

Research and Analysis

California Workers' Compensation Aggregate Medical Payment Trends

Updated through Calendar Year 2017



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Executive Summary

This report summarizes the trends and patterns of medical payments (\$2.1 billion) reported to the WCIRB¹ on a transaction basis by the California workers' compensation insurance industry in Calendar Year (CY) 2017. It compares the results for CY2017 with those for CY2015 and CY2016.

Overall, there was a cumulative 8% reduction in medical payments per claim from CY2015 through CY2017, comparable to the cumulative two-year reduction (10%) from CY2014 to CY2016 (Table 1). The decline in paid per claim was largely driven by the declines in utilization (e.g., paid transactions per claim declined by 8%). The downward trend reflects a continuation of the savings generated by the reforms to the medical care delivery enacted by Senate Bill No. SB 863 in 2012², anti-fraud efforts³ and the continued sharp decline in pharmaceutical costs.

Table 1

Summary of the WCIRB's Medical Transaction Data for CY2015 through CY2017⁴

	CY2015	CY2016	CY2017	Cumulative % Change CY2015 - CY2017	Cumulative % Change CY2014 - CY2016
Paid Medical Transactions	18.0 million	17.0 million	16.3 million	-9.4	-10.8
Medical Payments	2.4 billion	2.3 billion	2.1 billion	-9.7	-7.6
Number of Claims	671,784	668,317	661,756	-1.5	2.2
Paid per Transaction	\$131	\$132	\$130	-0.3	3.6
Paid per Claim	\$3,501	\$3,374	\$3,210	-8.3	-9.6

Specifically for each component, the WCIRB observed:

- There were sharp declines in the average paid per transaction for pharmaceuticals (24%), pharmacies (28%) and pharmacists (27%) since 2015. This continues to be a result of reductions in the prescribing of controlled substances, reduced physician office dispensing, implementation of the Federal Upper Limits on prescription drug prices, as well as the continued shift from brand to generic drugs. (These reductions pre-date the implementation of the new drug formulary implemented in January 2018 pursuant to Assembly Bill No. AB 1124).
- There were sharp decreases in the share of workers' compensation claims with any opioid prescription from 18.2% in CY2015 to 11.6% in CY2017. The medical payments on the claims with at least one opioid prescription were, on average, more than three times higher than those on the claims without opioid prescriptions.
- The payments for Physician Services continued to reflect the impact of the transition of California's physician fee schedule to a Resource-Based Relative Value Scale (RBRVS) basis as 2017 was the final year of the four-year RBRVS implementation period.
- There was a significant change in the mix of Medical-Legal (ML) services in 2017. The share of ML paid transactions for ML104 (the most comprehensive and expensive service) declined by 22.7%, while that for ML102 (the most basic ML evaluation) increased by 42.6%. This resulted in an 8% decline in the average cost of a medical-legal report in 2017 following a number of years of increases.

¹ The WCIRB collects medical transaction data from 50 WCIRB insurer groups and their vendors, representing 92 percent of the California insured market. This data includes medical payments by insurers for services provided to injured workers, but does not include payments made directly to any known third party who may be assigned medical management.

² WCIRB, Senate Bill No. SB 863 WCIRB Cost Monitoring Report-2016 Retrospective Evaluation, released November 17, 2016.

³ WCIRB, Impact of Medical Fraud Enforcement on California Workers' Compensation, released October 2018.

⁴ The data in this report reflects information submitted as of April 7, 2018 and includes information associated with paid medical transactions, that is, line items with a payment of at least \$0.01.

Payments by Type of Provider

Table 2 shows the distribution of payments by Type of Provider for CY2015 through CY2017. Overall, there was a 1.5% decrease in paid per transaction from CY2016 to CY2017 and a cumulative 1.3% decrease since CY2015. The medical payments per transaction to Pharmacists experienced the largest drop (27%) of all providers, followed by Psychology, Psychiatry and Neurology providers (11%) and Hospital-Based Providers (8%). For Ambulatory Surgical Center (ASC) Providers, the paid per transaction increased by 22%, partly due to the continued addition of surgical procedures to the ASC fee schedule.

Table 2
Payments by Type of Provider for CY2015 through CY2017

Provider Type	CY2015		CY2016		CY2017		CY2015 - CY2017	
	% of Paid Medical	Avg. Paid (\$ per Trans.)	% of Paid Medical	Avg. Paid (\$ per Trans.)	% of Paid Medical	Avg. Paid (\$ per Trans.)	Change in % of Paid Medical	% Change in Paid per Trans.
Hospital-Based Provider	21.2	246	21.9	240	24.7	227	16.5	-7.9
Physician Specialist	12.0	128	12.2	134	11.0	129	-8.3	1.2
MD General Provider	10.4	113	9.8	115	9.7	112	-6.5	-1.2
Surgery	9.1	152	9.9	167	9.6	161	5.0	6.2
Physical Therapist	6.5	45	7.2	43	8.2	45	27.0	-1.2
Provider Not Otherwise Specified ⁵	8.6	165	7.9	182	7.2	171	-15.8	3.6
ASC Provider	4.2	1,226	4.7	1,287	5.2	1,499	21.5	22.3
Pharmacist	8.5	139	6.1	114	4.6	102	-45.9	-26.7
DME Supplier	3.3	231	3.2	233	3.1	250	-6.6	7.9
Psychology Psychiatry & Neurology	2.4	302	2.8	313	2.6	269	5.4	-10.8
Rehabilitation Provider	1.9	173	2.3	182	2.2	179	15.2	3.1
Occupational Health Provider	2.7	80	2.4	71	1.9	75	-27.4	-5.2
Chiropractic	1.9	57	2.0	61	1.9	57	-0.9	-0.1
Home Health Provider	1.3	354	1.4	353	1.6	336	24.1	-5.3
Lab Testing Provider	1.8	60	1.3	70	1.0	87	-44.8	44.8
Acupuncturist	0.6	36	0.7	37	0.8	38	37.1	5.3
Technical Service Providers	0.0	---	0.0	---	0.0	133	0.0	---
Miscellaneous Provider	3.4	177	4.1	190	4.6	175	33.6	-1.1
Total	100.0	131	100.0	131	100.0	129	---	-1.3

⁵ Taxonomy Code Reported as 174400000X.

Payments by Place of Service

Table 3 shows the distribution of payments by Place of Service for CY2015 through CY2017. There were significant decreases in the payment share and average paid per transaction for Pharmacies, which is a result of reductions in the prescribing of controlled substances and compound drugs, less physician office dispensing, implementation of the Federal Upper Limit on prescription drug pricing, as well as the continued shift from brand to generic drugs. The average paid per transaction for inpatient care, however, experienced a steady increase from CY2015 to CY2017, although the number of inpatient transactions remained flat. In spite of a significant increase in paid per transaction for Emergency Room (ER) visits from CY2015 to CY2017, the total medical payments due to ER visits accounted for only about 2% of the total medical payments in CY2017.

Table 3

Payments by Place of Service for CY2015 through CY2017

Place of Service Type	CY2015		CY2016		CY2017		CY2015 - CY2017	
	% of Paid Medical	Avg. Paid (\$ per Trans.)	% of Paid Medical	Avg. Paid (\$ per Trans.)	% of Paid Medical	Avg. Paid (\$ per Trans.)	Change in % of Paid Medical	% Change in Paid per Trans.
Office	53.0	92	54.9	93	54.7	90	3.2	-1.9
Inpatient Hospital	13.6	1,119	13.1	1,175	13.5	1,236	-0.6	10.5
Ambulatory Surgery Center	6.1	658	6.5	688	7.0	748	14.1	13.6
Outpatient Hospital	5.3	224	5.3	237	5.6	271	5.9	21.3
Home	4.6	239	4.7	257	5.3	275	15.2	15.3
Pharmacy	8.1	131	5.6	107	4.1	94	-48.8	-28.2
Emergency Room	1.0	110	1.5	141	2.0	176	103.8	59.6
Nursing Facilities	1.3	1,031	1.6	1,059	1.6	1,011	18.3	-1.9
Urgent Care Center	0.6	61	0.8	64	1.0	65	48.9	8.1
Independent Laboratory	1.5	45	1.0	53	0.8	65	-49.1	44.2
Others	4.9	437	5.0	329	4.5	263	-7.8	-39.8
Total	100.0	130	100.0	132	100.0	130	---	0.0

Payments by Procedure Code Type

Table 4 shows the distribution of payments by Procedure Code Type for CY2015 through CY2017. Most procedure code types are governed by fee schedules. After experiencing increases consistent with the reimbursement changes introduced by the RBRVS starting in 2014, the paid per transaction for Physician Services had been fairly flat. The paid per transaction for both Inpatient and Outpatient services increased, while the transactional volume was relatively flat. Similar to the findings of other measures for Pharmacies and Pharmacists, the paid per transaction for Pharmaceuticals continued to experience a significant drop (24%).

Table 4

Payments Summary by Procedure Code Type, CY2015 through CY2017

Procedure Code Type	CY2015		CY2016		CY2017		CY2015 - CY2017 % Change in Paid per Trans.
	% of Paid Medical	Avg. Paid (\$) per Trans.	% of Paid Medical	Avg. Paid (\$) per Trans.	% of Paid Medical	Avg. Paid (\$) per Trans.	
Physician Services	39.2	78	40.2	75	42.0	76	-3.3
Pharmaceuticals	10.8	116	7.4	97	5.8	88	-24.2
Medical Legal	10.9	1,651	12.3	1,672	10.9	1,520	-7.9
Inpatient	9.9	1,797	9.5	2,024	10.4	2,158	20.1
Outpatient	9.9	572	11.4	581	12.0	638	11.5
Medical Liens	9.6	916	8.9	1,078	7.1	987	7.7
Others ⁶	9.7	91	10.1	95	11.7	103	14.1
Total	100.0	135	100.0	131	100.0	129	-4.1

⁶ Other Procedure Code Types include Health Care Procedure Coding System (HCPCS), Dental and Copy Services. Details on these procedure code types are in Table 9.

Payments by Procedure Category – Physician Services

Table 5 shows the distribution of payments for nine service categories in the California's Physician Fee Schedule, largely reflecting the continued impact of the four-year implementation of the RBRVS fee schedule changes since 2014. Compared to CY2015, Physical Therapy experienced the largest increase (16%) in average paid per transaction, while Special Services & Reports (39%) experienced the largest drop followed by Anesthesia (12%), both of which contributed significantly to the overall 3% decline in paid per transaction during this period. The decline in the paid for Special Services & Reports reflects the continued shift to the California-specific Treating Physician's Progress Report procedure code, WC002.

Table 5

Payments by Procedure Category – Physician Fee Schedule, CY2015 through CY2017

Procedure Category	CY2015		CY2016		CY2017		CY2015 - CY2017 % Change in Paid per Trans.
	% of Paid Medical	Avg. Paid (\$) per Trans.	% of Paid Medical	Avg. Paid (\$) per Trans.	% of Paid Medical	Avg. Paid (\$) per Trans.	
Evaluation & Management	13.9	114	14.9	120	16.3	125	9.5
Physical Therapy	8.1	36	9.0	39	9.7	41	15.7
Surgery	7.2	401	6.3	377	6.1	369	-8.1
Special Services & Reports	2.4	45	2.5	29	2.4	27	-39.2
Radiology	3.8	108	3.6	103	3.4	97	-10.0
Medicine	2.1	113	2.2	120	2.3	123	8.9
Acupuncture	0.6	36	0.7	38	0.8	39	7.6
Anesthesia	0.8	326	0.7	305	0.7	286	-12.3
Chiropractic	0.3	32	0.3	35	0.3	36	10.9
Total	39.2	78	40.2	75	42.0	76	-3.3

Payments by Procedure Category – Pharmacy Fee Schedule

Table 6 shows the distribution of the pharmaceutical payments for CY2015 through CY2017. The share of medical costs represented by pharmaceuticals continued to fall significantly, from 10.8% in 2015 to 5.8% in 2017. The total payments and transactions for the controlled substances (combining those in schedule II and other schedules) dropped by 58% and 48%, respectively, from CY2015 to CY2017.

The decreases in both transactional share and paid per transaction can be attributed to a number of factors, including: 1) decreased opioid prescribing, 2) the incorporation of Federal Upper Limits into pharmaceutical pricing in the Medi-Cal based Pharmacy Fee Schedule in April 2016, which sets the fee structure for the California workers' compensation, 3) the continued effects of SB 863 provisions including independent medical review; and 4) anti-fraud efforts. The figures shown in Table 6 pre-date the new drug formulary implemented pursuant to the Assembly Bill No. AB 1124 enacted in 2015, went into effect January 1, 2018.

Table 6

Payments by Procedure Category – Pharmacy Fee Schedule, CY2015 through CY2017

Procedure Category	CY2015		CY2016		CY2017		CY2015 - CY2017
	% of Paid Medical	Avg. Paid (\$ per Trans.)	% of Paid Medical	Avg. Paid (\$ per Trans.)	% of Paid Medical	Avg. Paid (\$ per Trans.)	% Change in Paid per Trans.
Controlled Substances (Other)	1.4	112	1.0	110	0.8	116	3.7
Controlled Substances (Schedule II)	1.7	122	1.0	95	0.6	76	-37.4
Other Pharmaceuticals (Generics)	3.8	71	2.8	57	2.3	51	-27.0
Other Pharmaceuticals (Brand)	3.8	312	2.6	326	2.0	349	11.9
Total	10.8	116	7.4	97	5.8	88	-24.2

Table 7 illustrates the sharp decline in the workers' compensation claims with any opioid prescription from CY2015 (18.2%) to CY2017 (11.6%). The payments on the claims with at least one opioid prescription were, on average, more than three times higher than those on the claims without opioid prescriptions.

Table 7

Payments for Claims with Opioids and Claims without Opioids, CY2015 through CY2017

Calendar Year	Claims with any Opioid Prescription			Claims without Opioid Prescriptions
	% of all Claims	% of all Paid Medical	Avg. Paid (\$) per Claim	Avg. Paid (\$) per Claim
2015	18.2	49.3	8,941	2,043
2016	14.6	42.0	9,209	2,166
2017	11.6	37.0	9,900	2,208

Payments by Procedure Category – Medical-Legal Fee Schedule

Table 8 shows the distribution of payments under the ML Fee Schedule for CY2015 through CY2017. The average paid per transaction for an ML Evaluation with at least four complexity factors (ML104) increased by 5.7% from CY2015 to CY2017, while the share of ML104 transactions declined by 22.7%. Much of this decline in ML104 transactions in 2017 is attributable to the efforts by the Division of Workers' Compensation to assure that sufficient documentation of the complexity is provided on ML 104 reports. At the same time, the average paid per transaction for ML102 (the most basic ML evaluation) remained about the same, but its share of transactions increased by 42.6%.

Table 8

Payments by Procedure Category – Medical-Legal Fee Schedule

Procedure Category	CY2015		CY2016		CY2017		CY2015 - CY2017	
	% of Paid Medical	Avg. Paid (\$) per Trans.	% of Paid Medical	Avg. Paid (\$) per Trans.	% of Paid Medical	Avg. Paid (\$) per Trans.	% Change in Paid per Trans.	Change in % of Medical Legal Trans.
ML104	7.0	3,406	7.7	3,535	6.3	3,602	5.7	-22.7
ML102	0.6	673	0.7	676	0.9	674	0.2	42.6
Other ML	2.7	825	3.2	868	3.3	862	4.4	2.9
All ML	10.3	1,651	11.7	1,672	10.5	1,520	-7.9	---

Payments by Procedure Category – Other Fee Schedules

Table 9 shows the distribution of 12% of the total medical payments for medical services under the Health Care Procedure Coding System (HCPCS)⁷, Dental schedule and Copy Service Schedule, which was implemented in July 2015. The decrease in all HCPCS categories except for Durable Medical Equipment (DME), Orthotics, and Prosthetics and the miscellaneous codes may represent inconsistent reporting patterns since many services billed with HCPCS codes are not subject to any fee schedule such as Home Health Services and Air Ambulance Services.

Table 9

Payments by Procedure Category – Other Fee Schedules, CY2015 through CY2017

Procedure Category	CY2015		CY2016		CY2017		CY2015 - CY2017
	% of Paid Medical	Avg. Paid (\$ Per Trans.)	% of Paid Medical	Avg. Paid (\$ Per Trans.)	% of Paid Medical	Avg. Paid (\$ Per Trans.)	% Change in Paid per Trans.
HCPCS:							
DME, Orthotics, Prosthetics	2.9	230	3.0	230	3.4	237	3.2
Home Health/Home Infusion	1.4	258	1.5	204	1.9	208	-19.5
Transportation - includes Emergency & Non-Emergency	1.0	204	1.0	188	1.2	182	-10.9
Interpreters via Medicaid	0.7	114	0.9	114	1.0	113	-0.6
Supplies	0.6	72	0.5	67	0.4	63	-11.3
Miscellaneous HCPCS	1.3	34	1.2	31	1.6	37	8.5
Copy Services	0.2	114	0.8	103	1.0	102	-10.1
Dental	0.6	557	0.8	621	0.8	598	7.3
Pathology & Laboratory	1.0	36	0.6	34	0.5	32	-11.3
Total	9.7	91	10.1	95	11.7	103	14.1

⁷ HCPCS includes durable medical equipment (DME), prosthetics, orthotics and supplies as well as interpreters and home health services.

Fastest Growing Medical Procedure Code Sets

Table 10 shows the ten fastest growing physician fee schedule procedure code sets⁸ from CY2016 to CY2017. Out of 121 procedure code sets with medical payments, these ten sets accounted for 64.2% of the payments to Physician Services in CY2017. The procedure code set related to Physical Medicine and Rehabilitation was the greatest gainer between CY2016 and CY2017 and received the second largest amount of payments (21.7%). The Office or Other Outpatient Services continued to grow, and received the largest amount of payments (33.5%).

Table 10

Fastest Growing Procedure Code Sets, CY2017 vs. CY2016

Growth Rank	Procedural Code Set	Procedure Code Range	% Change in Payments to Physician Services, CY2016 - CY2017	% Paid of Physician Services, CY2017
1	Physical Medicine and Rehabilitation	97010-97799	1.86	21.73
2	Office or Other Outpatient Services	99201-99215	1.19	33.51
3	Copy Services	WC020-WC029	0.52	2.34
4	Prolonged Services	99354-99360, 99415-99429	0.52	1.17
5	Drug Assay	80305-80377	0.15	0.15
6	Acupuncture	97810-97814	0.12	1.72
7	California-specific Special Services & Reports	WC001-WC012	0.06	3.00
8	Care Management Services	99487-99490	0.05	0.05
9	Hydration, Therapeutic, Prophylactic, Diagnostic Injections and Infusions, and Chemotherapy	96360-96549	0.04	0.08
10	Hospital Inpatient Services	99221-99239, 99328	0.03	0.48
Total, Top 10 Gaining Physician Service Subsections				64.22

⁸ The Physician Procedure Code Sets are defined per subsections in *CPT Plus!, A Comprehensive Guide to Current Procedural Technology 2017*. Each set includes a range of Physician Procedure Codes as shown in Table 10 (Procedure Code Range).

Fastest Growing Therapeutic Classes

Table 11 shows the twenty fastest growing pharmaceuticals in CY2017 compared to CY2016. Out of approximately 450 Therapeutic Classes receiving payments in CY2017, the twenty fastest growing therapeutic classes represented 34.8% of all pharmaceutical payments in CY2017. Common non-opiate analgesics and topicals, Topical Corticosteroids, and other medications sometimes used to relieve pain such as Anticonvulsants and Central Muscle Relaxants experienced a combined increase of 4.8%. On the other hand, Opioid Agonists, Opioid Partial Agonists and Opioid Combinations totaled a 2.8% decrease in their share of pharmaceutical payments from CY2016 to CY2017.

Table 11

Fastest Growing Therapeutic Classes, CY2017 vs. CY2016

Growth Rank	Therapeutic Class Description	Therapeutic Class	Change from CY2016 - CY2017 (%)	% Paid of Pharmaceuticals CY2017
1	Corticosteroids - Topical	9055	2.7	5.0
2	Anticonvulsants - Miscellaneous.	7260	1.9	10.0
3	Anti-inflammatory Agents - Topical	9021	1.3	4.0
4	H-2 Antagonists	4920	0.7	1.2
5	Antineoplastic or Premalignant Lesion Agents - Topical	9037	0.4	0.5
6	Bradykinin B2 Receptor Antagonists	8582	0.4	0.7
7	Antiretrovirals	1210	0.3	0.8
8	Impotence Agents	4030	0.3	1.3
9	Peripheral Opioid Receptor Antagonists	5258	0.2	0.5
10	Cephalosporins - 2nd Generation	0220	0.2	0.4
11	Viscosupplements	7580	0.2	1.1
12	Insulin	2710	0.2	0.7
13	Central Muscle Relaxants	7510	0.2	5.7
14	Direct Factor Xa Inhibitors	8337	0.2	0.5
15	Sympathomimetics	4420	0.1	0.7
16	Soluble Tumor Necrosis Factor Receptor Agents	6629	0.1	0.3
17	Toxoid Combinations	1899	0.1	0.4
18	Antihistamines - Ethanolamines	4120	0.1	0.5
19	Restless Leg Syndrome (RLS) Agents	6256	0.1	0.3
20	Antipsoriatics	9025	0.1	0.2
Total, Top 20 Gaining Therapeutic Class Codes				34.8

Conditions and Limitations

The WCIRB completed this study using medical transaction data with transaction dates from January 1, 2015 through December 31, 2017. Our data reflects approximately 92% of the insured system in California. In reviewing this information, the following should be noted:

1. This report reflects a compilation of individual insurer submissions of medical transaction data to the WCIRB. While the individual insurer data submissions are regularly checked for consistency and comparability with other data submitted by the insurer as well as with data submitted by other insurers, the source information underlying each insurer's data submission is not verified by the WCIRB.
2. The study is based solely on the experience of insured employers. No self-insured employer experience is reflected in the study.
3. This data does not include payments made directly to any known third party who may be assigned medical management.

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