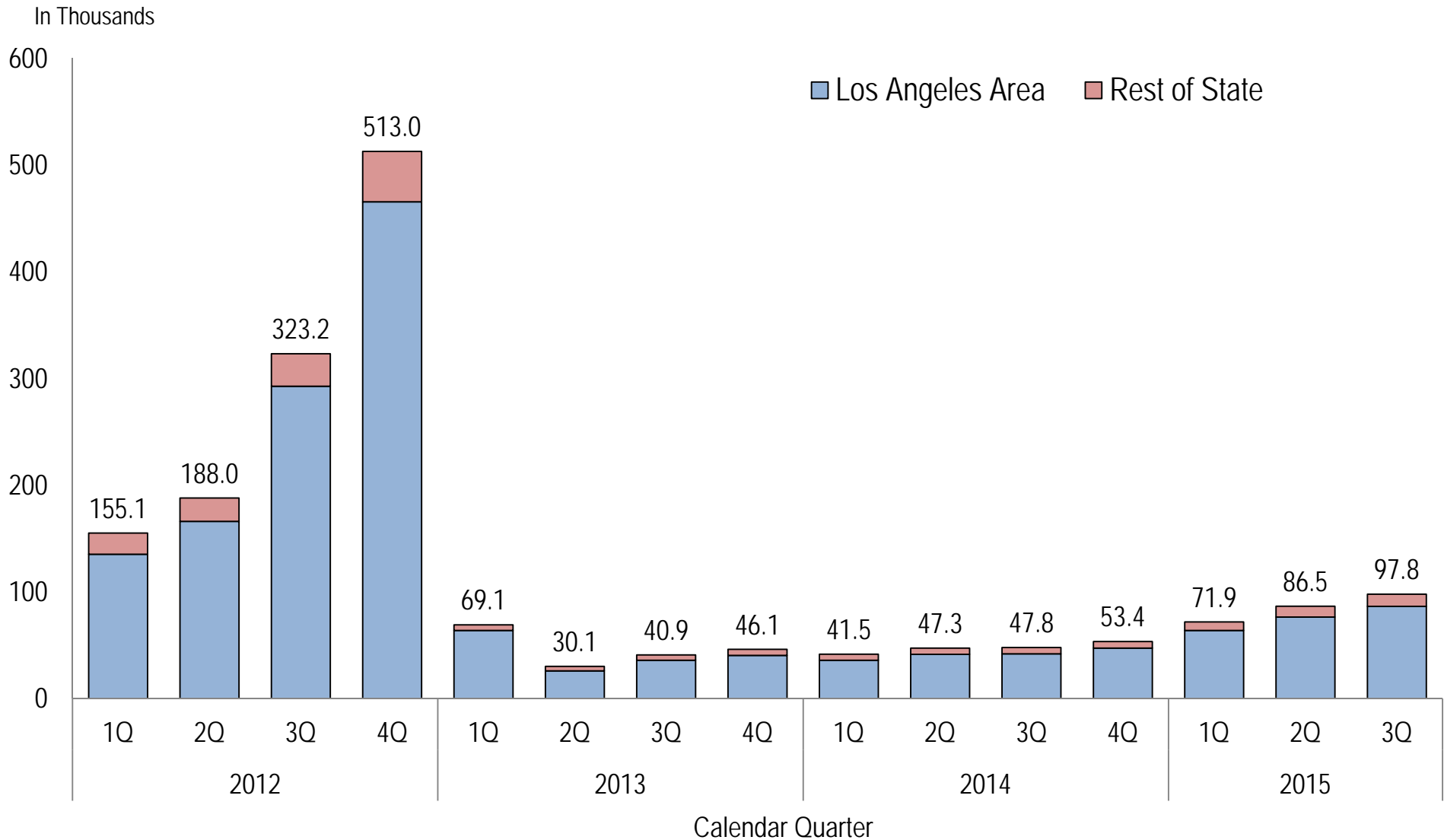
\*Average wages are adjusted to a 2014 level. PD weekly wage is 2/3 of the average weekly wage.

Source: WCIRB unit statistical data.

## Liens – WCIRB Prospective & Updated Estimates

- Total Impact of SB 863 Lien Provisions Estimated to Decrease Costs by 2.5% (\$480M)
- Assumed 260,000 Liens (41%) Eliminated by Filing Fee and Statute of Limitations
- Relatively Smaller Liens Impacted
- Significant Savings in Administrative Costs
- Updated for 1/1/15 Filing: Increase Liens Eliminated to 60%; Increased Savings by \$210M

# Quarterly Number of Liens Filed



Source: EAMS Liens Data

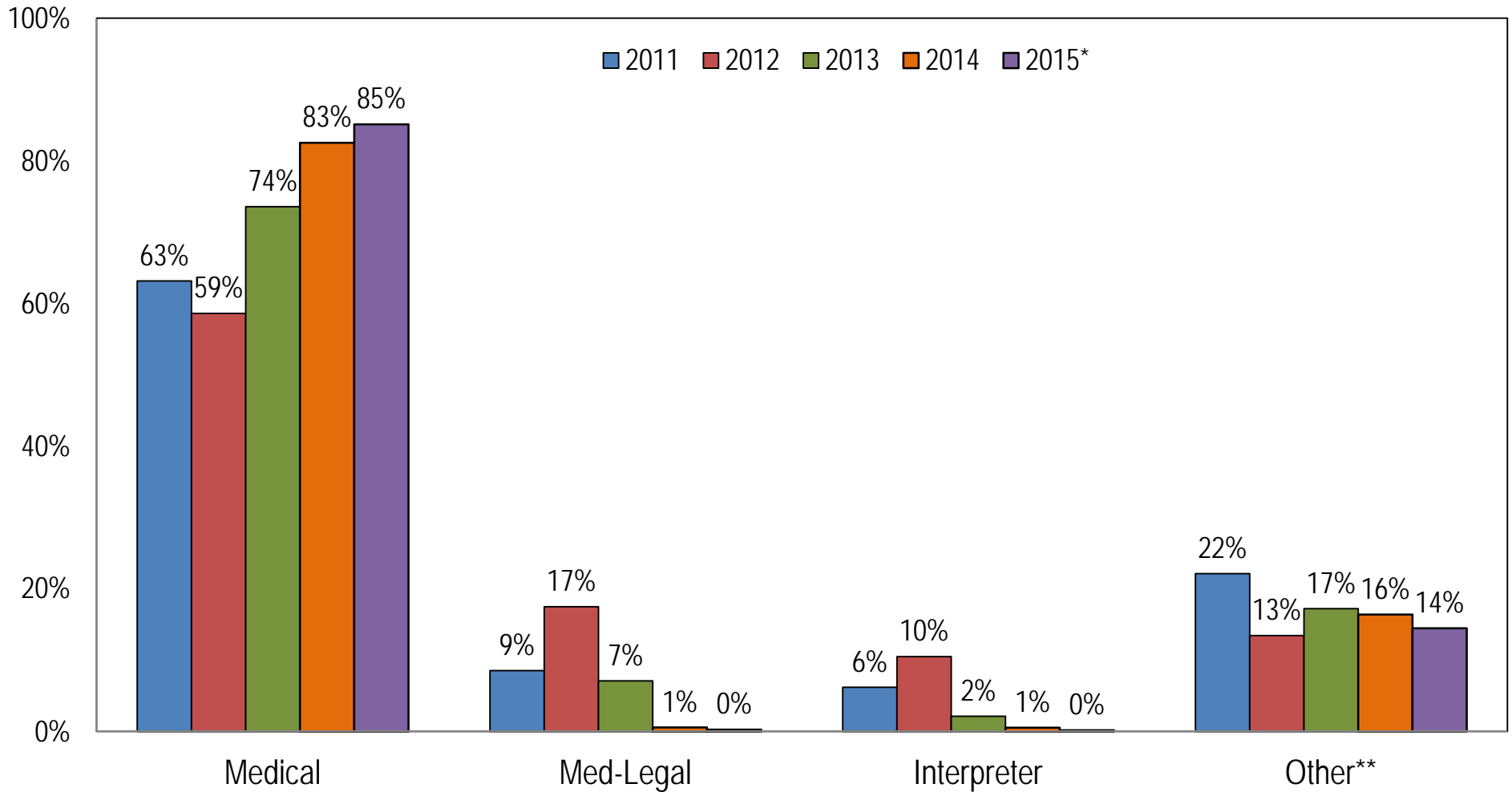
# Number of Liens Filed

Calendar Year	Number of Liens (in Thousands)	Annual Change	Change from 2011
2011	463.9	---	---
2012	1,179.3	+154%	+154%
2013	186.2	-84%	-60%
2014	190.1	+2%	-59%
2015 (proj. from first three quarters)	341.6	+80%	-26%
2015 (proj. from third quarter)	391.2	+106%	-16%

Source: EAMS Liens Data



# Distribution of Liens Filed by Type



\*Based on the first 3 quarters.

\*\*Other includes Attorney Fees, Family Support, Living Expense, PFL, Transport, Wage Replacement, Copy Service

Source: EAMS Liens Data

## Liens – Summary of Current Information

- Volume of Liens Reduced by 60% in 2013 & 2014 Compared to 41% Projected
- However, Volume of Liens Increasing in 2015 in Each Quarter
  - Potentially a result of 18-month statute of limitations
  - Annualized 2015 counts range from 16% to 26% less than 2011 level
  - Not anticipated to decline back to 2013 & 2014 levels since 18-month statute in place for all liens going forward
- Size of Liens Impacted (Based on Prior Surveys) Generally Comparable to Prospective Estimates
- Staff Recommendation: Replace 60% Reduction in Liens to 20%; Reduces Savings by \$460M

## Surgical Implant Hardware – WCIRB Prospective Estimate

- Elimination of Separate Reimbursements for Implantable Hardware Estimated to Decrease Costs by 0.6% (\$110M)
- Estimate Based on CWCI Study of Multiple Reimbursements
  - Duplicate payments added \$20,000 to each procedure

## Surgical Implant DRGs Targeted by SB 863

- Duplicate payments for surgical implant equipment were eliminated effective January 1, 2013

	Dec 31, 2012 and earlier	January 1, 2013 and later
Hospital Episodes*	361	486
Total Paid**	\$34.2M	\$33.1M
Paid Per Episode	\$94,722	\$68,065 (-28%)

\* Hospital Admissions including one of the 7 Diagnostic Related Groups (DRGs) targeted by SB 863.

\*\* Paid Amounts on Bills for the Specific DRG admission, including Hospital Revenue Codes

Source: WCIRB Medical Data Call

## Surgical Implant Hardware – Summary of Current Information

- Average Cost per Episode Reduced by Over \$25,000 Rather than \$20,000 Projected
- Number of Procedures Consistent with Pre-SB 863 Levels
- Staff Recommendation: Increase Savings by 25% (~\$30M) to Reflect Lower Severities for these Procedures

# Ambulatory Surgical Center Fees – WCIRB Prospective Estimate

- Changes to ASC Fees Estimated to Decrease Costs by 0.4% (\$80M)
- Some ASC Fees Reimbursed Under Contract Levels Below Current Fee Schedule
- Assumed Reduction in ASC Facility Fees of 25%
  - Approximate average of savings if all fees are impacted (33%) and if no contract fees are impacted (20%)
- Assumed No Shift of Procedures from ASCs to Outpatient Hospitals as a Result of SB 863

# ASC and Outpatient Hospital Episodes from WCIRB MDC Data

*Did this change shift surgeries to Outpatient Hospital settings, which were not subject to payment restrictions?*

	Service Year 2012	Service Years 2013-2015
ASC Episodes	22,517	66,999
Total ASC Paid	\$44.4M	\$100.9M
Paid Per Episode	\$1,973	\$1,507 (-24%)
Hospital Outpatient Episodes	5,635 (20% of ASC + Hospital OP Episodes)	15,304 (19% of ASC + Hospital OP Episodes)
Total Hospital OP Paid	\$14.0M (24% of ASC + Hospital OP Paid)	\$42.0M (29% of ASC + Hospital OP Paid)
Paid Per Episode	\$2,483	\$2,746 (+11%)

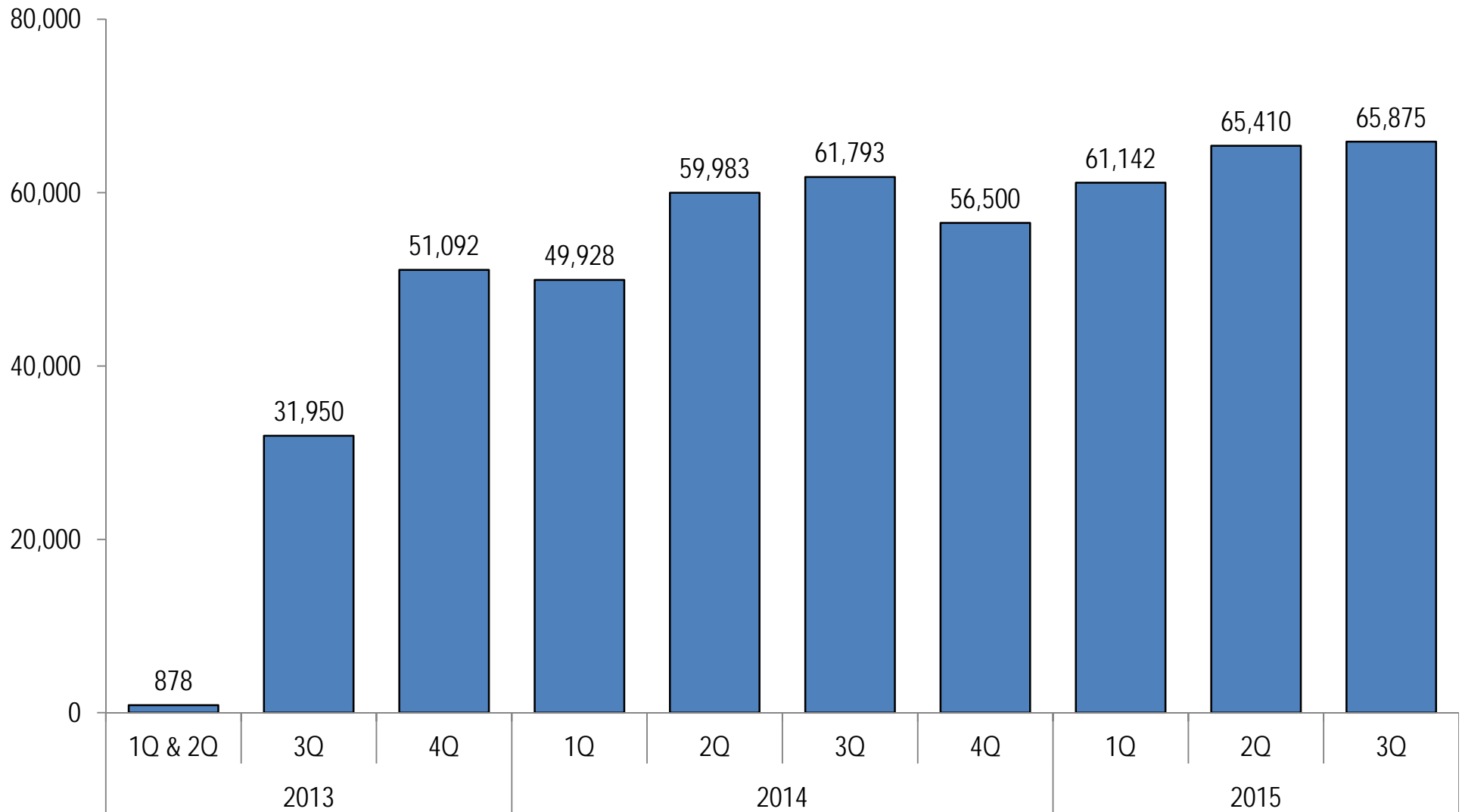
Source: WCIRB Medical Data Call

# Independent Medical Review – WCIRB Prospective & Updated Estimates

- Total Quantifiable Impact of SB 863 IMR Provisions Estimated to Decrease Costs by 2.1% (\$390M)
- IMR Frictional Cost Saving Assumptions
  - 30,000 medical liens for UR disputes replaced by IMR reports
  - 21,000 QMEs for medical treatment replaced by IMR reports
  - 9,000 expedited hearings eliminated
- Reduction in Delays for Medical Treatment Assumed to Reduce TD Duration by 4%
- Reduced Litigation Related to Medical Treatment Assumed to Reduce ALAE Costs by 2.4%
- No Estimate for IMR Impact on Medical Treatment Levels Provided
- Updated for 1/1/15 Filing: Savings for Frictional/Litigation Costs Eliminated (\$180M)

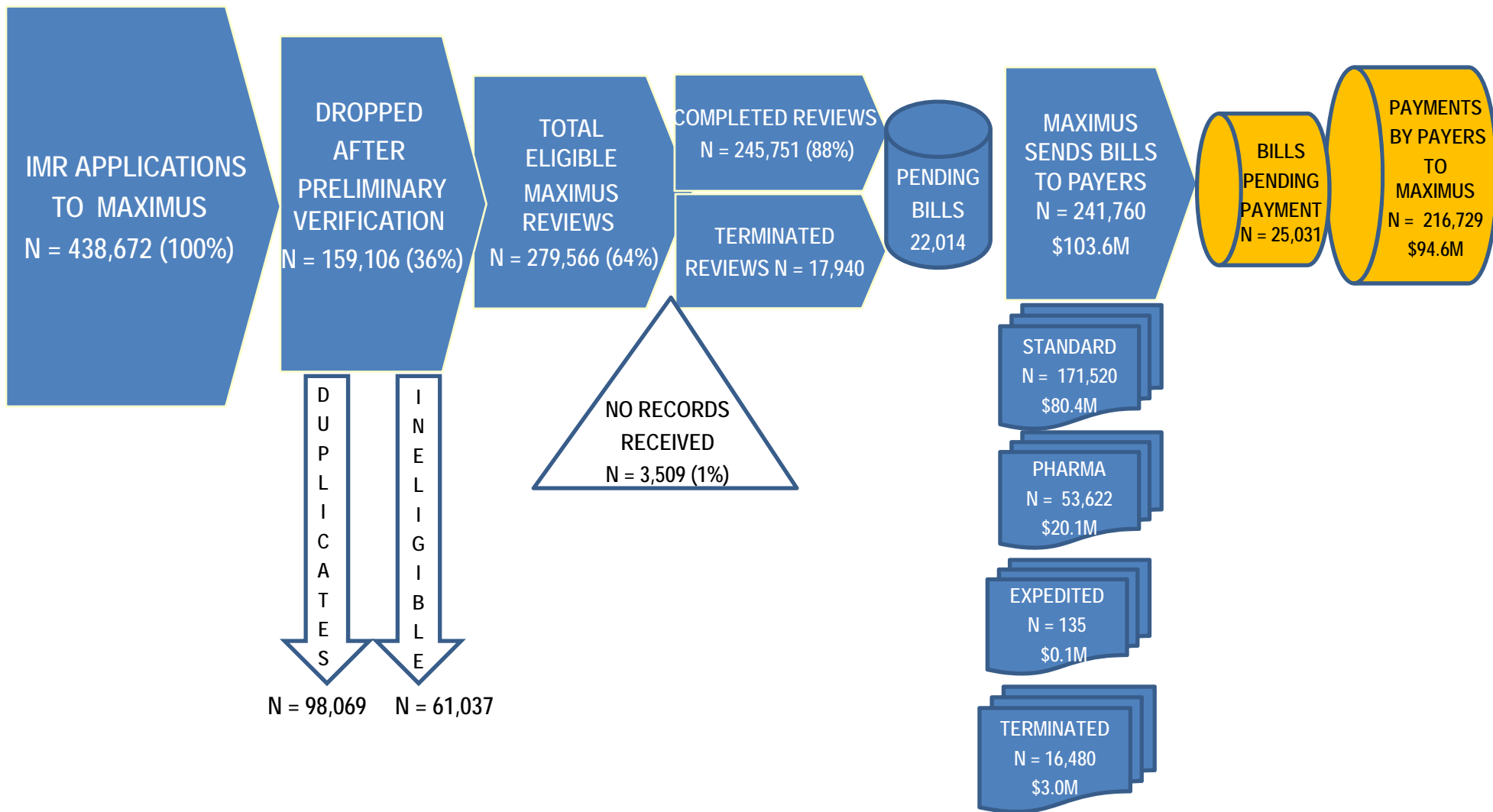


# Number of IMR Requests by Quarter



Source: DWC from IMR vendor. Includes duplicates and ineligible requests.

# IMR Process Flow – All Applications As of 6/30/2015



Source: DWC from IMR vendor.

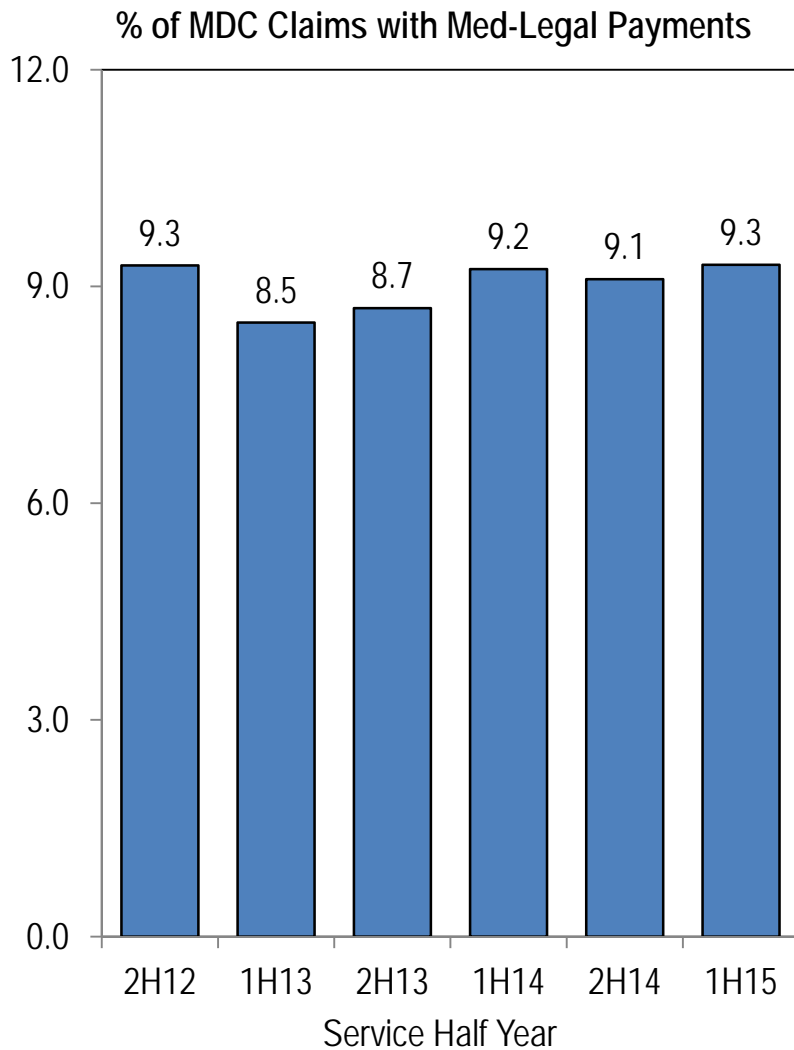
# IMR Requests – Cost of IMRs

Application Year	Total Requests (A)	Eligible Requests (B)	Paid IMRs (C)	Total Paid (D)	Avg. Paid per IMR (E) = (D) / (C)	Total Incurred (F) = (E) x (B)
Prospective Estimate (CY)	51,000	51,000	---	---	\$500	\$25.5M
2013*	83,921	52,563	48,172	\$24.7M	\$514	\$27.0M
2014	228,204	142,703	132,800	\$56.7M	\$427	\$61.0M
2015 (2Qs)	126,547	84,300	35,757	\$13.1M	\$367	\$31.0M
2015 (Proj.)	253,094	168,600	---	---	\$367	\$62.0M

\*IMR did not go into effect for all open claims until 7/1/2013.

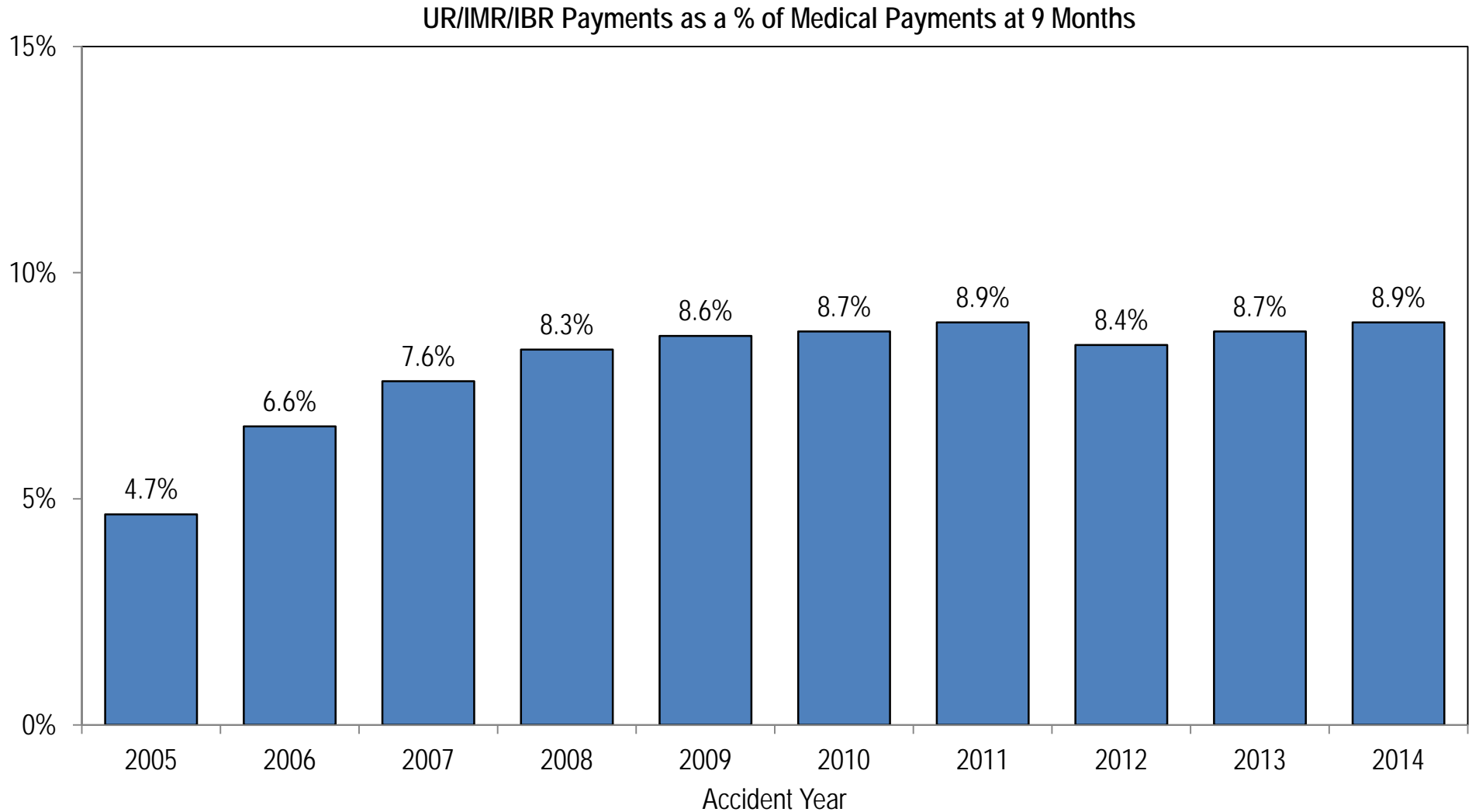
Source: DWC from IMR vendor.

# Medical-Legal Costs Based on WCIRB MDC Data



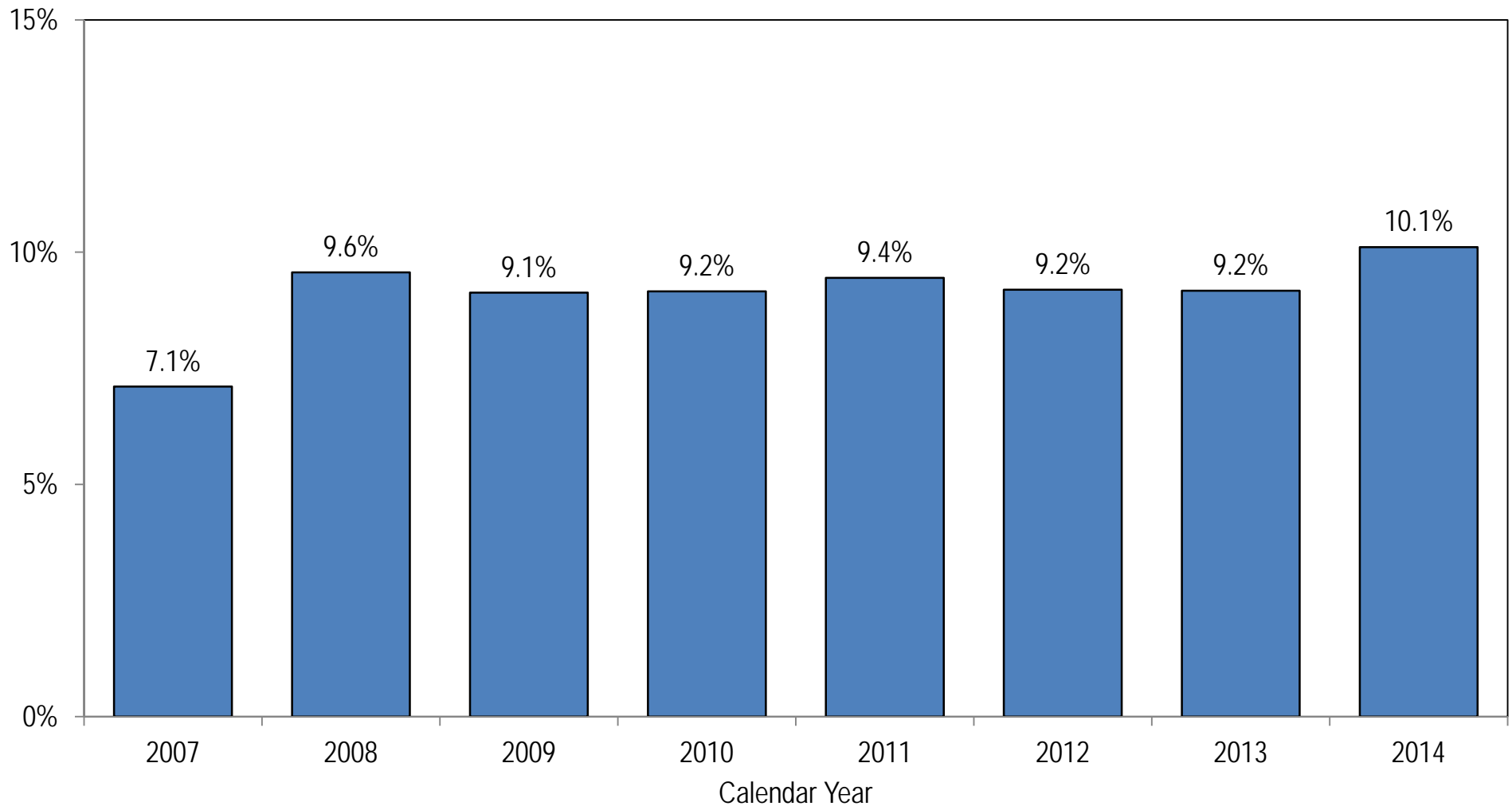
Source: WCIRB Medical Data Call

# Payments for Utilization Review



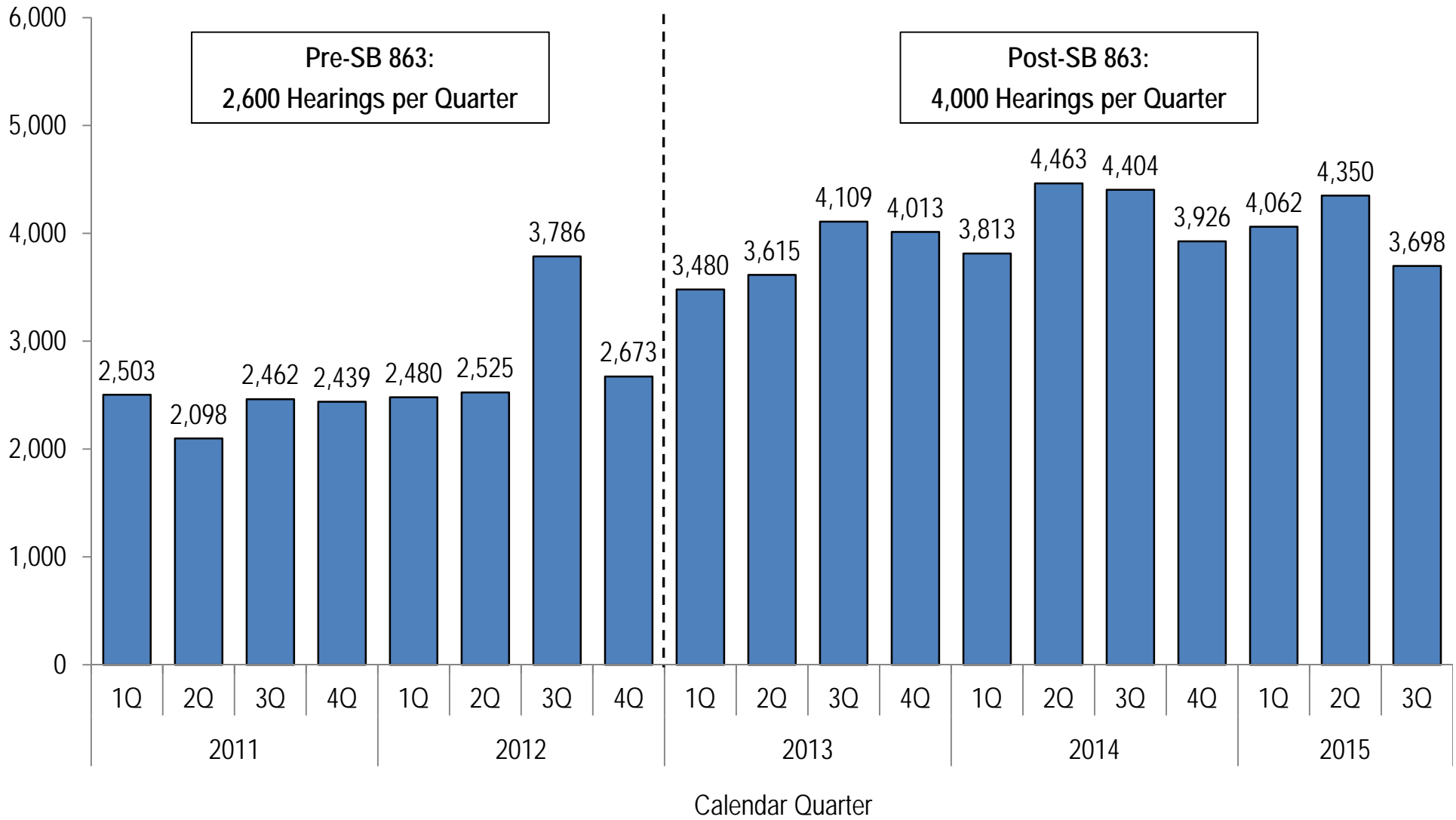
Source: CWCI data. Estimated based on the percent of medical payments for Med Mgmt./MCC by accident year and the percent of UR/IMR/IBR payments for MCC by service year.

# Paid MCCP Costs as a Percentage of Paid Medical Costs



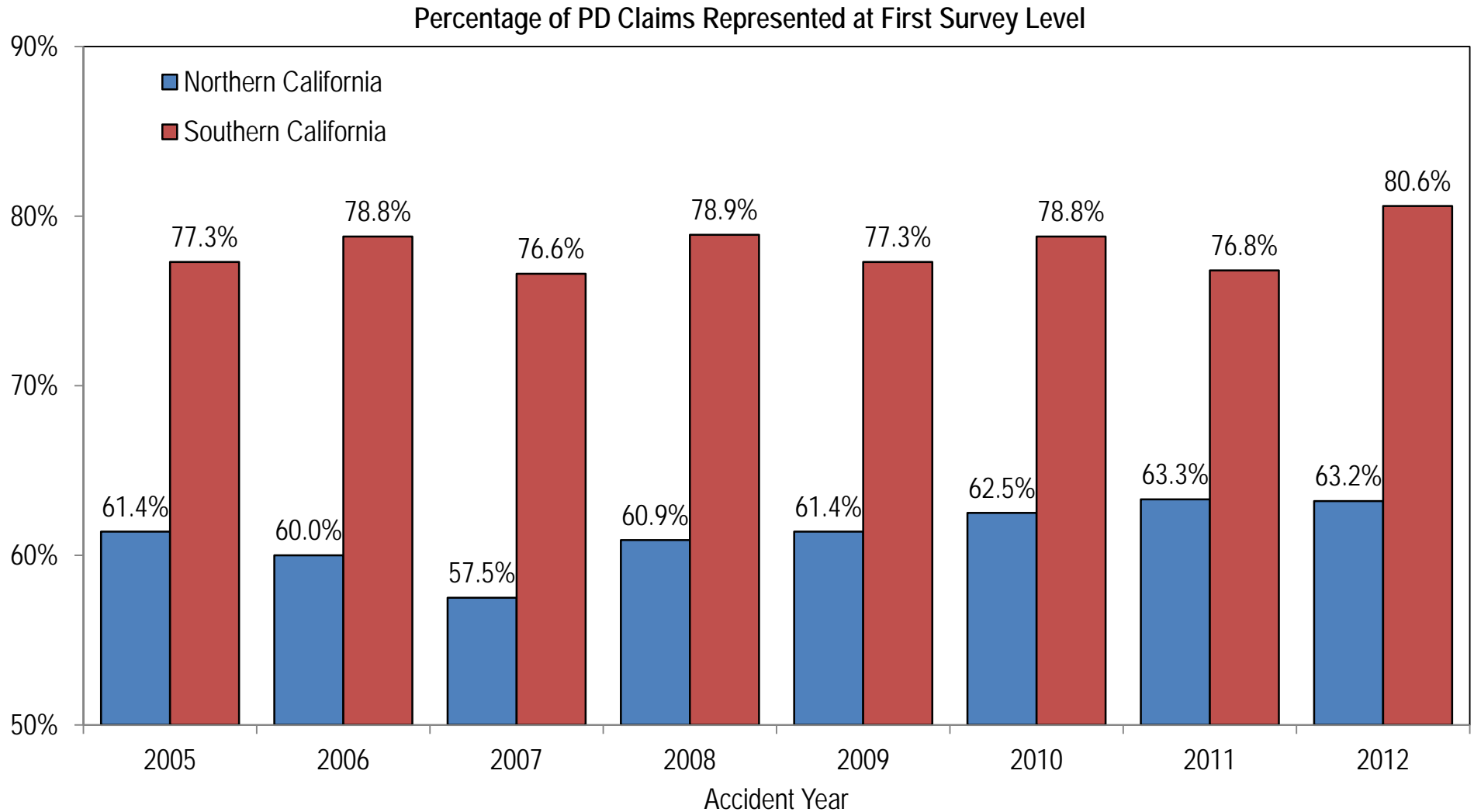
Source: WCIRB aggregate financial data. Paid medical costs exclude any paid MCCP reported in medical losses.

# Number of Expedited Hearings



Source: DWC

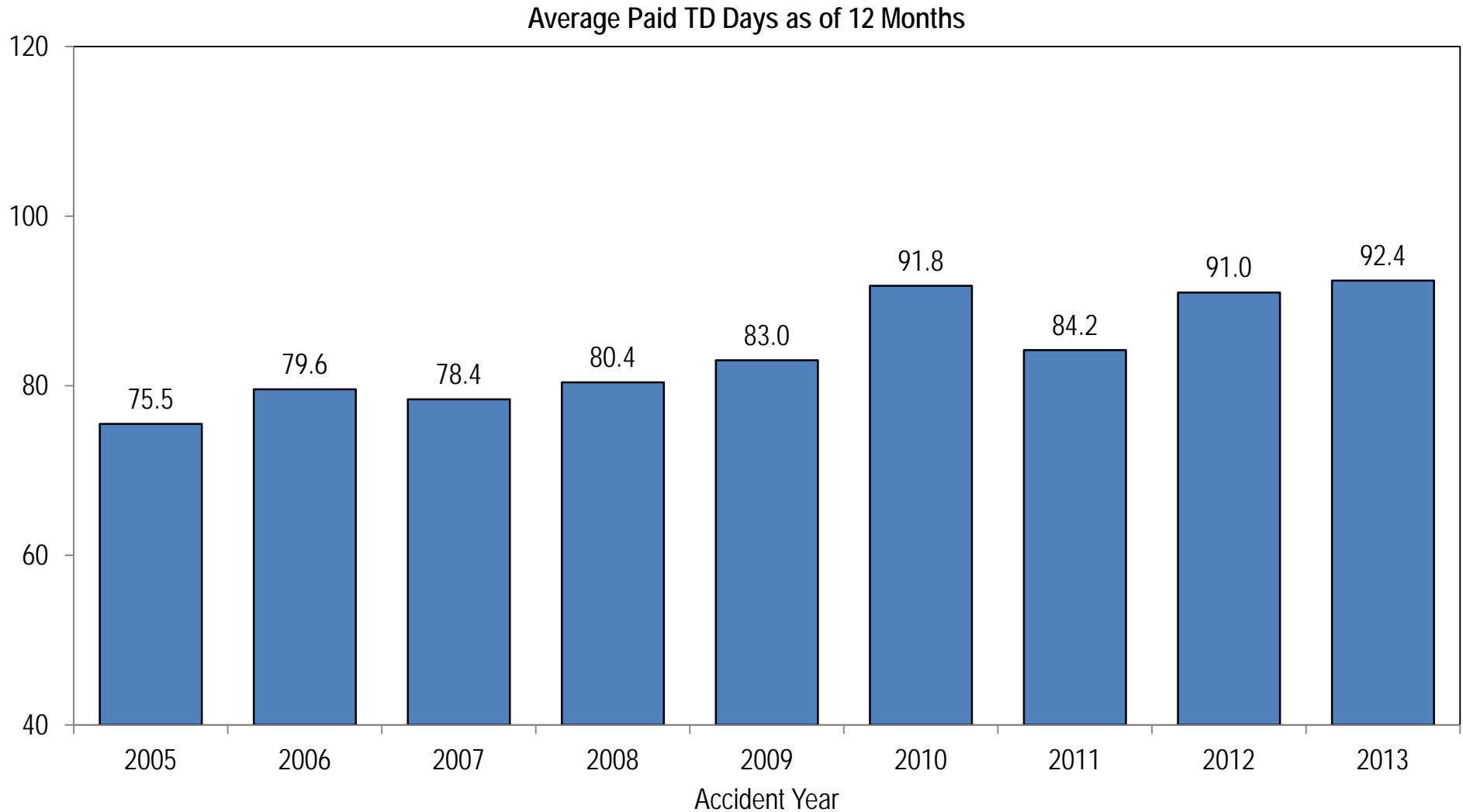
# Rates of Representation



Source: WCIRB permanent disability claim survey

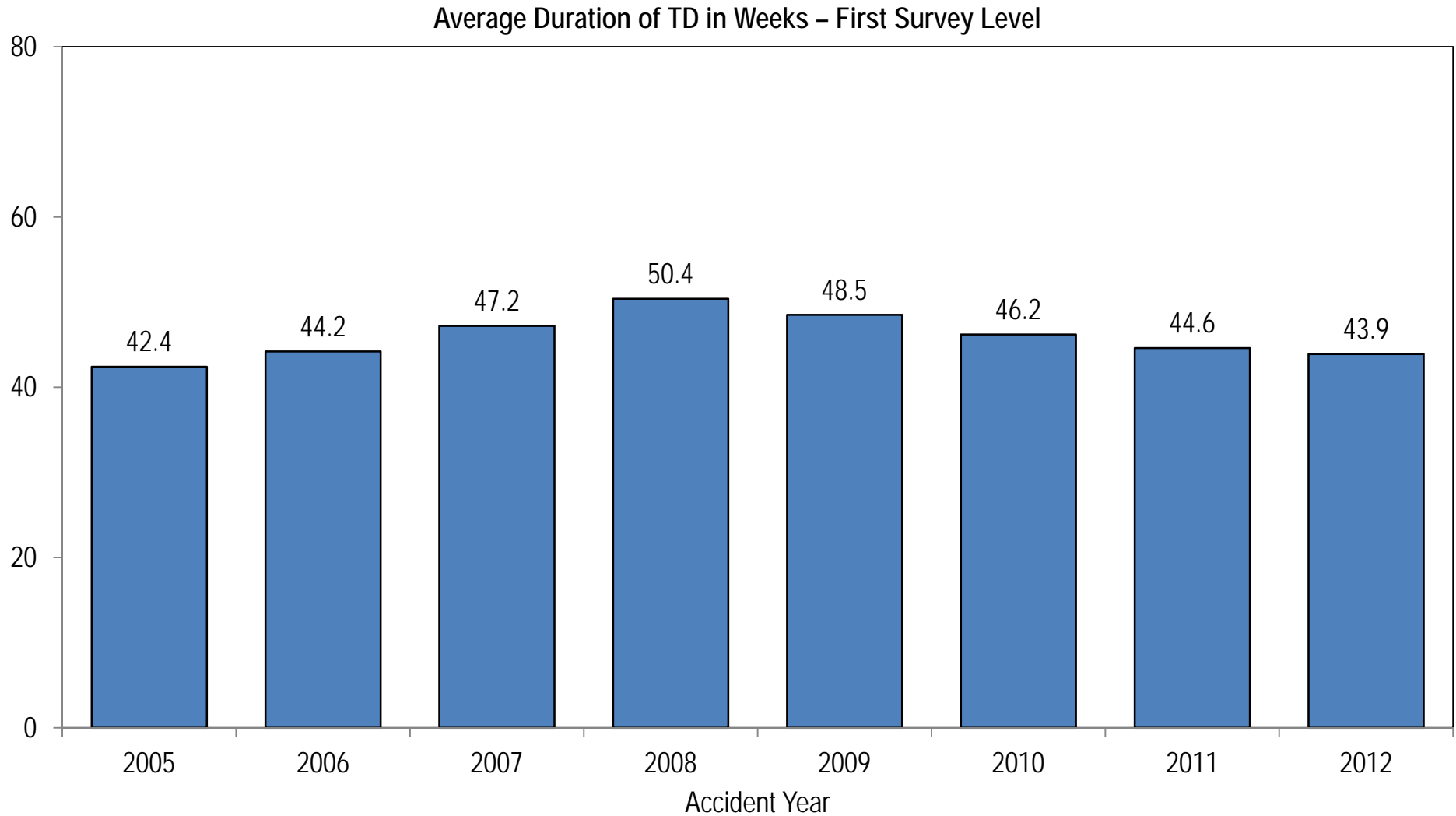


# Temporary Disability Duration – CWCI Data



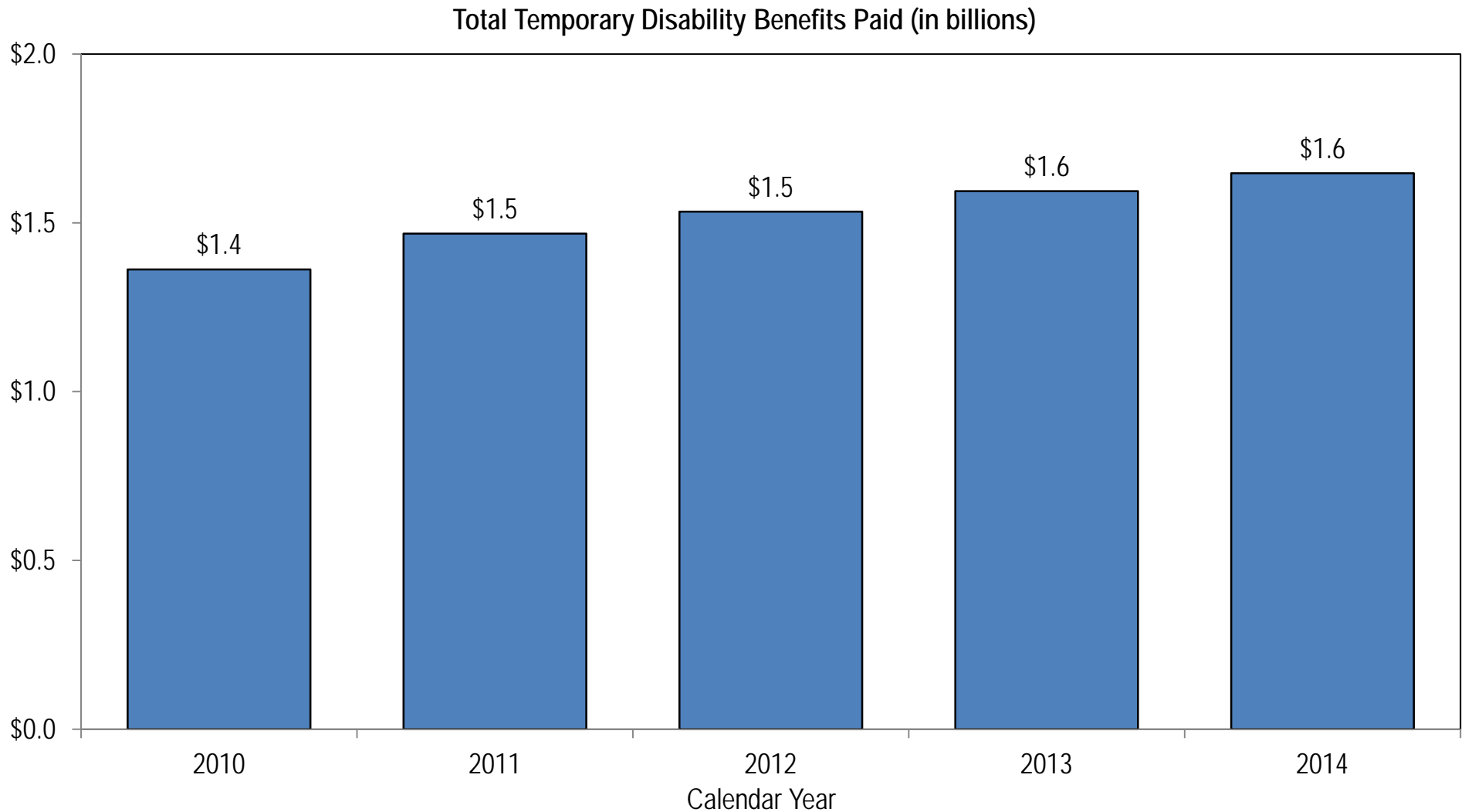
Source: CWCI

# Temporary Disability Duration – PD Survey Data



Source: WCIRB permanent disability claim survey

# Temporary Disability Benefits Paid By Calendar Year



Source: WCIRB Annual Reports on Calendar Year Paid Losses and Expenses.

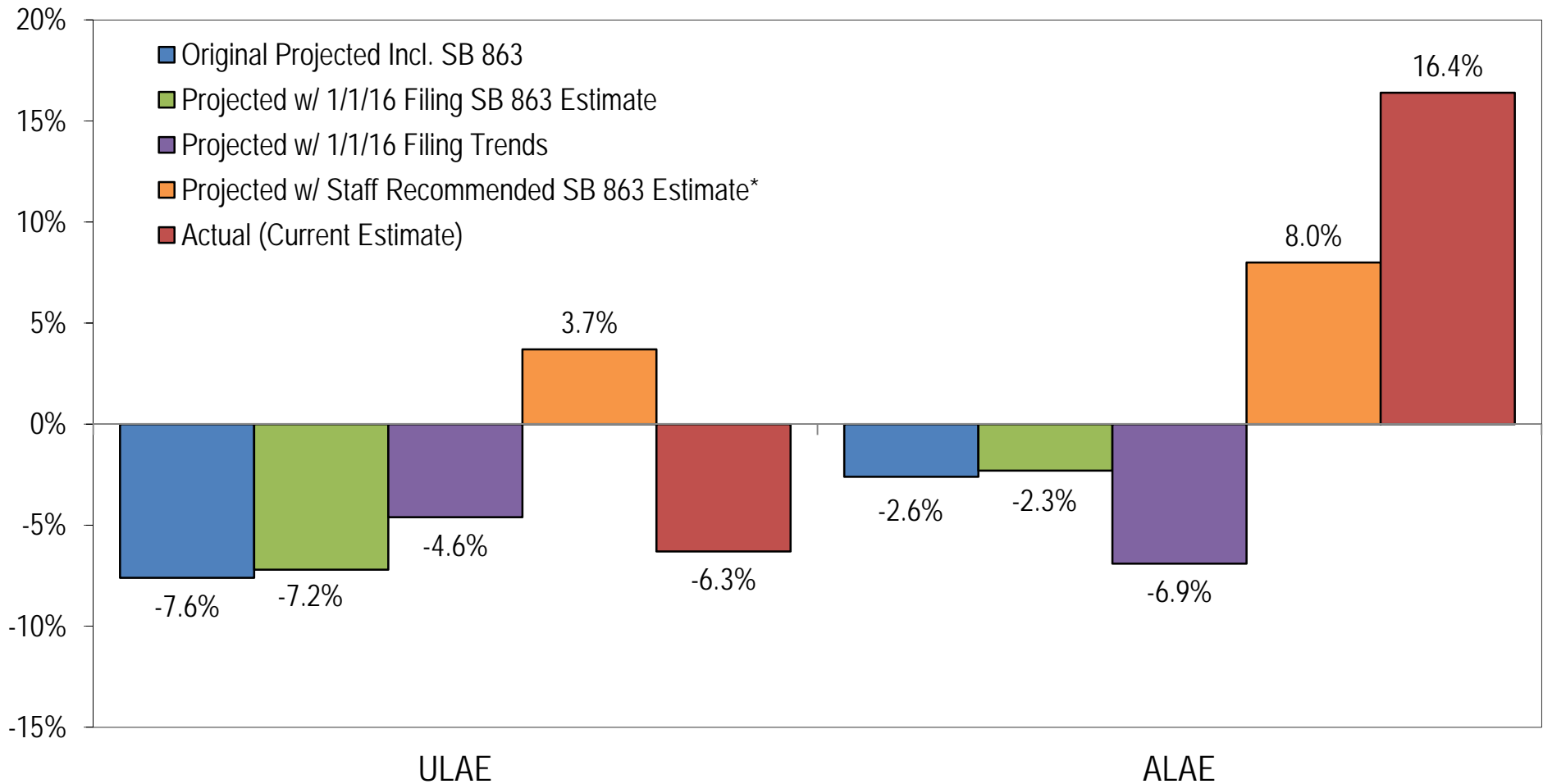
## Independent Medical Review – Summary of Current Information

- Volume of IMRs 2 Times Higher than Projected After Excluding Duplicate and Ineligible IMRs
- Medical-Legal Costs Increased Immediately Post-SB 863 but Steady in 2014 & 2015
- Number of Expedited Hearings Increased Significantly After SB 863
- ALAE Up Sharply in 2013 & 2014 Instead of Declining as Projected
- Preliminary CWCI Data Shows TD Duration Not Declining in 2013
  - PD survey data shows TD duration in 2012 decreasing modestly
  - Total TD benefits paid by calendar year are flat despite increases in claims, wage levels, and benefit maximums (COLAs)
- Overall Medical Severities have Declined

## Independent Medical Review – Staff Recommendations

- Replace \$25M Annual Cost of IMR Fees in ALAE with \$60M
- Attribute 5,600 Additional Expedited Hearings per Year to IMR Process; Increases LAE Costs by Approx. \$10M
  - 5,600 x \$1,500 (average cost per hearing from prospective estimate)
- No Adjustment to Savings Estimate Related to TD Duration from IMR Process (\$210M)
  - Pending review of CWCI data on AY 2014 TD duration
- Unable to Separate Impact of IMR on Medical Treatment from Other SB 863 Provisions but Significant Savings to Medical Costs Should be Attributed to SB 863

# LAE Cumulative 2013 & 2014 Severity Changes

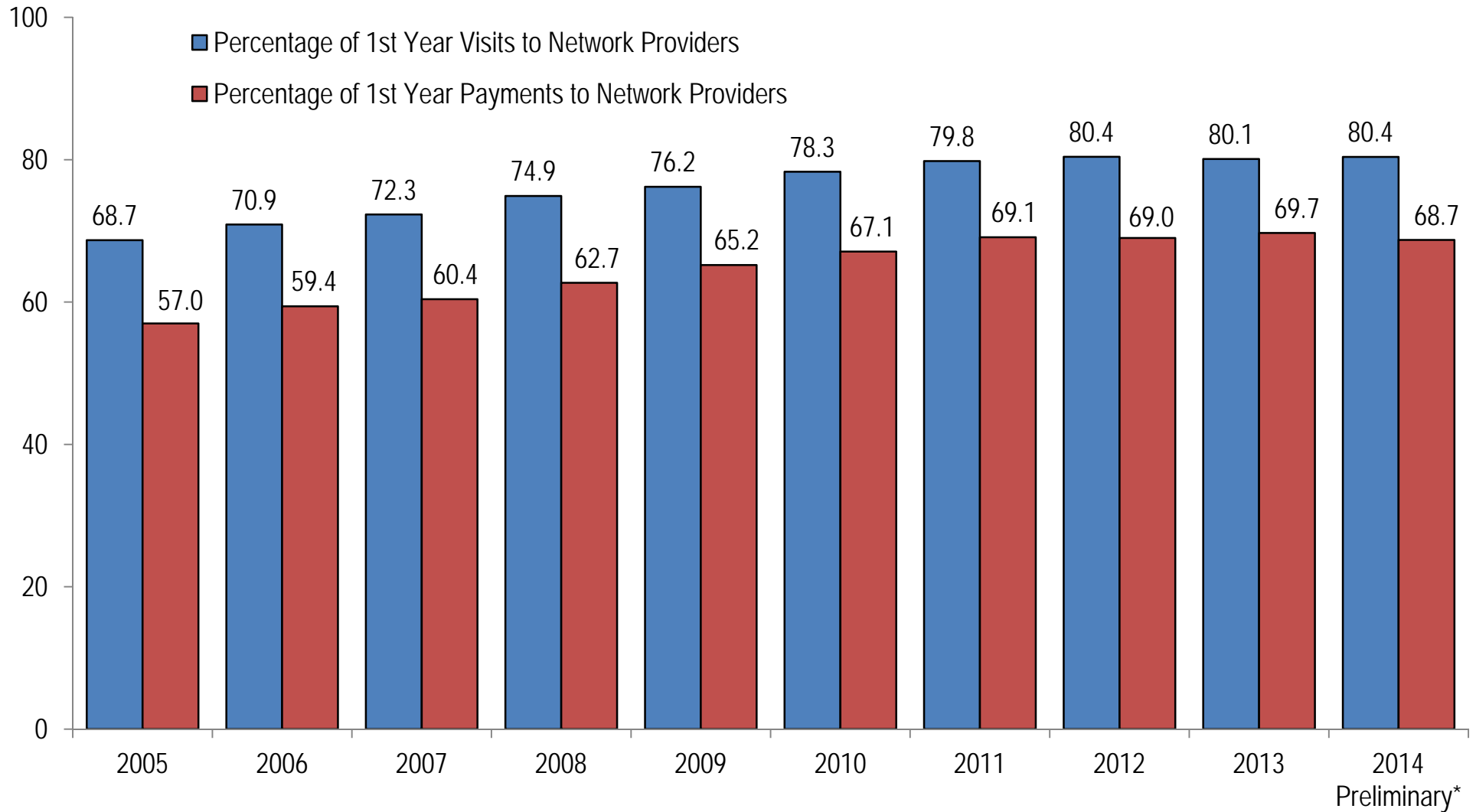


\*Includes reduced savings in Liens, increases in IMR fees and Expedited Hearings, and elimination of frictional cost savings from the Ogilvie decision.

## MPN Strengthening – WCIRB Prospective Estimate

- Total Quantifiable Impact of SB 863 MPN Changes Estimated to Decrease Costs by 1.0% (\$190M)
- Key Assumptions
  - 76% of PD claims are within MPNs with 70% litigated
  - 20% of in-network litigated PD claims will obtain services outside the MPN
  - Out-of-network costs 10% higher for medical, 14% higher for TD, and 23% higher for PD

# MPN Utilization



\*Based on visits within 30 days.

Source: CWCI



## RBRVS – WCIRB Prospective & Updated Estimates

- Evaluated as Part of 1/1/14 Filing – Estimated to Increase Total Costs by \$0.3B
  - Impact on 2014 services = +2.4% on overall physician payments
  - Impact on 2015 services = +1.5% on overall physician payments
- Key Assumptions
  - Services crosswalked based on RAND Study
  - No changes in utilization patterns
- Updated for 1/1/16 Filing: Impact on 2014 Services Reduced to -4.1%; Reduced Total (Net) Impact of RBRVS to Approx. \$0

# Fee Schedule Payments by Service and Payment Half

Service Half	Paid within 1H 2013 OMFS	Paid within 2H 2013 OMFS	Paid within 1H 2014 RBRVS	Paid within 2H 2014 RBRVS	Paid within 1H 2015 RBRVS	Total
1H 2013	286.3	150.5	16.8	7.4	6.6	467.5
2H 2013		294.6	127.6	15.1	9.3	446.6
1H 2014			276.3	135.7	16.4	428.4
2H 2014				287.7	114.8	402.5
1H 2015					292.3	292.3

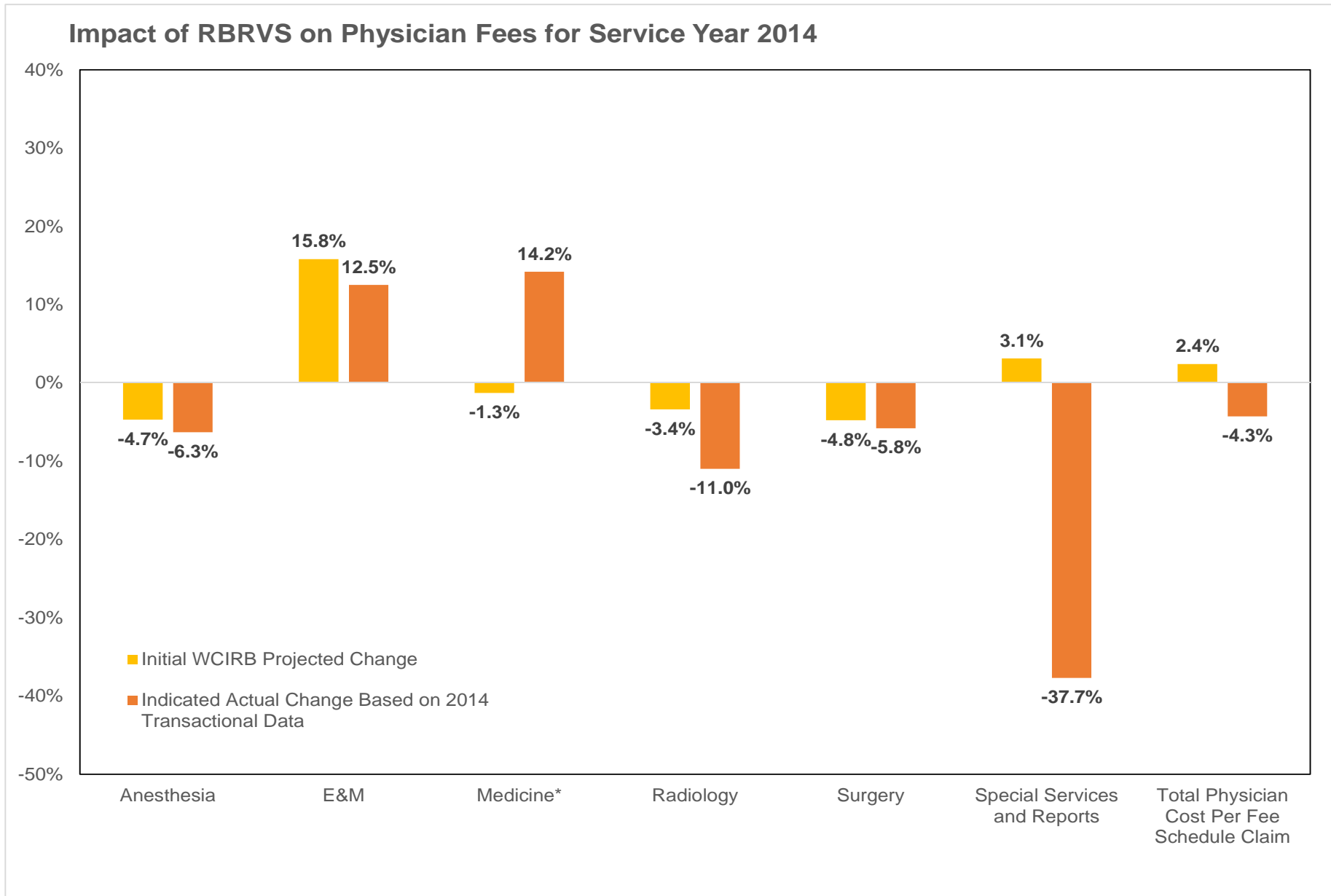
# Summary of Physician Services by Fee Schedule Section

Type of Service	1H 2013 Transactions	1H 2013 Paid	1H 2013 Paid/ Trans.	1H 2014 Transactions (Change from 1H 2013)	1H 2014 Paid (Change from 1H 2013)	1H 2014 Paid/ Trans. (Change from 1H 2013)	1H 2015 Transactions (Change from 1H 2014)	1H 2015 Paid (Change from 1H 2014)	1H 2015 Paid/ Trans. (Change from 1H 2014)
Anesthesia	18,713	\$6,485,448	\$347	18,019 (-3%)	\$6,133,167 (-5%)	\$340 (-2%)	16,952 (-6%)	\$5,496,557 (-10%)	\$324 (-5%)
Evaluation & Management	964,285	\$84,136,845	\$87	868,912 (-10%)	\$94,548,853 (+12%)	\$109 (+25%)	934,906 (+8%)	105,699,179 (+12%)	\$113 (+4%)
Medicine*	2,163,970	\$73,851,756	\$34	1,805,596 (-17%)	\$68,781,596 (-7%)	\$38 (+12%)	2,079,120 (+15%)	\$81,240,481 (+18%)	\$39 (+3%)
Radiology	244,064	\$31,545,070	\$129	239,784 (-2%)	\$27,957,569 (-11%)	\$117 (-9%)	243,994 (+2%)	\$26,859,480 (-4%)	\$110 (-6%)
Surgery	155,606	\$57,889,866	\$372	133,032 (-15%)	\$55,330,803 (-4%)	\$416 (+12%)	126,379 (-5%)	51,434,669 (-7%)	\$407 (-2%)
Special Services & Reports	760,289	\$32,349,312	\$43	549,604 (-28%)	\$23,040,413 (-29%)	\$42 (-2%)	403,450 (-27%)	21,280,921 (-8%)	\$53 (+26%)
Total Physician Fee Schedule	4,306,956	\$286,267,273	\$66	3,615,359 (-16%)	\$276,289,189 (-3%)	\$76 (+15%)	3,805,134 (+5%)	292,331,959 (+6%)	\$77 (+1%)
# of Claims w/ Payments	268,243			267,420 (-0.3%)			269,935 (+0.9%)		

\*Includes Physical Medicine, Chiropractic and Acupuncture

Source: WCIRB Medical Data Call

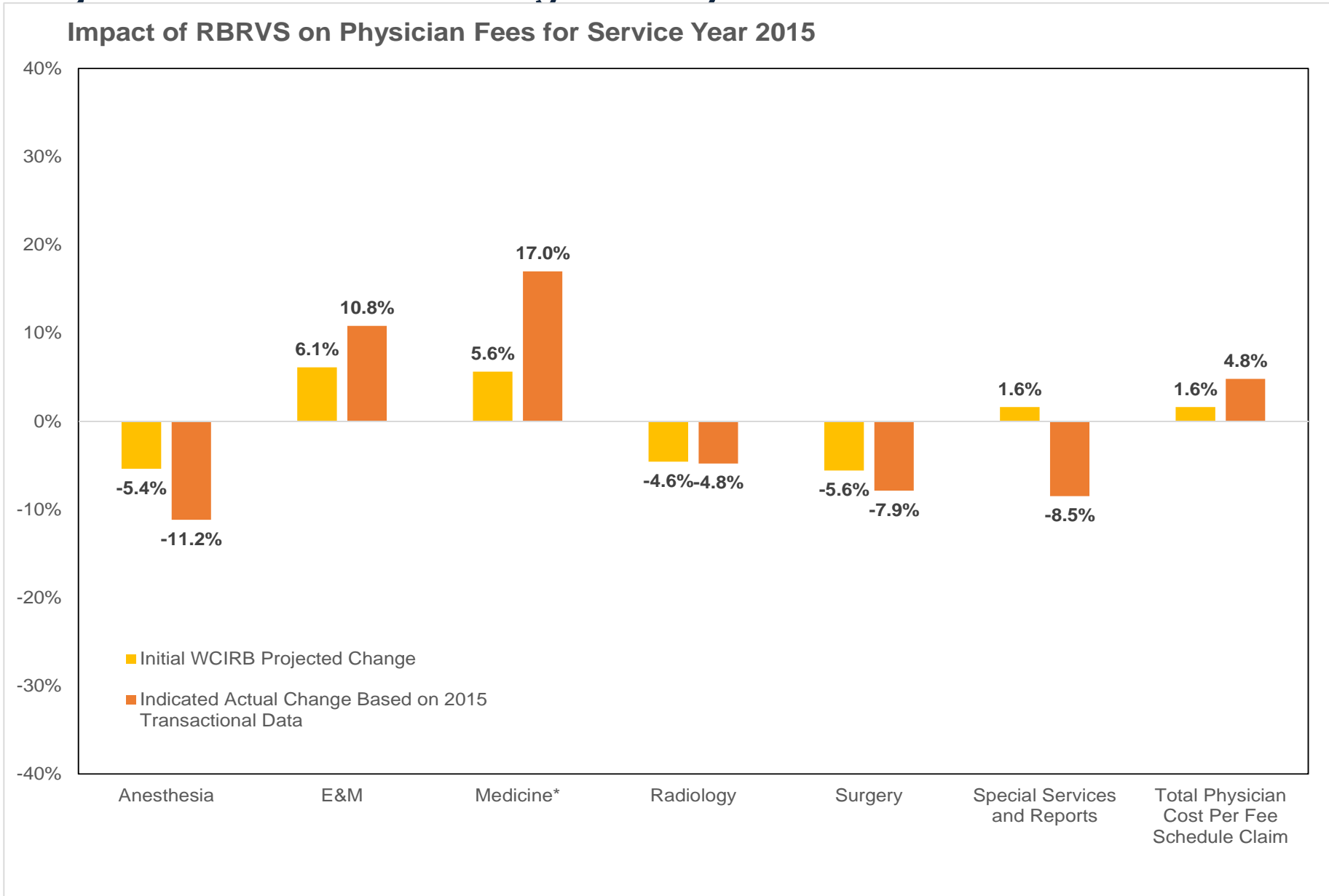
# Projected vs. Actual Change in Physician Fees – 2013 to 2014



\*Includes Physical Medicine, Chiropractic and Acupuncture

Source: WCIRB Medical Data Call

# Projected vs. Actual Change in Physician Fees – 2014 to 2015



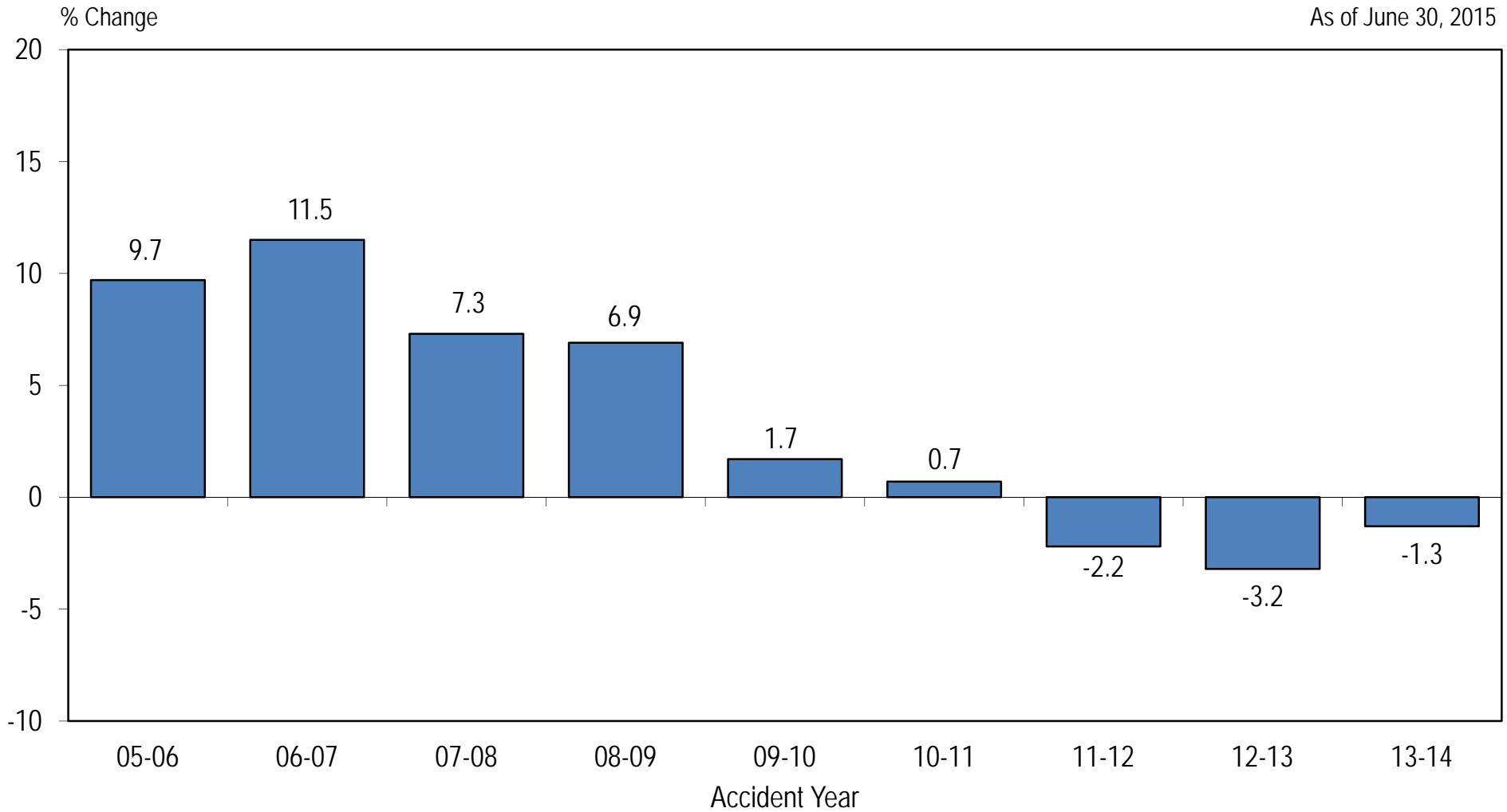
\*Includes Physical Medicine, Chiropractic and Acupuncture

Source: WCIRB Medical Data Call

## Changes in Medical Treatment Levels

- WCIRB Did not Prospectively Estimate Any Changes to Overall Medical Treatment Levels for SB 863 Provisions Related to IMR, IBR, MPNs, etc.
- Overall Medical Severities Declined in 2012-2014 Rather than Increased at Pre-Reform Trends
- Very Difficult to Segregate Changes in Overall Medical Treatment by Specific SB 863 Provisions

# Change in Ultimate Medical Severity Excluding MCCP



Source: WCIRB aggregate financial data

# Changes in Medical Treatment Levels – Physician Services

## Physician Fee Schedule:

For all covered services, paid per claim has gradually declined since 2<sup>nd</sup> Half 2012.

This decline was driven by a 15% drop in transactions per claim which offset a 6% increase in paid per transaction.

Table 1: Physician Fee Schedule: Cumulative Paid/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	1,082		1,364		1,403		1,417		1,429		1,433
1H2013	1,067	0.99	1,367	1.00	1,396	1.00	1,409	0.99	1,419	0.99	
2H2013	1,054	0.97	1,308	0.96	1,336	0.95	1,351	0.95			
1H2014	1,033	0.95	1,297	0.95	1,324	0.94					
2H2014	1,024	0.95	1,236	0.91							
1H2015	1,083	1.00									

Table 2: Physician Fee Schedule: Cumulative Transactions/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	16.00		19.14		19.52		19.66		19.74		19.81
1H2013	16.06	1.00	19.66	1.03	19.96	1.02	20.07	1.02	20.19	1.02	
2H2013	16.15	1.01	19.23	1.00	19.52	1.00	19.68	1.00			
1H2014	13.52	0.84	16.93	0.88	17.20	0.88					
2H2014	14.35	0.90	16.73	0.87							
1H2015	14.10	0.88									

Table 3: Physician Fee Schedule: Cumulative Paid/Transaction by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	68		71		72		72		72		72
1H2013	66	0.98	70	0.98	70	0.97	70	0.97	70	0.97	
2H2013	65	0.97	68	0.96	68	0.95	69	0.95			
1H2014	76	1.13	77	1.08	77	1.07					
2H2014	71	1.06	74	1.04							
1H2015	77	1.14									



# Changes in Medical Treatment Levels – Pharmaceuticals

## Pharmacy Fee Schedule:

For pharmacy services, paid per claim has gradually declined since 2<sup>nd</sup> Half 2012.

This decline was driven by a 21% drop in transactions per claim which offset increases in paid per transaction.

Table 4: Pharmacy Fee Schedule: Cumulative Paid/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	685		748		766		776		782		785
1H2013	736	1.07	799	1.07	811	1.06	818	1.05	823	1.05	
2H2013	714	1.04	772	1.03	783	1.02	789	1.02			
1H2014	701	1.02	733	0.98	744	0.97					
2H2014	596	0.87	626	0.84							
1H2015	565	0.82									

Table 5: Pharmacy Fee Schedule: Cumulative Transactions/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	6.57		7.09		7.18		7.22		7.24		7.26
1H2013	6.74	1.03	7.24	1.02	7.29	1.02	7.31	1.01	7.32	1.01	
2H2013	6.57	1.00	7.04	0.99	7.06	0.98	7.08	0.98			
1H2014	6.17	0.94	6.47	0.91	6.49	0.90					
2H2014	5.43	0.83	5.66	0.80							
1H2015	5.18	0.79									

Table 6: Pharmacy Fee Schedule: Cumulative Paid/Transaction by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	104		106		107		107		108		108
1H2013	109	1.05	110	1.05	111	1.04	112	1.04	112	1.04	
2H2013	109	1.04	110	1.04	111	1.04	111	1.04			
1H2014	114	1.09	113	1.07	115	1.07					
2H2014	110	1.05	111	1.05							
1H2015	109	1.04									

# Changes in Medical Treatment Levels – Inpatient Hospital

Table 7: Inpatient Services: Cumulative Paid/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	20,107		25,101		26,222		26,944		27,292		27,425
1H2013	20,374	1.01	24,295	0.97	24,946	0.95	24,997	0.93	25,129	0.92	
2H2013	22,166	1.10	25,119	1.00	25,533	0.97	25,625	0.95			
1H2014	23,553	1.17	26,032	1.04	26,158	1.00					
2H2014	25,604	1.27	28,253	1.13							
1H2015	27,682	1.38									

## Inpatient Hospital Services:

For inpatient services, paid per claim has increased by 38% since 2<sup>nd</sup> Half 2012.

Transactions per claim increased by 20% in 2014 and has remained at that level. Paid per inpatient transaction remained flat until 2015 when it has begun to increase.

The number of admissions has declined by over 20% since 2012.

Table 8: Inpatient Services: Cumulative Transactions/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	11.38		13.11		13.58		13.78		13.86		13.90
1H2013	11.26	0.99	12.85	0.98	13.21	0.97	13.33	0.97	13.39	0.97	
2H2013	11.23	0.99	13.04	0.99	13.27	0.98	13.34	0.97			
1H2014	13.67	1.20	14.80	1.13	14.86	1.09					
2H2014	14.18	1.25	14.80	1.13							
1H2015	14.12	1.24									

Table 9: Inpatient Services: Cumulative Paid/Transaction by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	1,768		1,914		1,930		1,955		1,969		1,974
1H2013	1,809	1.02	1,890	0.99	1,888	0.98	1,876	0.96	1,877	0.95	
2H2013	1,974	1.12	1,926	1.01	1,924	1.00	1,921	0.98			
1H2014	1,723	0.97	1,759	0.92	1,760	0.91					
2H2014	1,805	1.02	1,909	1.00							
1H2015	1,961	1.11									

# Changes in Medical Treatment Levels – Outpatient Hospital

Table 10: Outpatient Services: Cumulative Paid/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	2,785		3,134		3,202		3,231		3,242		3,249
1H2013	2,619	0.94	2,758	0.88	2,764	0.86	2,770	0.86	2,792	0.86	
2H2013	2,325	0.83	2,503	0.80	2,533	0.79	2,542	0.79			
1H2014	2,649	0.95	2,758	0.88	2,766	0.86					
2H2014	2,284	0.82	2,551	0.81							
1H2015	2,818	1.01									

## Outpatient Hospital Services:

Outpatient Services include procedures delivered at Outpatient Hospital settings and Ambulatory Surgical Centers.

For outpatient services, paid per claim decreased since 2<sup>nd</sup> Half 2012 then began to rise in 2015.

Transactions per claim have remained relatively flat since 2012, while paid per transaction declined through 2014 then started to increase in 2015.

Table 11: Outpatient Services: Cumulative Transactions/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	4.75		5.26		5.35		5.37		5.39		5.39
1H2013	4.87	1.03	5.37	1.02	5.39	1.01	5.39	1.00	5.38	1.00	
2H2013	4.83	1.02	5.32	1.01	5.37	1.00	5.37	1.00			
1H2014	5.07	1.07	5.40	1.03	5.44	1.02					
2H2014	4.79	1.01	5.23	1.00							
1H2015	4.79	1.01									

Table 12: Outpatient Services: Cumulative Paid/Transaction by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	587		596		599		601		602		603
1H2013	537	0.92	514	0.86	513	0.86	513	0.85	519	0.86	
2H2013	481	0.82	470	0.79	472	0.79	473	0.79			
1H2014	522	0.89	511	0.86	509	0.85					
2H2014	477	0.81	487	0.82							
1H2015	589	1.00									

# Changes in Medical Treatment Levels – HCPCS

## HCPCS Schedule:

The HCPCS schedule includes services such as Durable Medical Equipment, Orthotics, Prosthetics and Supplies.

Payments for these services have declined on a per-claim and per-transaction basis. Transactions per claim have increased by 12% since 2<sup>nd</sup> Half 2012.

Table 13: HCPCS Schedule: Cumulative Paid/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	520		620		638		651		655		657
1H2013	497	0.96	594	0.96	628	0.98	633	0.97	634	0.97	
2H2013	511	0.98	590	0.95	601	0.94	604	0.93			
1H2014	438	0.84	497	0.80	511	0.80					
2H2014	401	0.77	480	0.77							
1H2015	466	0.90									

Table 14: HCPCS Schedule: Cumulative Transactions/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	4.11		4.53		4.61		4.67		4.69		4.70
1H2013	4.06	0.99	4.55	1.00	4.66	1.01	4.69	1.00	4.70	1.00	
2H2013	3.98	0.97	4.32	0.95	4.37	0.95	4.39	0.94			
1H2014	4.74	1.15	5.36	1.18	5.42	1.18					
2H2014	4.52	1.10	5.06	1.12							
1H2015	4.60	1.12									

Table 15: HCPCS Schedule: Cumulative Paid/Transaction by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	126		137		138		140		140		140
1H2013	122	0.97	131	0.96	135	0.97	135	0.97	135	0.97	
2H2013	129	1.02	137	1.00	138	0.99	138	0.99			
1H2014	92	0.73	93	0.68	94	0.68					
2H2014	89	0.70	95	0.69							
1H2015	101	0.80									

# Changes in Medical Treatment Levels – Medical-Legal

Table 16: Medical-Legal Schedule: Cumulative Paid/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	1,799		2,082		2,105		2,108		2,110		2,113
1H2013	1,841	1.02	2,129	1.02	2,149	1.02	2,154	1.02	2,157	1.02	
2H2013	1,896	1.05	2,170	1.04	2,189	1.04	2,193	1.04			
1H2014	2,068	1.15	2,358	1.13	2,377	1.13					
2H2014	1,989	1.11	2,236	1.07							
1H2015	2,079	1.06									

Table 17: Medical-Legal Schedule: Cumulative Transactions/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	1.35		1.45		1.46		1.46		1.46		1.46
1H2013	1.31	0.97	1.41	0.97	1.42	0.97	1.42	0.97	1.42	0.97	
2H2013	1.30	0.96	1.39	0.96	1.40	0.96	1.40	0.96			
1H2014	1.30	0.96	1.40	0.97	1.41	0.97					
2H2014	1.26	0.93	1.35	0.93							
1H2015	1.32	0.98									

Table 18: Medical-Legal Schedule: Cumulative Paid/Transaction by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	1,330		1,439		1,445		1,444		1,443		1,444
1H2013	1,402	1.05	1,512	1.05	1,515	1.05	1,514	1.05	1,514	1.05	
2H2013	1,458	1.10	1,557	1.08	1,562	1.08	1,562	1.08			
1H2014	1,589	1.20	1,680	1.17	1,681	1.16					
2H2014	1,575	1.18	1,658	1.15							
1H2015	1,575	1.18									

## Medical-Legal Fee Schedule:

Payments under the Medical-Legal Fee Schedule have steadily increased since 2<sup>nd</sup> Half 2012. This increase has been driven by an 18% increase in paid amounts per Medical-Legal transaction.

# Changes in Medical Treatment Levels – All

Table 19: All: Cumulative Paid/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	2,084		2,758		2,864		2,909		2,934		2,947
1H2013	2,119	1.02	2,783	1.01	2,862	1.00	2,890	0.99	2,910	0.99	
2H2013	2,122	1.02	2,685	0.97	2,750	0.96	2,777	0.95			
1H2014	2,108	1.01	2,680	0.97	2,740	0.96					
2H2014	1,999	0.96	2,510	0.91							
1H2015	2,106	1.01									

## All Medical Services:

Payments per claim have remained relatively flat between 2012 and 2015.

A 15% increase in paid per transaction was offset by a 12% reduction in transactions per claim.

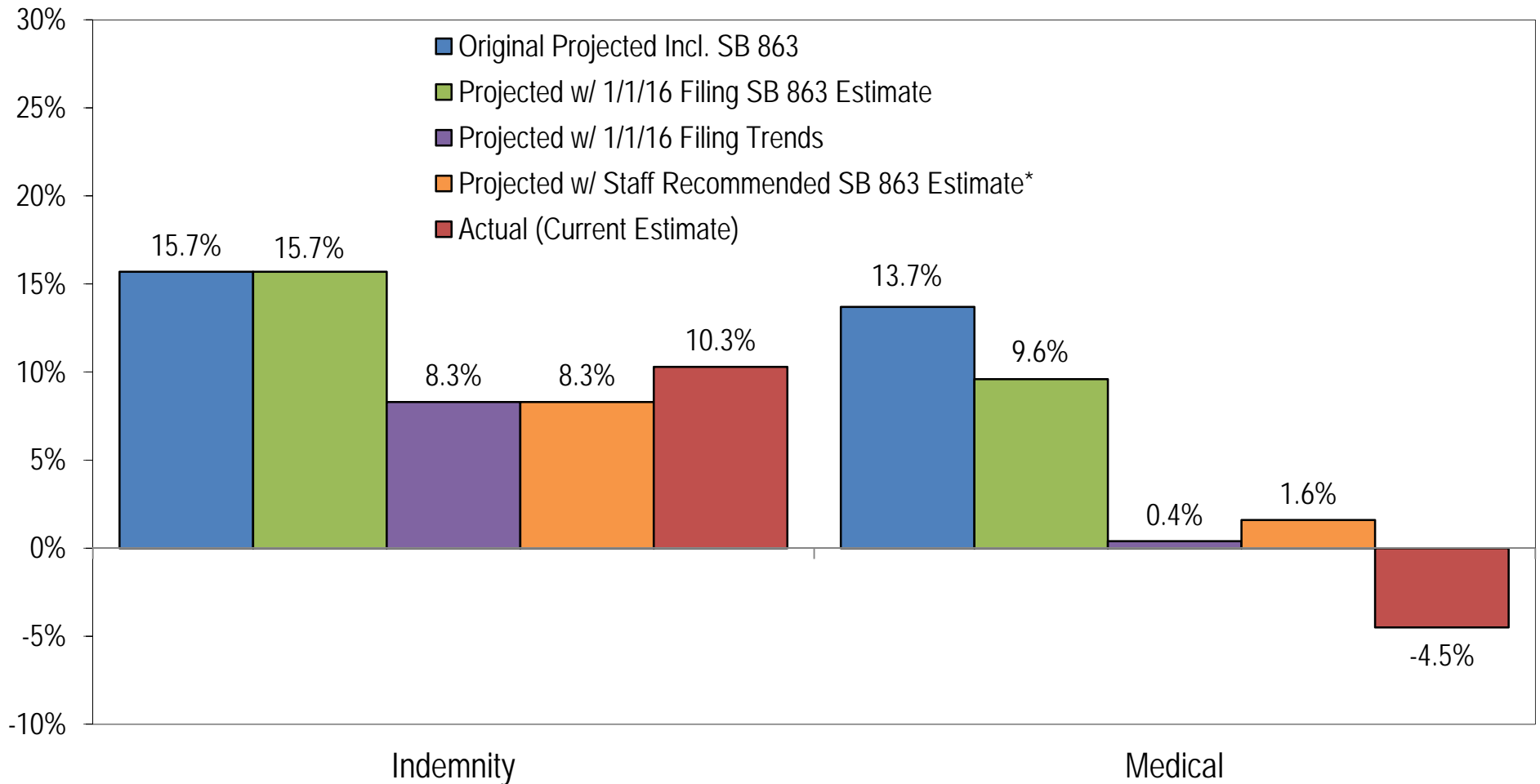
Table 20: All: Cumulative Transactions/Claim by Service and Payment Half

Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	20.23		24.23		24.74		24.94		25.04		25.12
1H2013	20.41	1.01	24.94	1.03	25.35	1.02	25.49	1.02	25.63	1.02	
2H2013	20.32	1.00	24.14	1.00	24.51	0.99	24.71	0.99			
1H2014	17.99	0.89	22.25	0.92	22.62	0.91					
2H2014	18.25	0.90	21.36	0.88							
1H2015	17.81	0.88									

Table 21: All: Cumulative Paid/Transaction by Service and Payment Half






Service Half	Paid in Service Half	Ratio to 2H 2012	Paid through SH + 1	Ratio to 2H 2012	Paid through SH + 2	Ratio to 2H 2012	Paid through SH + 3	Ratio to 2H 2012	Paid through SH + 4	Ratio to 2H 2012	Paid through SH + 5
2H2012	103		114		116		117		117		117
1H2013	104	1.01	112	0.98	113	0.98	113	0.97	114	0.97	
2H2013	104	1.01	111	0.98	112	0.97	112	0.96			
1H2014	117	1.14	120	1.06	121	1.05					
2H2014	110	1.06	118	1.03							
1H2015	118	1.15									

# Indemnity & Medical Cumulative 2013 & 2014 Severity Changes












\*Includes reduced savings in Liens and increased savings for surgical implant hardware.

# WCIRB SB 863 Cost Monitoring – Indemnity Reforms

SB 863 Provisions	WCIRB Original Cost Estimates (\$'s in billions)	Preliminary Monitoring Results Impact on Net SB 863 Savings	Updated Estimates (\$'s in billions)
Changes to Weekly PD Benefits	+\$0.6		+\$0.6
Replacement of FEC Factor	+\$0.6		+\$0.6
Elimination of PD Add-ons	(\$0.2)	TBD	(\$0.2)
Three-Tiered Weekly PD Benefits	(\$0.1)	TBD	(\$0.1)
<u>Ogilvie</u> Decision	(\$0.2)		<b>(\$0.1)</b>
Indemnity Claim Frequency	Small Increase		---
Indemnity Severity	Significant Increase		---
<b>Total Indemnity Reforms</b>	<b>+\$0.7</b>	---	<b>+\$0.8</b>



# WCIRB SB 863 Cost Monitoring – Medical & LAE Reforms

SB 863 Provisions	WCIRB Original Cost Estimates (\$'s in billions)	Preliminary Monitoring Results Impact on Net SB 863 Savings	Updated Estimates (\$'s in billions)
Liens	(\$0.5)		(\$0.2)
Surgical Implant Hardware	(\$0.1)		(\$0.1)
ASC Fees	(\$0.1)		(\$0.1)
IMR – Impact on Frictional Costs	(\$0.2)		+\$0.1
IMR – Impact on TD Duration	(\$0.2)		(\$0.2)
MPN Strengthening	(\$0.2)		(\$0.2)
RBRVS Fee Schedule	+\$0.3		\$0.0
Medical Severities	No Impact		(\$0.6)
ALAE and ULAE Severities	Significant Decline		---
<b>Total Medical &amp; LAE Reforms</b>	<b>(\$0.9)</b>	---	<b>(\$1.3)</b>
<b>Total Estimate – All Items</b>	<b>(\$0.2)</b>	---	<b>(\$0.5)</b>