



Medical Cost Trends & Emerging Issues in the California Workers' Compensation System

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www.cwci.org

Current Events on Medical Delivery

Good news on reform outcomes:

- Frequency, expenses and medical are down
- New fee schedules (RBRVS) on track
- Fewer spine surgeries
- Opioids are trending down
- Rx Formulary coming on-line
- Fewer liens
- \$1.3B in savings (WCIRB)

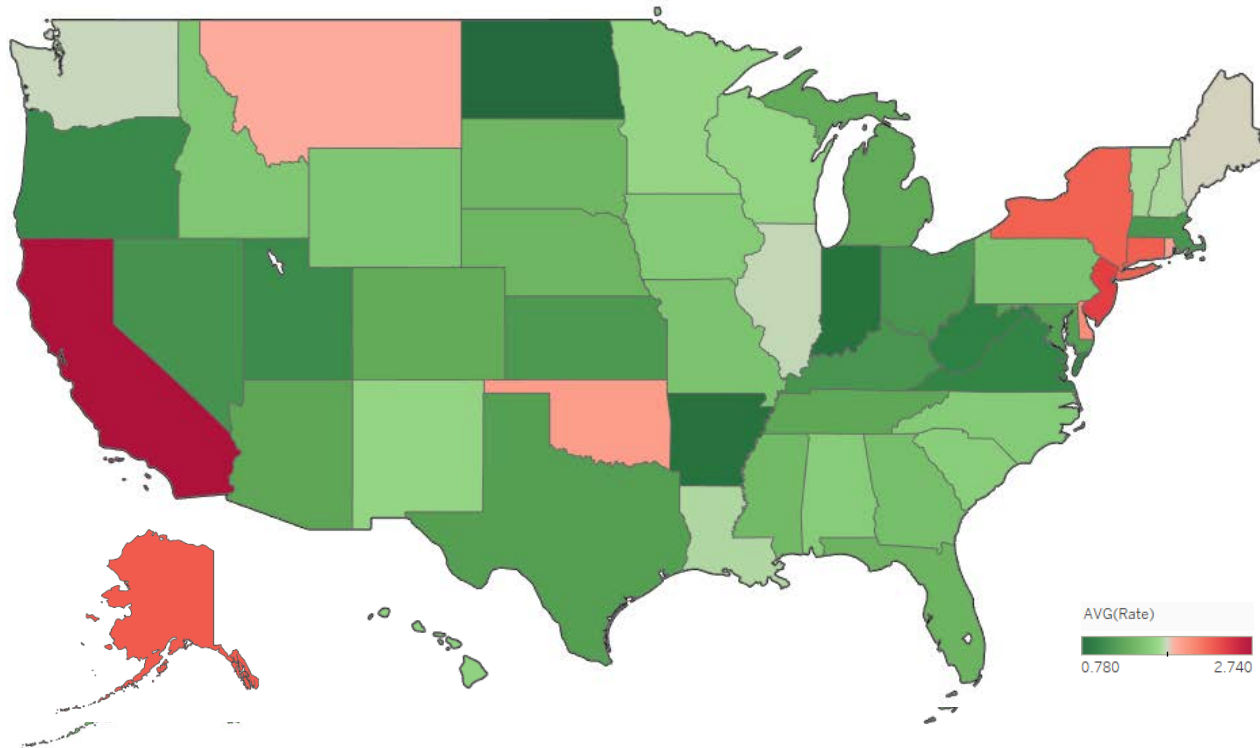
However...

California within the National Landscape

Highest
Rate*

Highest Perm Dis
Frequency

Highest
Expenses

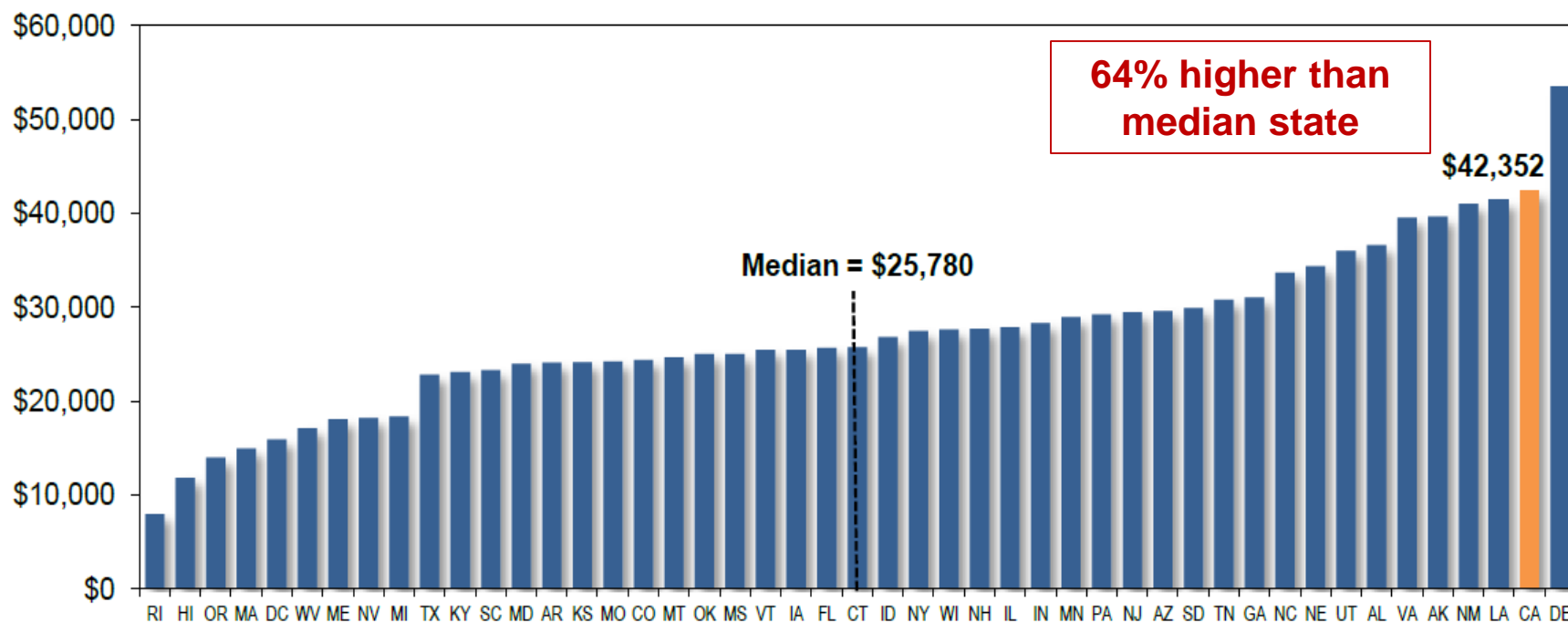


* Using CA weights

Source: Oregon Dept. of Business & Consumer Services Study 2016

National Comparison on Medical Costs Indemnity Claims

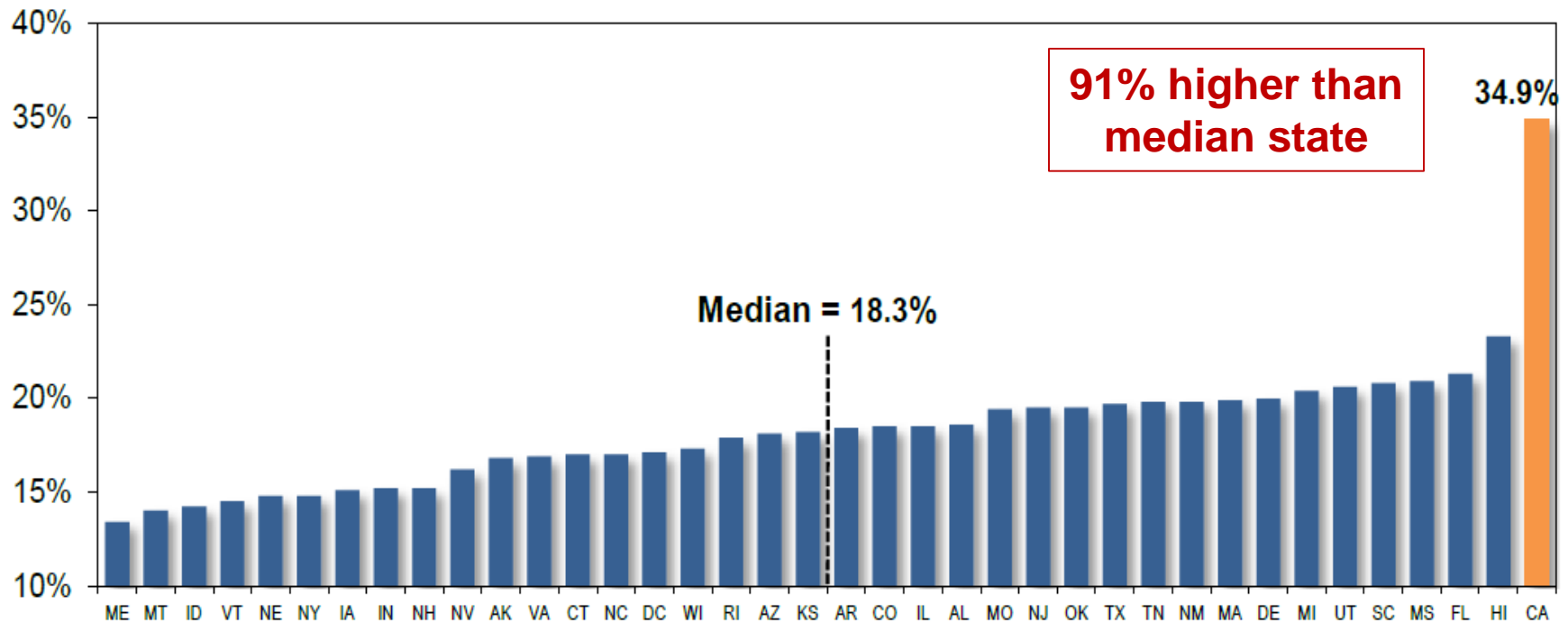
Medical Cost per Indemnity Claim



Source: NCCI Annual Statistical Bulletin, 2016, Exhibit 11

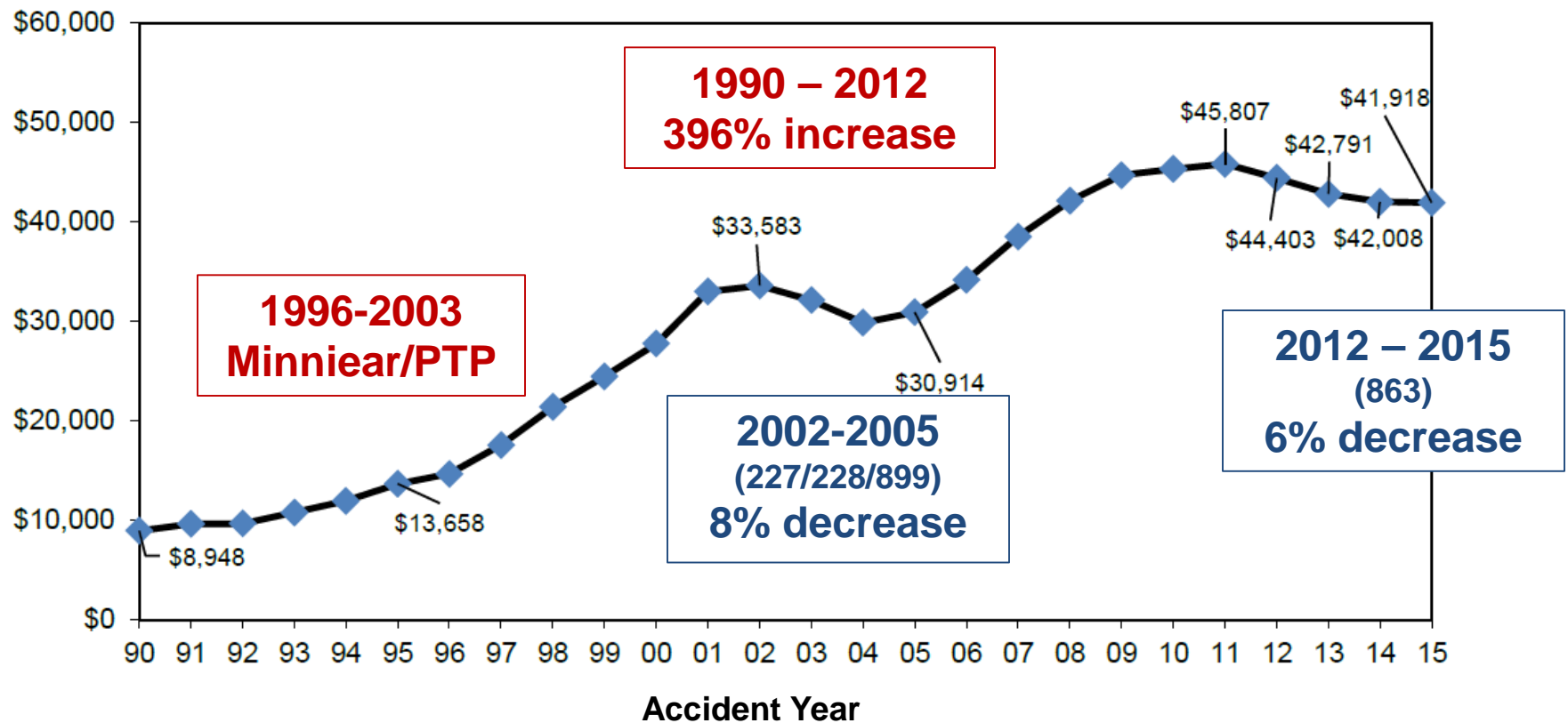
National Comparison on LAE Costs

Ratios of Loss Adjustment Expense Costs to Losses



Source: 2016 NCCI Annual Statistical Bulletin, Exhibit 6

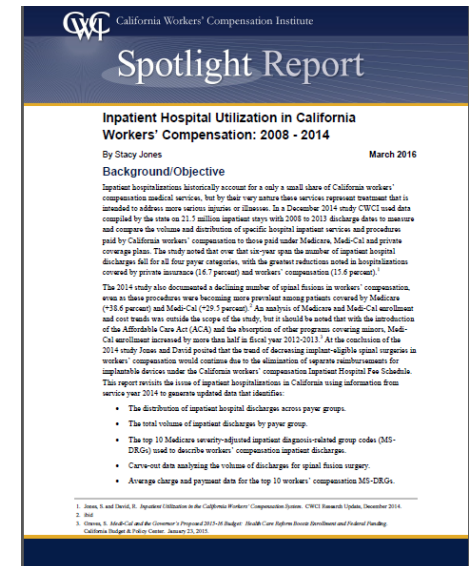
Estimated Average Medical Cost per Indemnity Claim by Accident Year



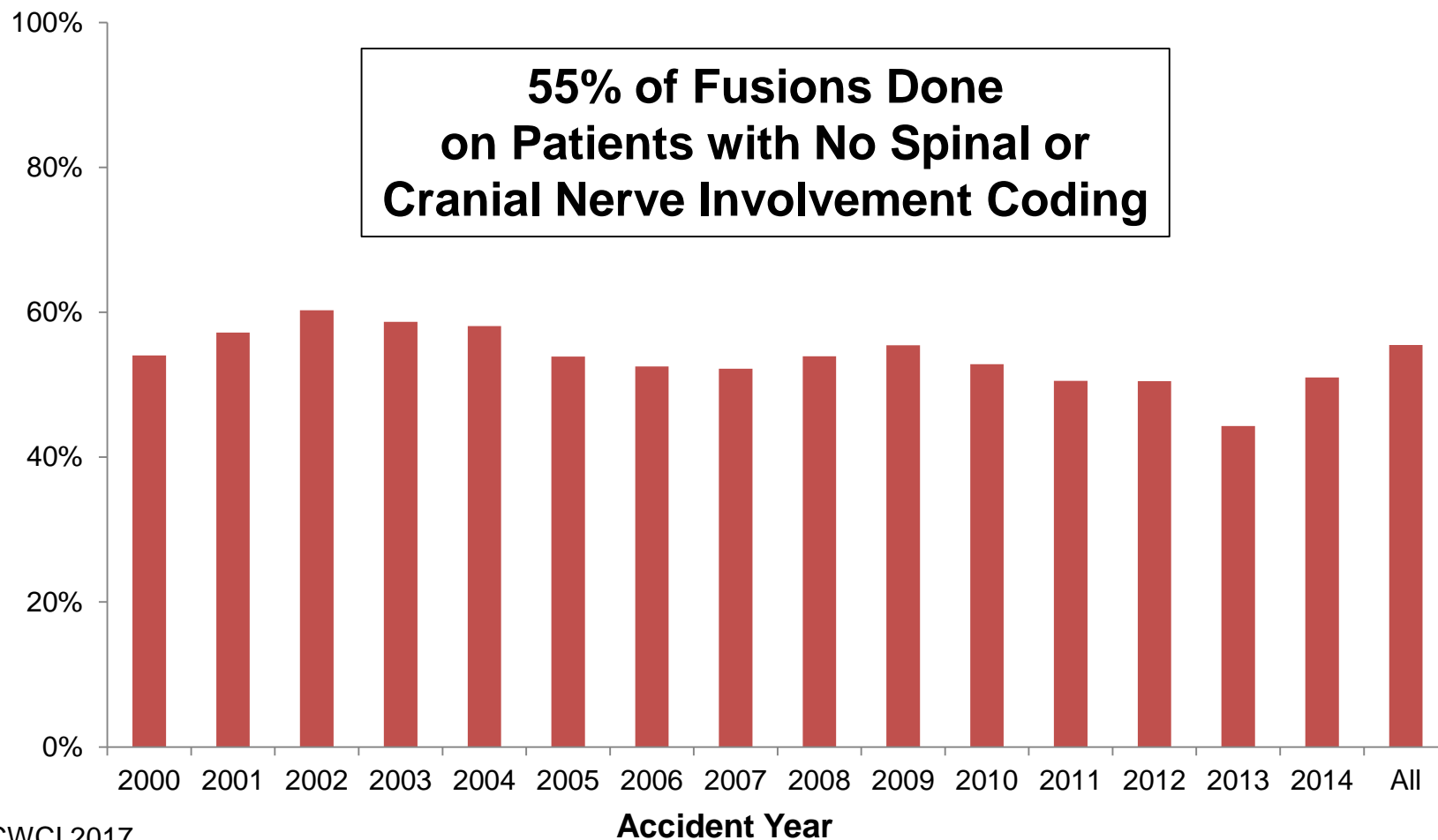
Source: WCIRB 2016

Inpatient Spinal Surgery

- Controversial nature of spine surgeries
- Many spine surgeries performed without appropriate findings
- High rate of repeat surgeries and “failed back syndrome”
- High rate of spine surgery associated with duplicate payment for hardware
- March 2016 Study



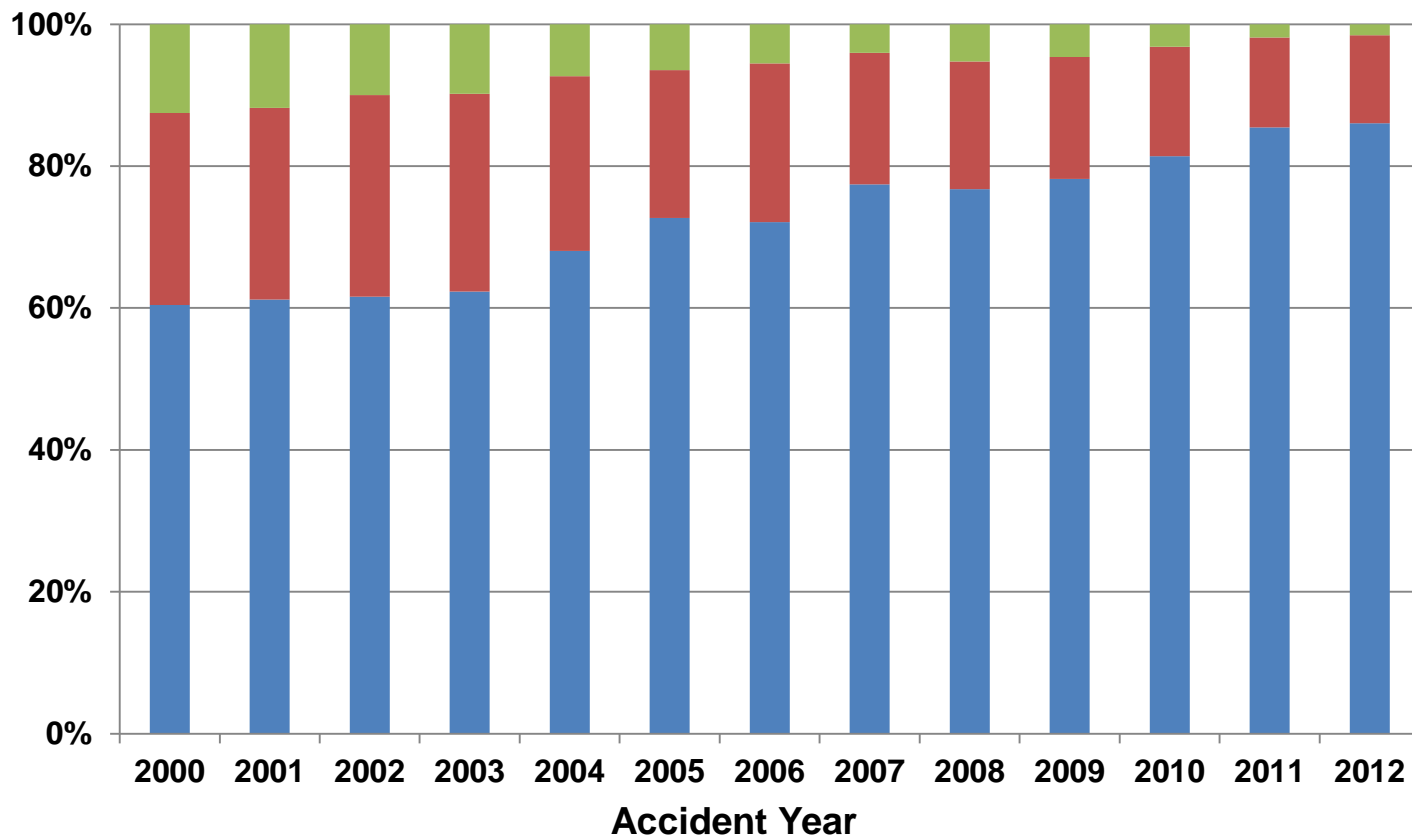
Spinal Fusions



Source: CWCI 2017

Multiple Spinal Fusions

Percent with 1, 2 or 3+ Fusions



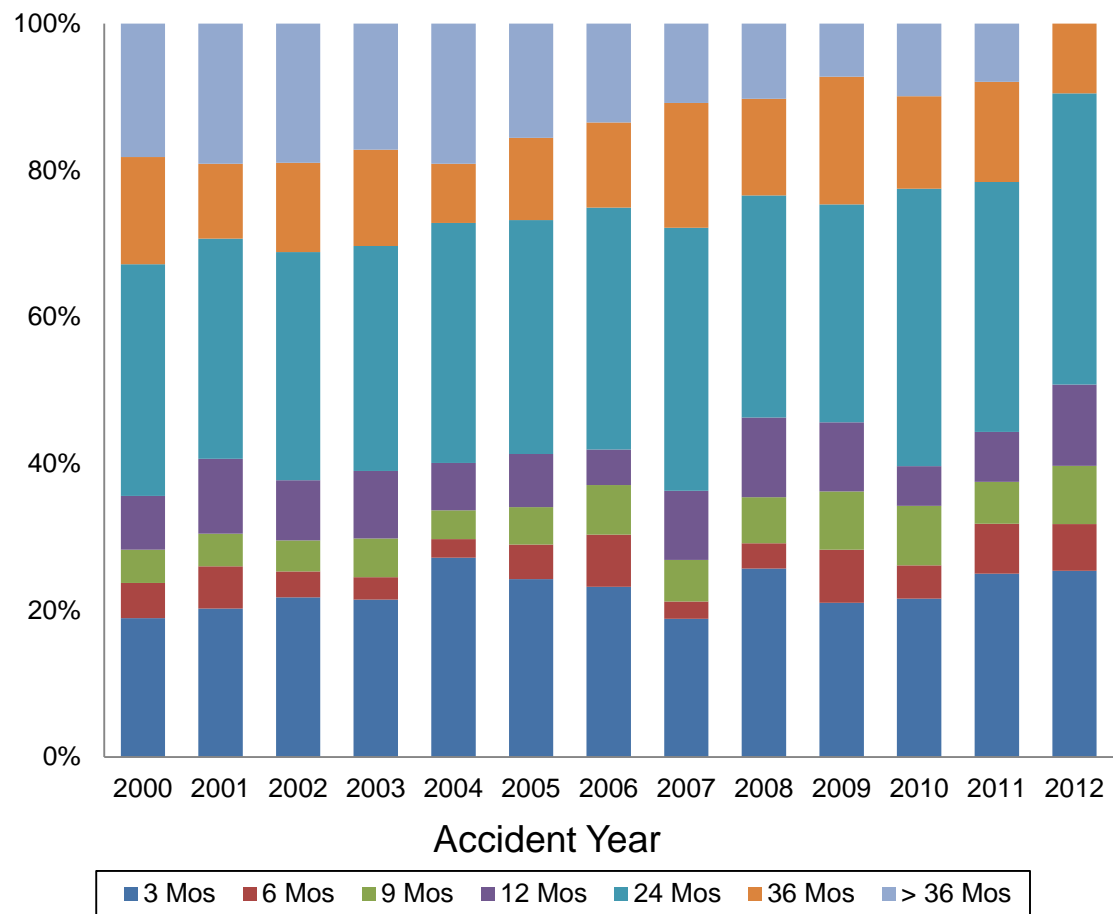
Follow-up
surgeries are
common

Source: CWCI 2017

1 Surgery
2 Surgeries
3+ Surgeries

Spinal Fusions

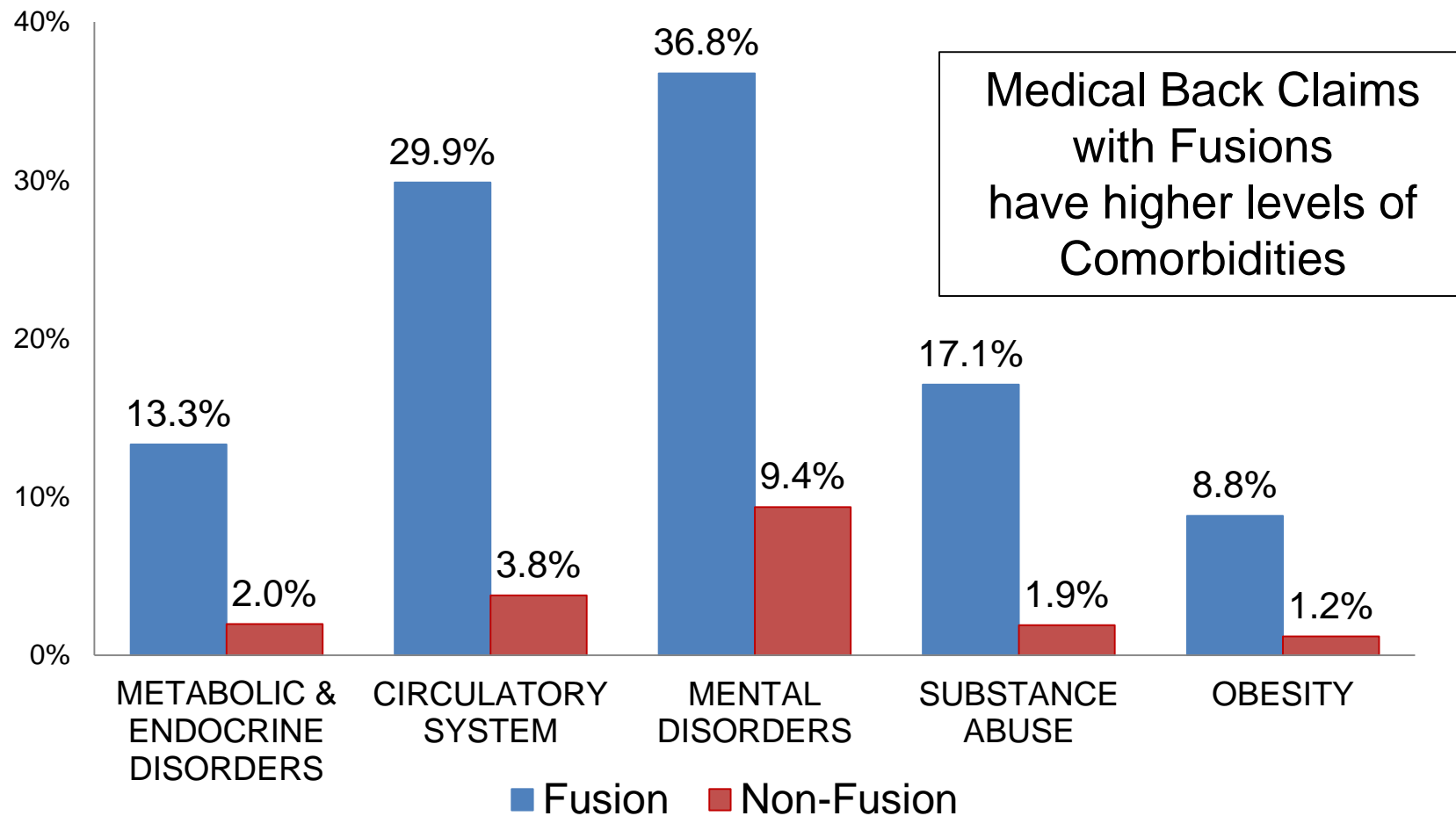
Timing of 2nd Surgeries



Almost half of
2nd surgeries
performed
within one year
of the 1st

Source: CWCI 2017

Spinal Fusions Comorbidities

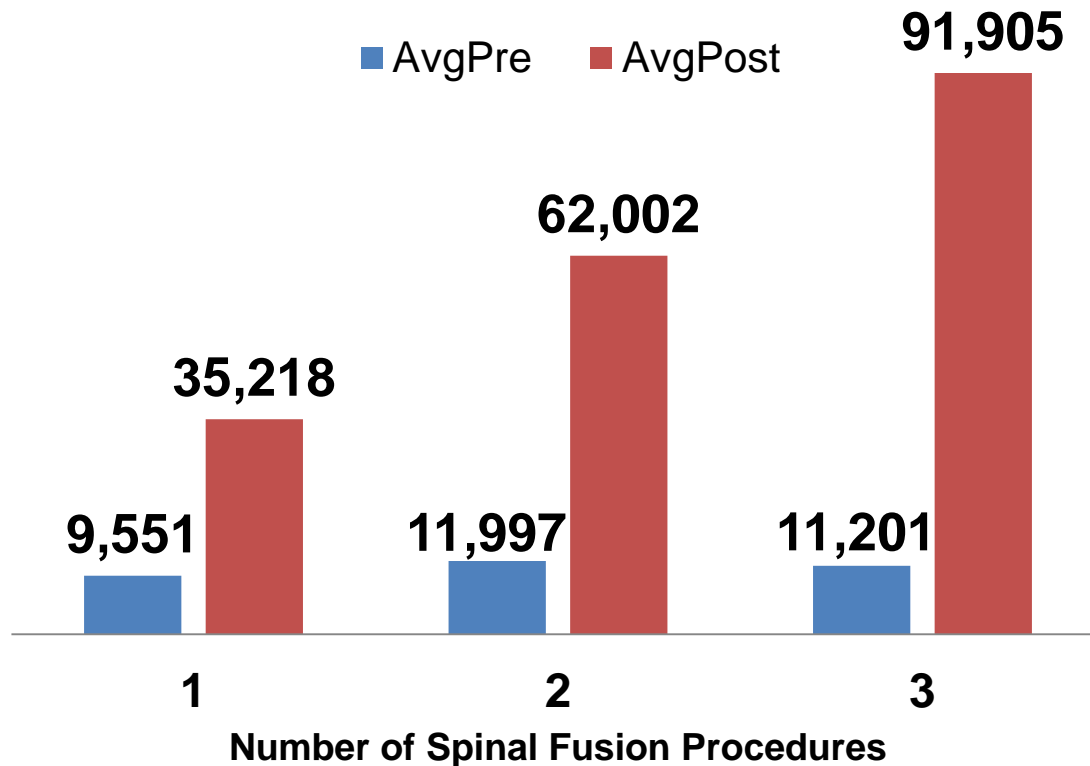


AY 2000 - 2014 Claims

Spinal Fusion as Pain Management?

Opioid Use Before & After

Morphine Equivalents per Claim Pre-Fusion
and Greater than 30 Days Post Last Fusion

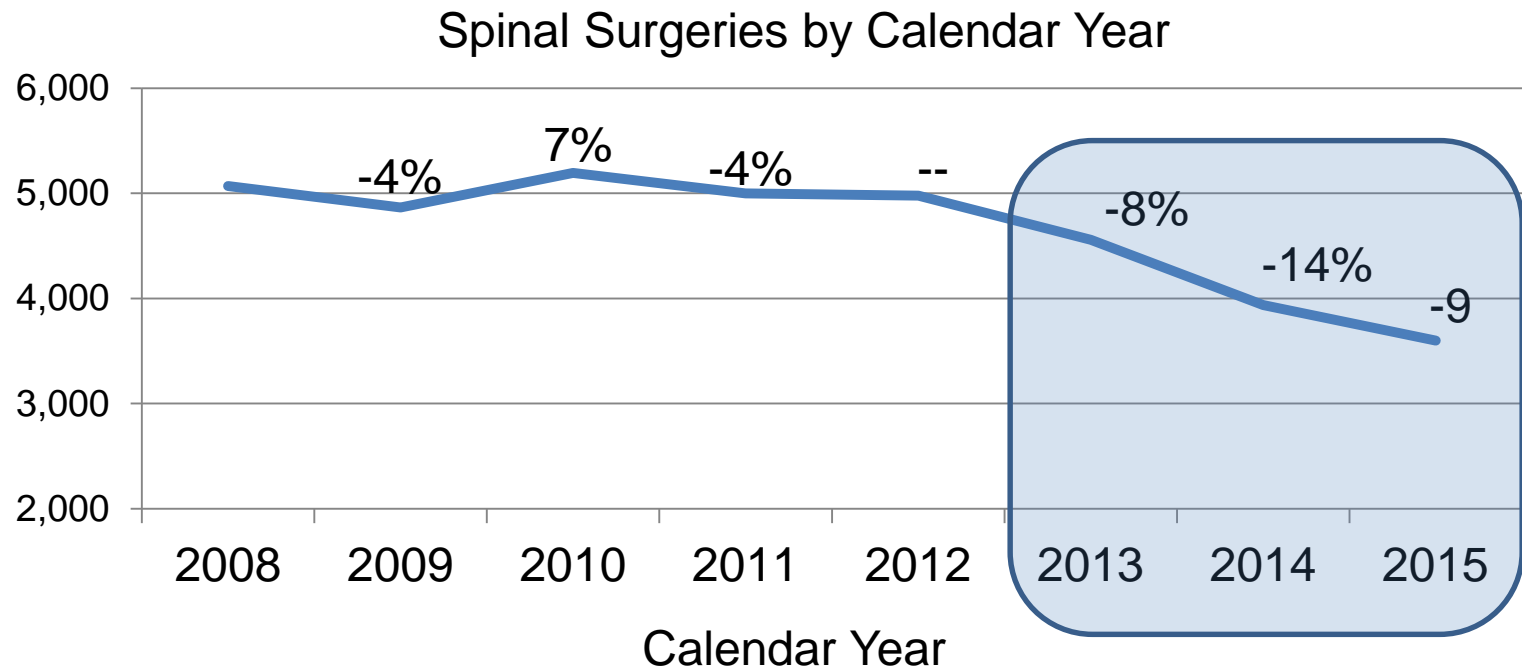


Opioid use
spikes 30 days
after surgery

Source: CWCI 2017

Post Reform Spinal Fusions

Removal of Duplicate Hardware Payment



Source: OSPHD

Spinal fusions declined
27% following reforms

Source: CWCI 2017

CWCI 2017. All Rights reserved.

Spinal Surgery Rates

Another Reason for the Decline

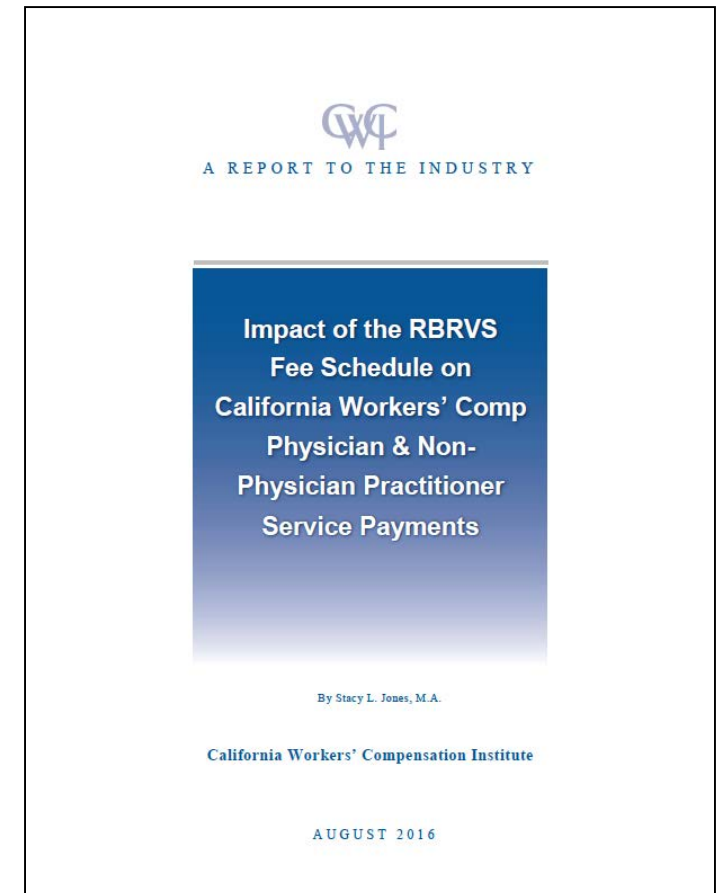
“Operation Spinal Cap”

FBI: Five Individuals, Including Two Doctors, Charged in Kickback Schemes
Involving Nearly **\$600 Million in Fraudulent Claims**
by Southern California Hospitals

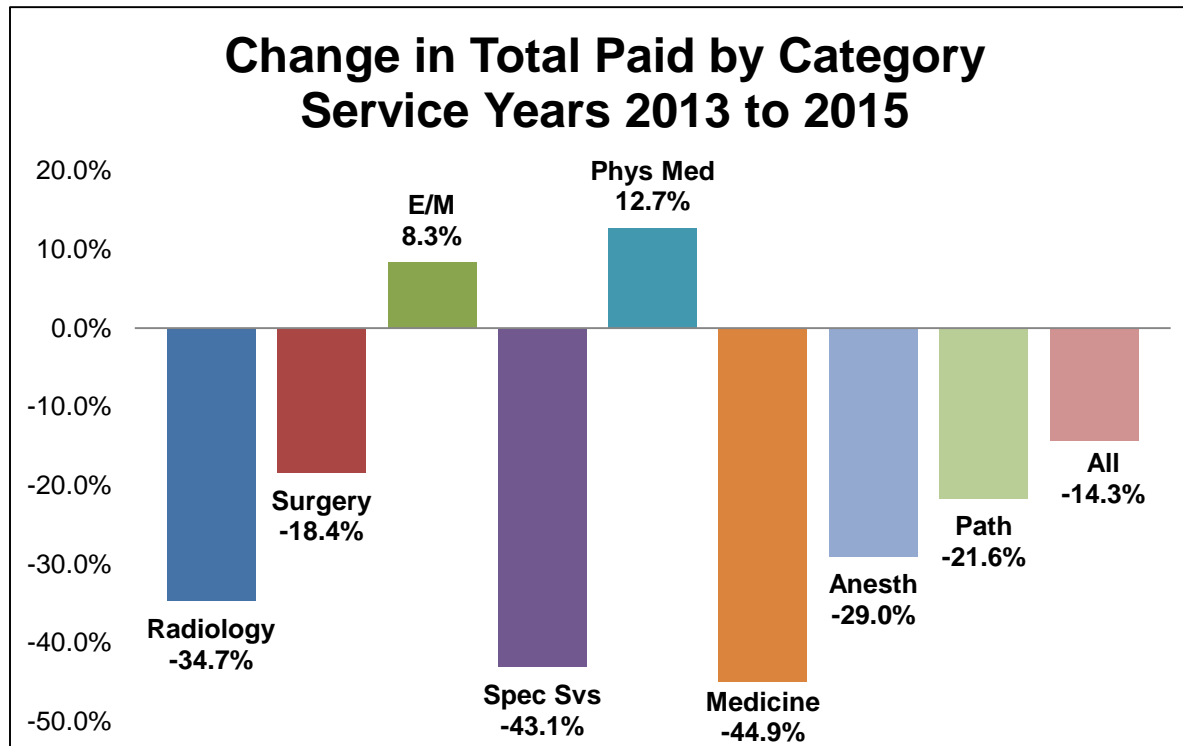
WASHINGTON—In a series of related cases announced today, the former chief financial officer (CFO) of a Long Beach, California, hospital, two orthopedic surgeons and others have been charged in long-running health care fraud schemes that **illegally referred thousands of patients for spinal surgeries and generated nearly \$600 million in fraudulent billings** over an eight-year period

Impact of the RBRVS Fee Schedule

- Published August 2016
- Study analyzes the first two years of the 4-year transition to the RBRVS-based fee schedule for physician and non-physician services.



Impact of the RBRVS Fee Schedule



Summary points:

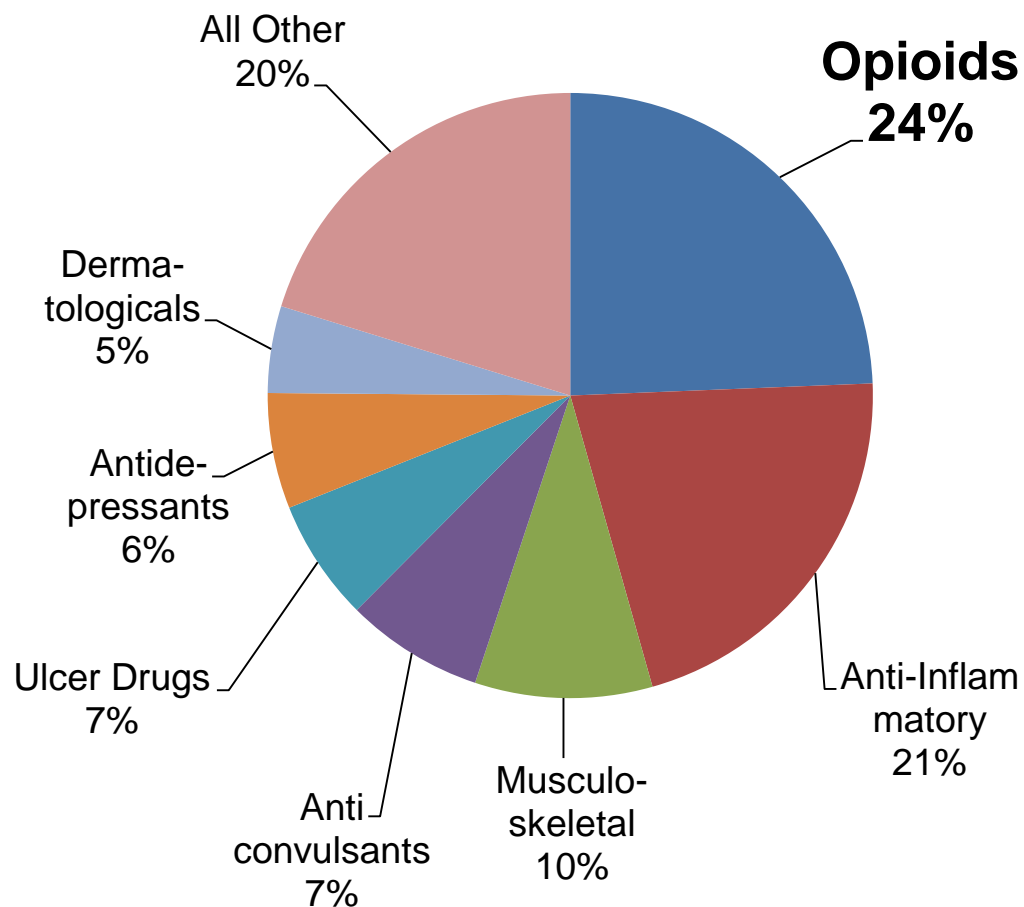
- Total paid -14.3%
- Wide variation between service categories



Pharmaceutical Utilization and Cost Trends & Formulary Update



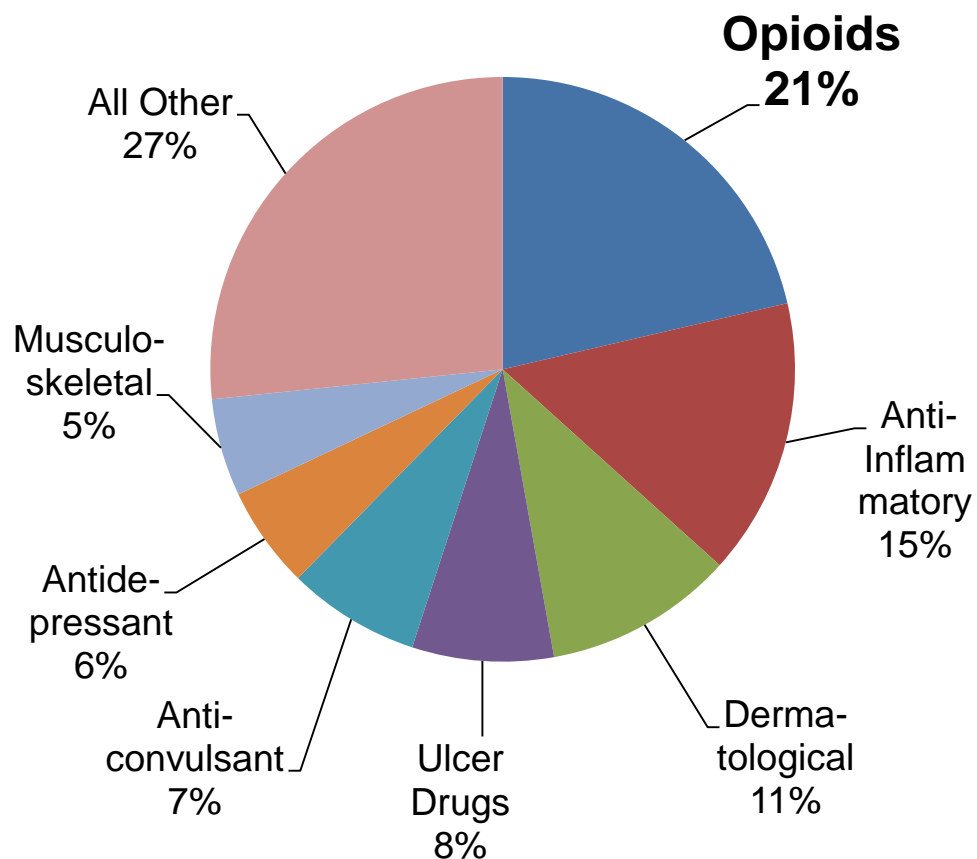
Distribution of Therapeutic Groups - Prescriptions



Opioids remain the most frequent script of all therapeutic groups

Calendar Year 2016

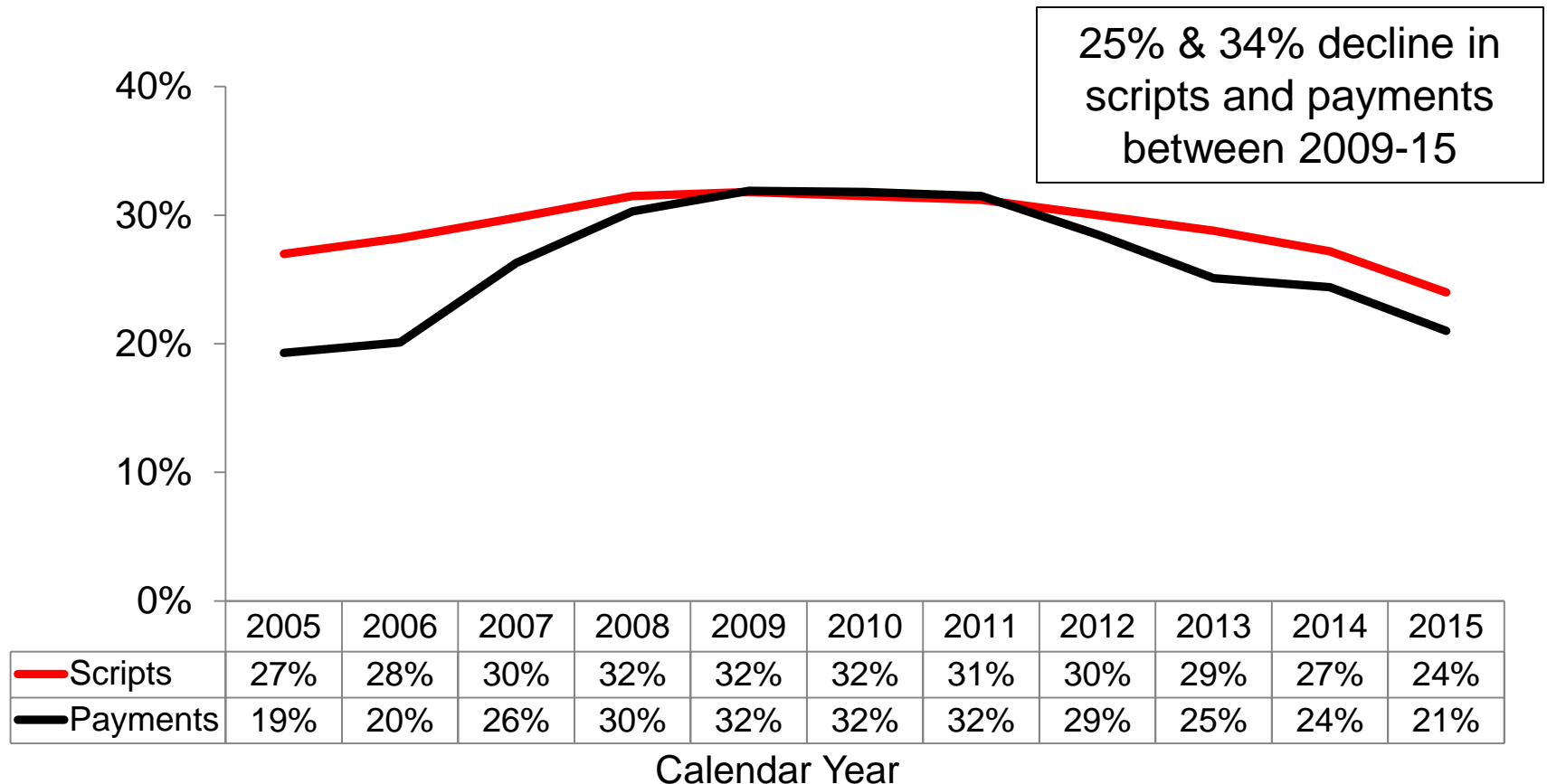
Distribution of Therapeutic Groups - Payments



Opioids have the highest payments of all therapeutic groups

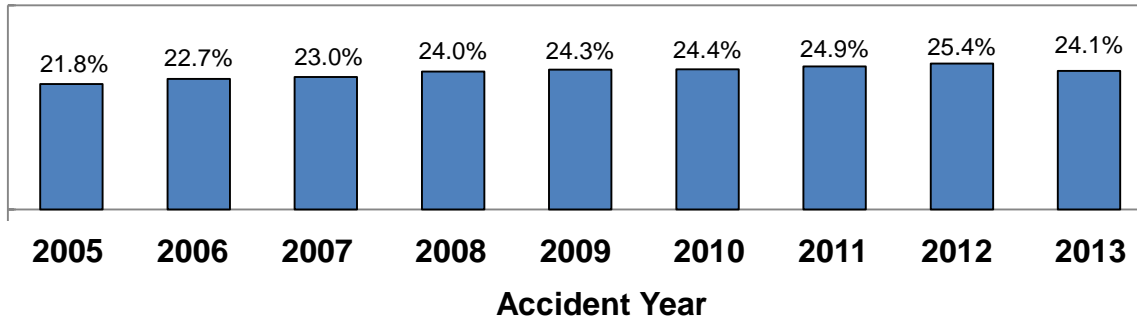
Calendar Year 2016

Analgesic Opioid Prescriptions & Payments



Changes in Opioid Utilization

Claim Based Measures at 24M Development

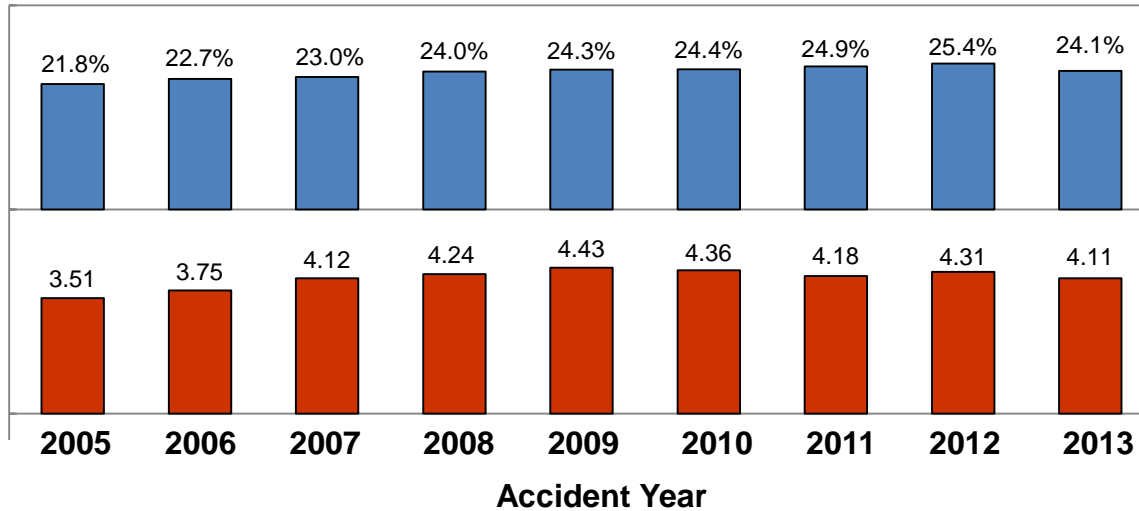


**Percent of injured
workers
w/ opioids**

**11% increase
between AY
2005-2013**

Changes in Opioid Utilization

Claim Based Measures at 24M Development

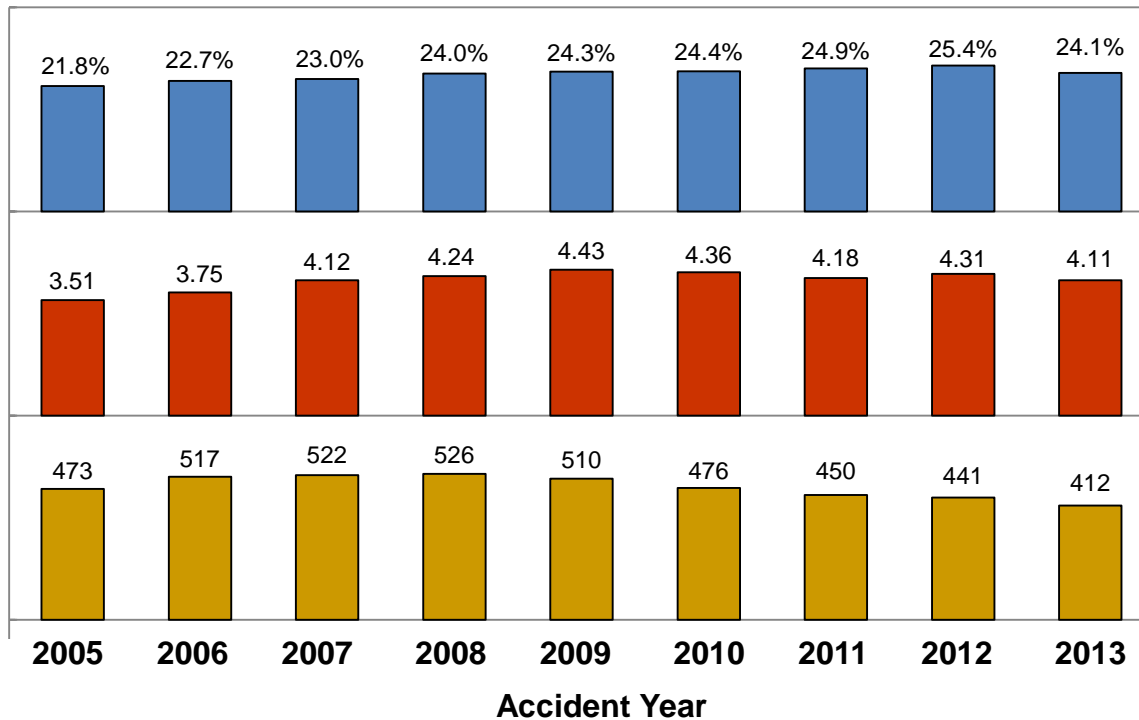


**Average opioid
scripts/claim**

**Decreased 7%
from 2009 peak**

Changes in Opioid Utilization

Claim Based Measures at 24M Development

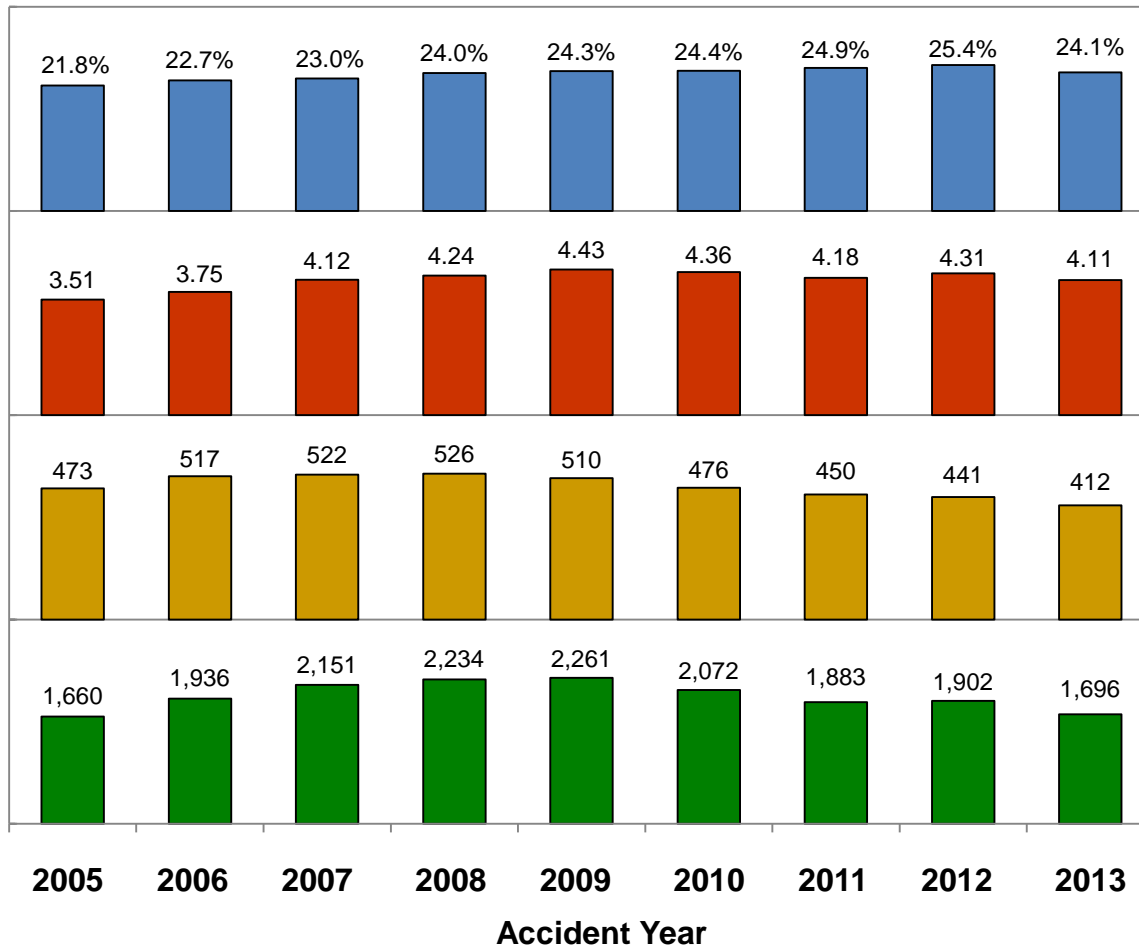


**Average morphine
equivalents
per script**

**Decreased
22% from
peak in 2008**

Changes in Opioid Utilization

Claim Based Measures at 24M Development



Average cumulative
morphine
equivalents
per injured worker

Decreased 25%
from peak in 2009

The Missing Piece In Rx Control: Formularies

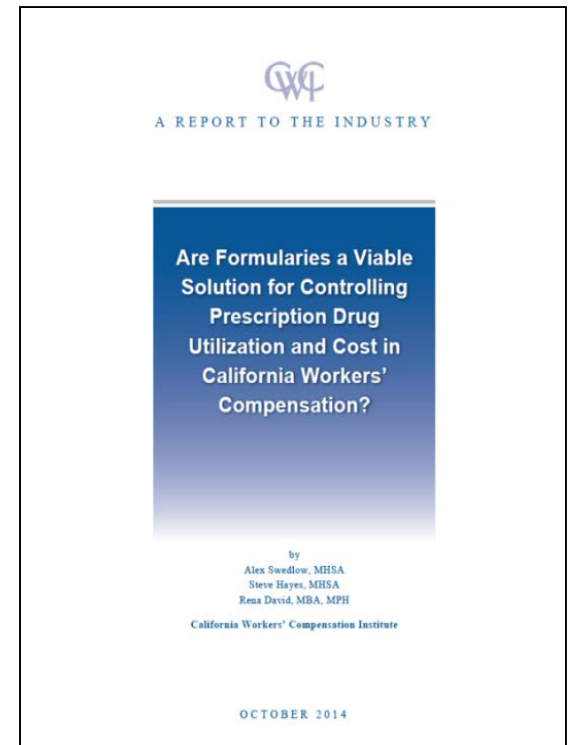
November 2014 CWCI Study: Potential impact of a state formulary

- Modeled CA data using Texas and Washington State Formularies
- Estimated system-wide savings of 10 – 50%

AB 1124 - October 2015

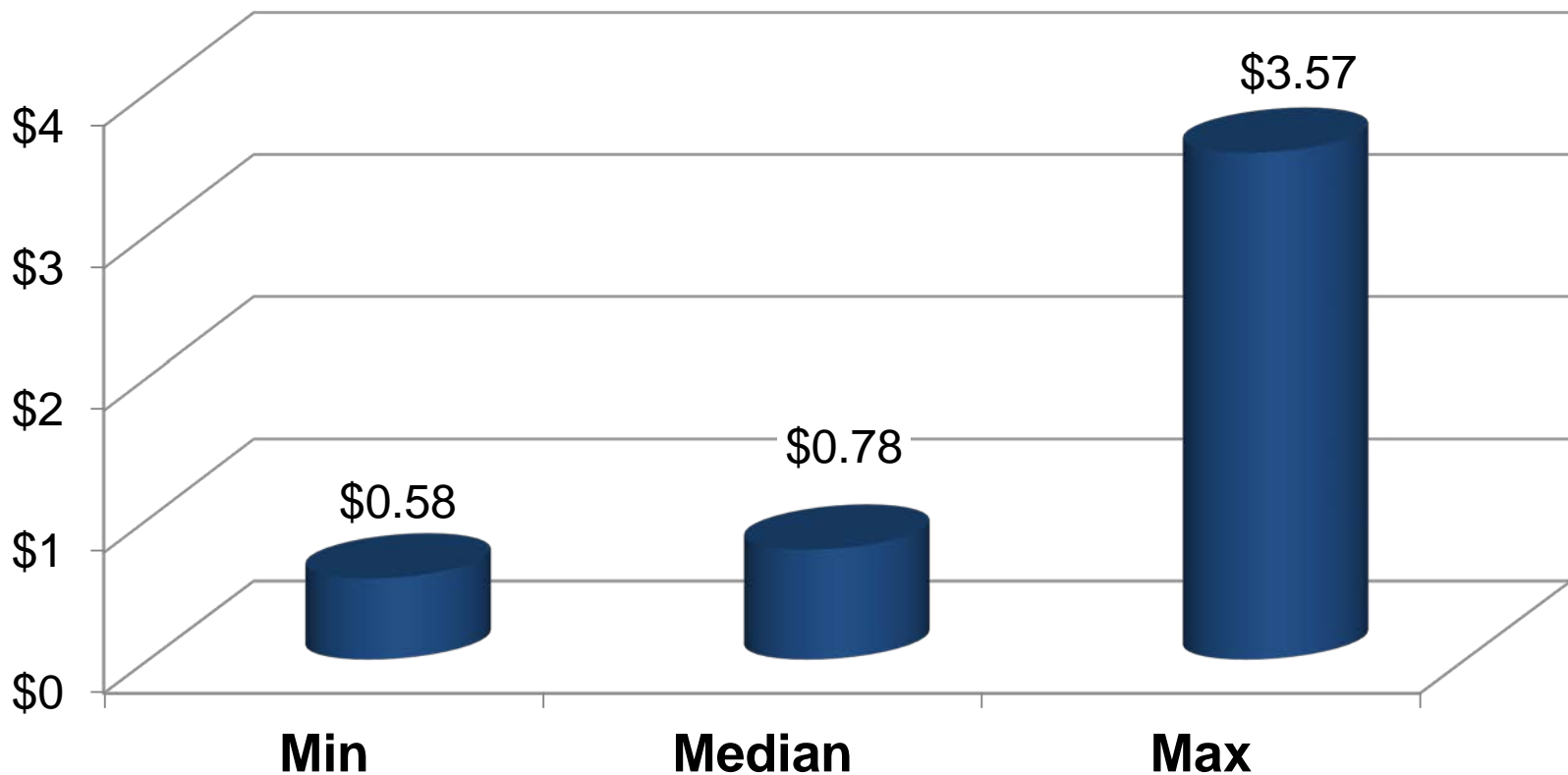
- Calls for creation of a State Formulary

Target Implementation - July 2017



Formulary Considerations: Average Wholesale Price Variation

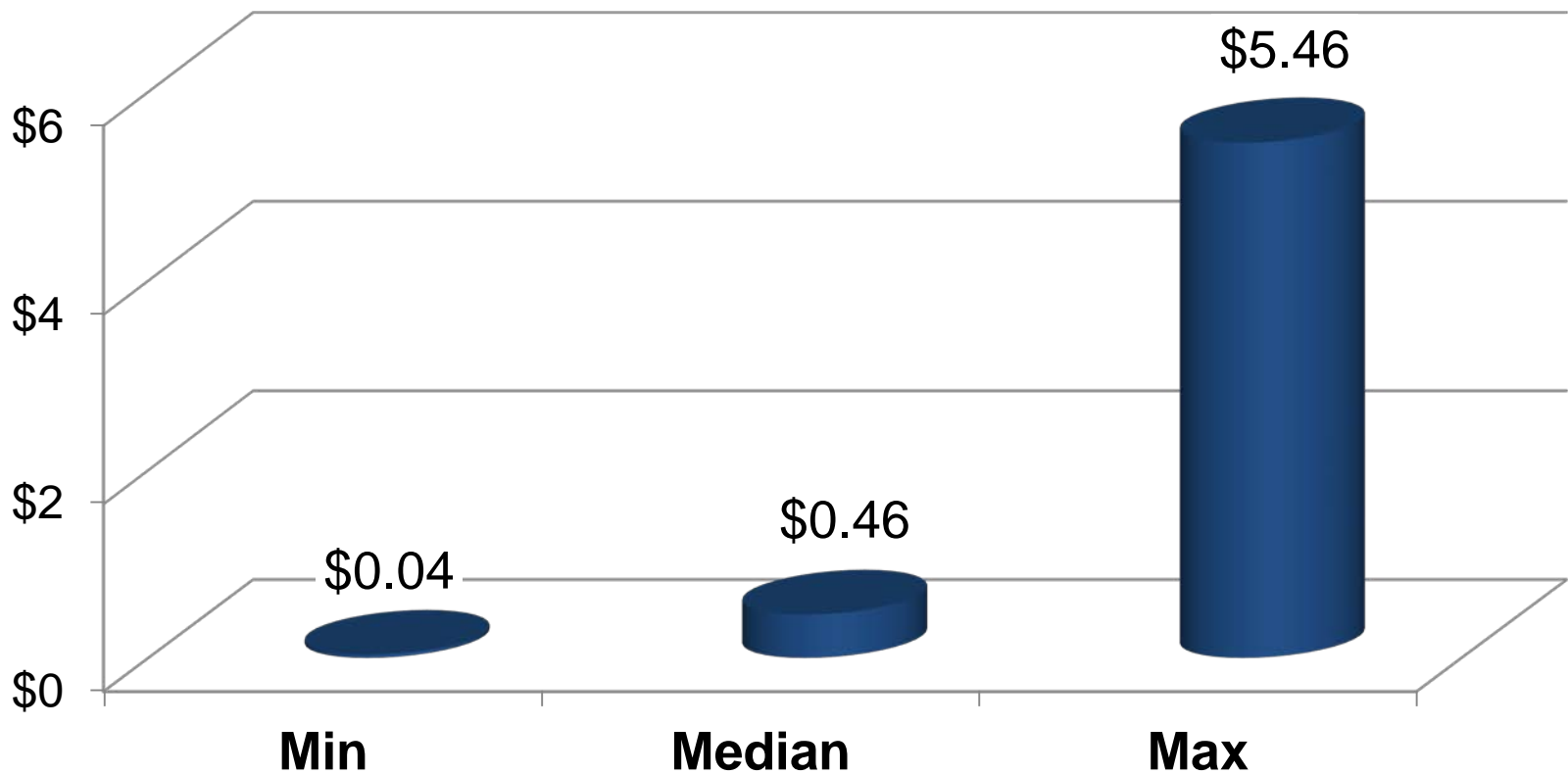
Hydrocodone-Acetaminophen Tab 10-325 MG



Source: CWCI 2016

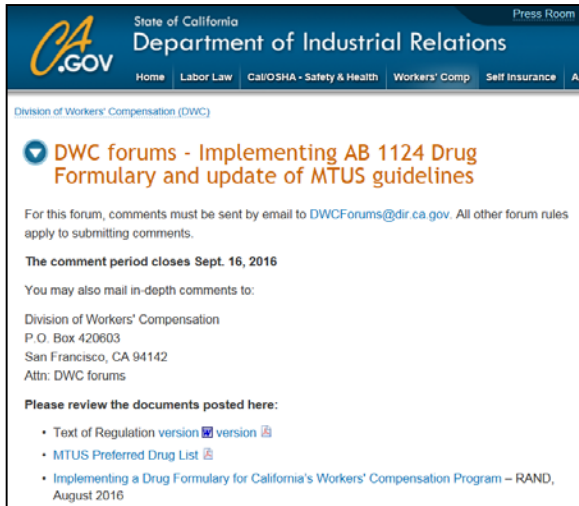
Formulary Considerations: Average Wholesale Price Variation

Ibuprofen Tab 800 MG



Source: CWCI 2016

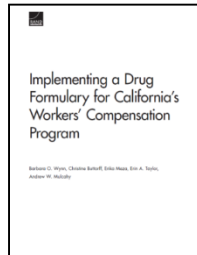
Implementing AB 1124 Drug Formulary and update of MTUS



Key Draft Components Released August 26th:

- DWC Draft Regulations
- MTUS Drug List
- RAND Report

Proposed Regs Released March 20th
Formulary Hearing May 1st

[illegible]

Intent of the formulary

- Improve quality of care
- Reduce UR (45%) and IMR (48%) friction costs
- Lower cost

Implementing AB 1124

Drug Formulary and update of MTUS

Proposed Formulary Components Released March 20th :

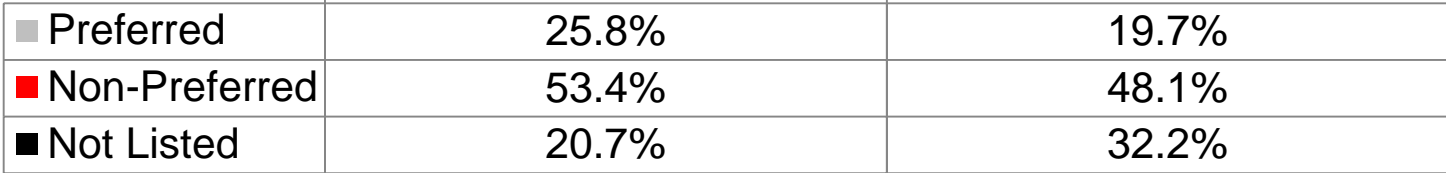
- MTUS Drug List (N=242)

[PROPOSED FOR ADOPTION] MTUS Drug List (8 CCR § 9792.27.14)						
<p>The MTUS Drug List must be used in conjunction with 1) the MTUS Guidelines, which contain specific treatment recommendations based on condition and phase of treatment and 2) the drug formulary rules. (See 8 CCR § 9792.20-§ 9792.27.21.) "Reference in Guidelines" indicates guideline topic(s) which discuss the drug. In each guideline there may be conditions for which the drug is Recommended (✓), Not Recommended (✗), or No Recommendation (⊖). Consult guideline to determine the recommendation for the condition to be treated and to assure proper phase of care use.</p> <p>Preferred / Non-Preferred - "Preferred" indicates drug may be prescribed/dispensed without seeking authorization through Prospective Review if in accordance with MTUS. 1) Physician dispensed "Preferred" drugs limited to one 7-day supply without Prospective Review. 2) Prescription/dispensing of Brand name Preferred drug where generic is available requires authorization through Prospective Review. "Non-Preferred" or "Unlisted" drug requires authorization through Prospective Review prior to prescribing or dispensing. (See 8 CCR § 9792.27.1 through § 9792.27.21 for complete rules.)</p> <p>*Special Fill - Indicates the Non-Preferred drug may be prescribed/dispensed without Prospective Review: 1) Rx at initial visit within 7 days of injury, and 2) Supply not to exceed #days indicated, and 3) is a generic or single source brand, or brand where physician substantiates medical necessity, and 4) if in accord with MTUS. (See 8 CCR § 9792.27.11.)</p> <p>**Perioperative Fill - Indicates the Non-Preferred drug may be prescribed/dispensed without Prospective Review: 1) Rx issued during the perioperative period (2 days before through 4 days after surgery), and 2) Supply not to exceed #days indicated, and 3) is a generic or single source brand, or brand where physician substantiates medical necessity, and 4) if in accord with MTUS. (See 8 CCR § 9792.27.12.)</p>						
	Drug Ingredient	Preferred / Non-Preferred	Special Fill	Peri-Op	Drug Class	Reference in Guidelines
1	Acetaminophen	Preferred			Analgesics - NonNarcotic	<ul style="list-style-type: none"> ✓ Cervical and Thoracic Spine Disorders ✓ Chronic Pain ✓✗ Elbow Disorders ✓ Eye ✓✗ Hand, Wrist, and Forearm Disorders ✓ Hip and Groin Disorders ✓ Knee Disorders ✓ Low Back Disorders
2	Adalimumab	Non-Preferred			Analgesics - Anti-Inflammatory (TNF-alpha blocker)	<ul style="list-style-type: none"> ✗ Chronic Pain ✗ Hip and Groin Disorders ✗ Knee Disorders ✗ Low Back Disorders
3	Albuterol Sulfate	Preferred			Antiasthmatic and Bronchodilator Agents	<ul style="list-style-type: none"> ✓ Work Related Asthma
4	Alendronate Sodium	Non-Preferred			Endocrine and Metabolic Agents Misc (Bisphosphonate)	<ul style="list-style-type: none"> ✓✗ Chronic Pain ✓✗ Hip and Groin Disorders ⊖ Knee Disorders ✗ Low Back Disorders ✓ Shoulder
5	Amantadine HCL	Non-Preferred			Antiparkinson Agents (NMDA receptor antagonist)	<ul style="list-style-type: none"> ✗ Chronic Pain ✗ Low Back Disorders
6	Amitriptyline HCL	Non-Preferred			Antidepressants (TCAs)	<ul style="list-style-type: none"> Disorders ✓ Chronic Pain ✗✗ Hip and Groin Disorders ✓✗ Knee Disorders ⊖ Low Back Disorders ✓✗ Shoulder
7	Amlodipine Besylate	Non-Preferred			Calcium Channel Blockers	<ul style="list-style-type: none"> ✓✗ Hand, Wrist, and Forearm Disorders
8	Amoxicillin/Clavulanate P	Preferred			Antibiotics (Penicillins)	<ul style="list-style-type: none"> ✓ Hand, Wrist, and Forearm Disorders ✓ Low Back Disorders

Drugs are designated into categories:

- Preferred (no mandatory prospective UR)
- Non-Preferred (no mandatory prospective UR)
- **Not Listed** (no mandatory prospective UR)

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[illegible]

26% of currently dispensed drugs are “fast tracked” around prospective UR
74% of currently dispensed drugs eligible for prospective UR



Reengineering Medical Dispute Resolution: Media Perception and Reality

Access to Care: A System-Wide Problem? Anecdotes vs Public Policy Research

ProPublica / NPR



The Demolition of Workers' Comp

by Michael Grabell, ProPublica, and
Howard Berkes, NPR, March 4, 2015

Over the past decade, states have slashed workers' compensation benefits, denying injured workers help when they need it most and shifting the costs of workplace accidents to taxpayers. [More »](#)

KNBC



**Work Injury
Claim Form**

iving as many details as possible. Failure to do so may res

Personal Information

Other Names:

Forename: John Street

REJECTED

Medical Dispute Resolution: From Physician Request to Final Decision

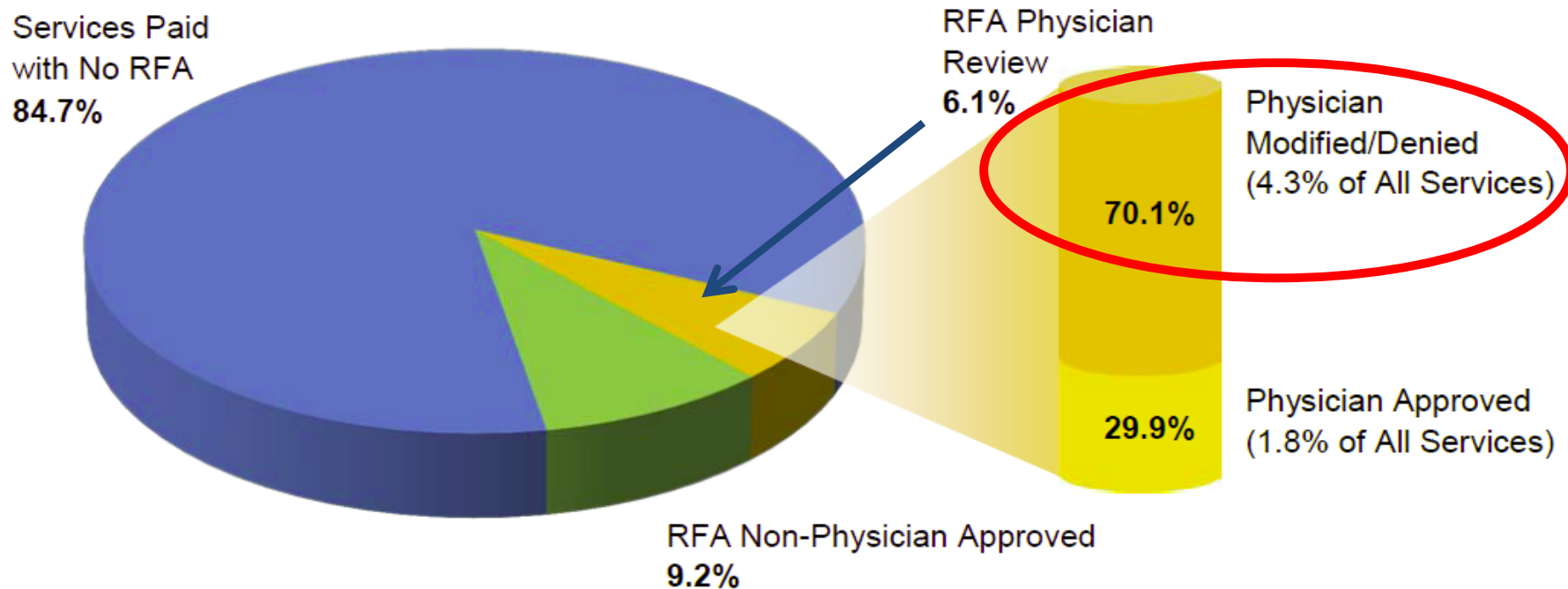
Handoffs in Medical Management

- Request for treatment
- Request for Approval (RFA)
- Utilization Review (UR)
- Independent Medical Review (IMR)



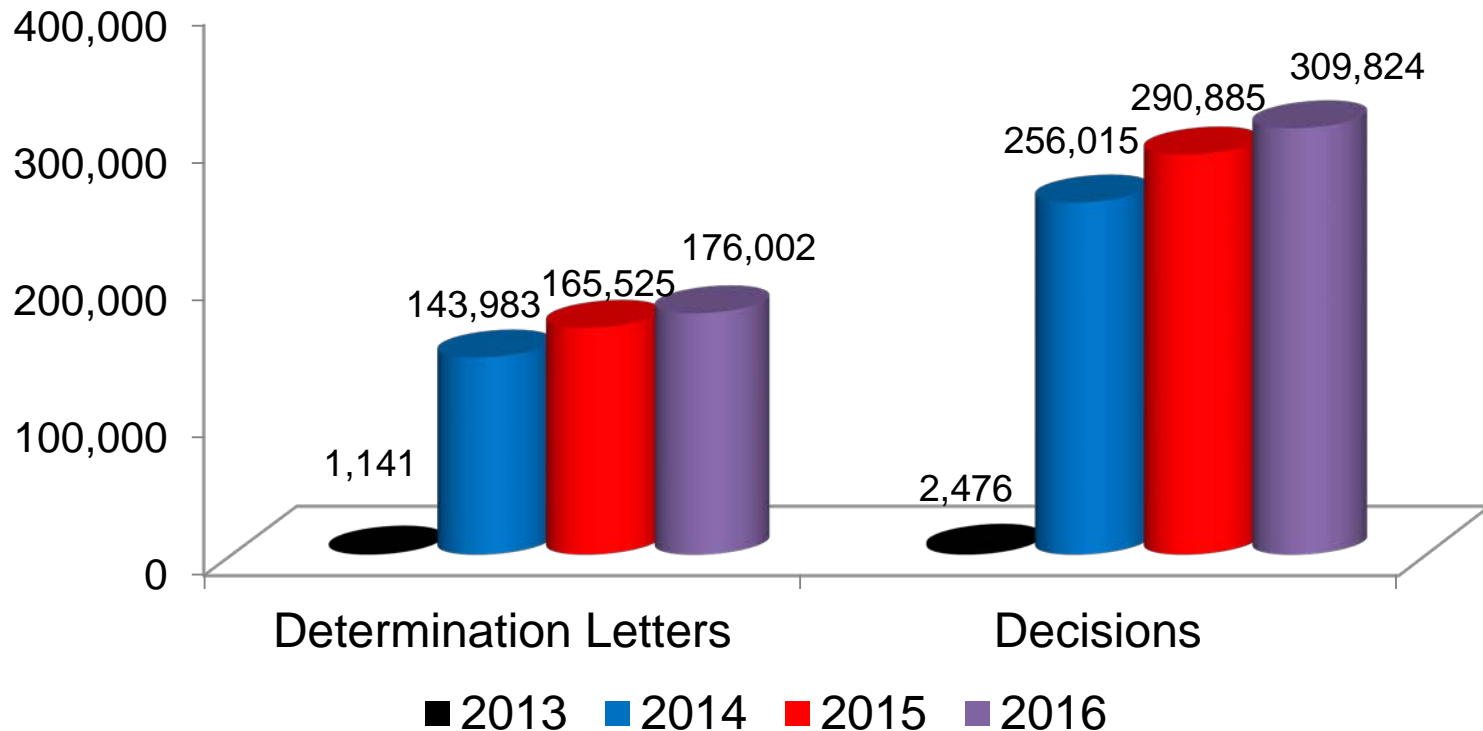
Medical Dispute Resolution: From Physician Request to Final Decision

Handoffs in Medical Management



Unintended Consequence: High IMR Volume 2014 - 2016 Results

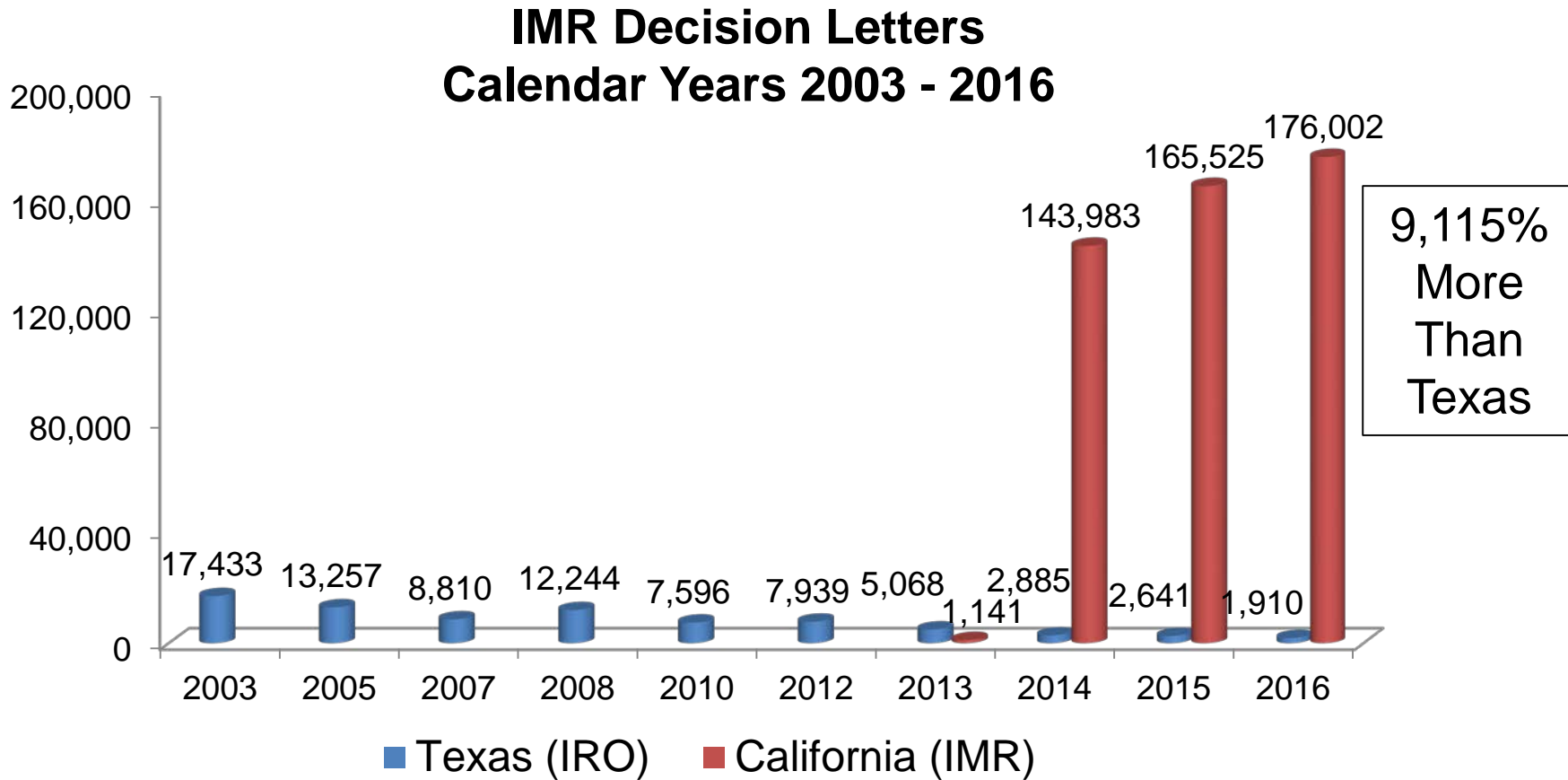
IMR Determination Letters & Decisions 2013 - 2016



Source: DWC Update, 2017; CWCI 2017

Independent Medical Review Letters

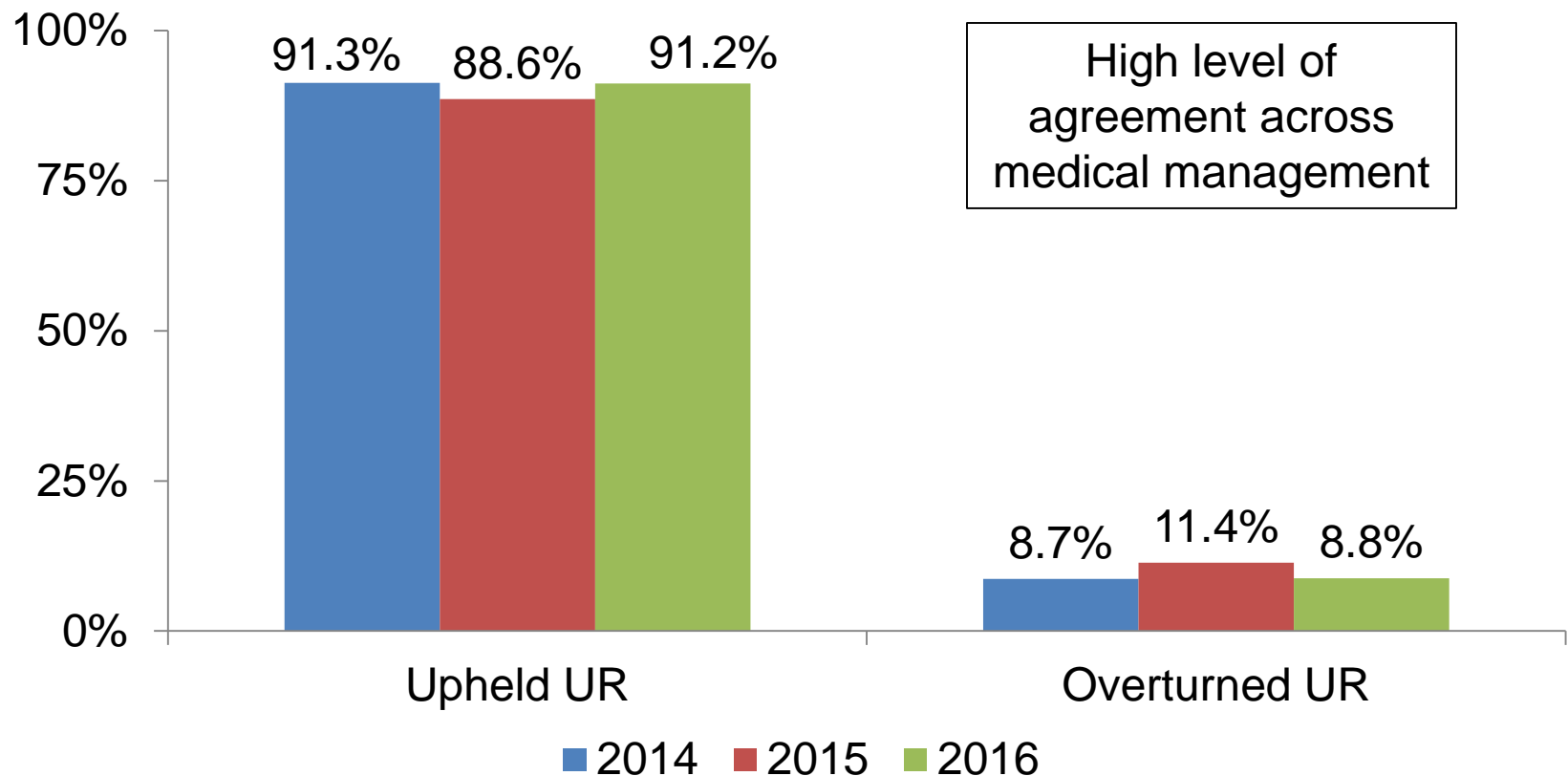
Texas vs. California



Source: Texas Department of Insurance, Division of Workers' Compensation; CWCI 2016

IMR: 2014 - 2016 Results

UR Denials/Modifications Upheld vs Overturned

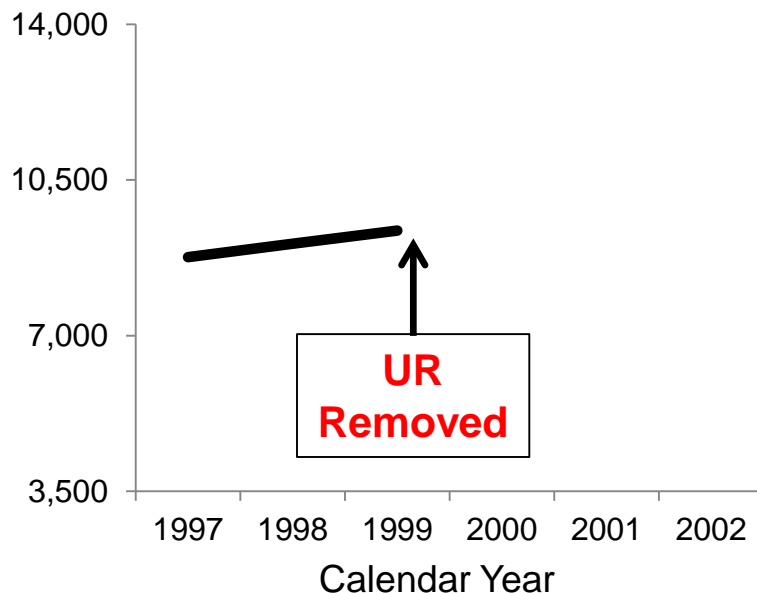


Source: CWCI 2017

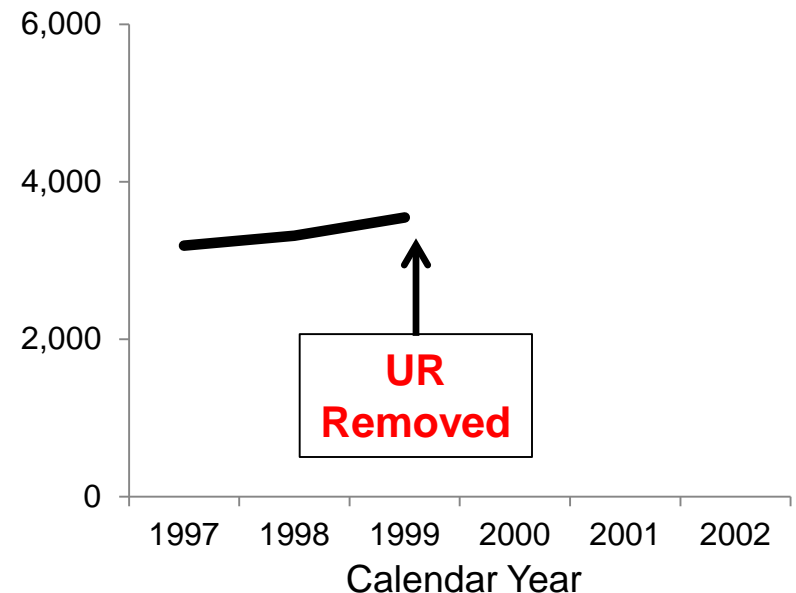
Balancing Medical Dispute Resolution

Medical Management and “ROI” Washington State: The Impact of Removing UR

Spinal MRIs



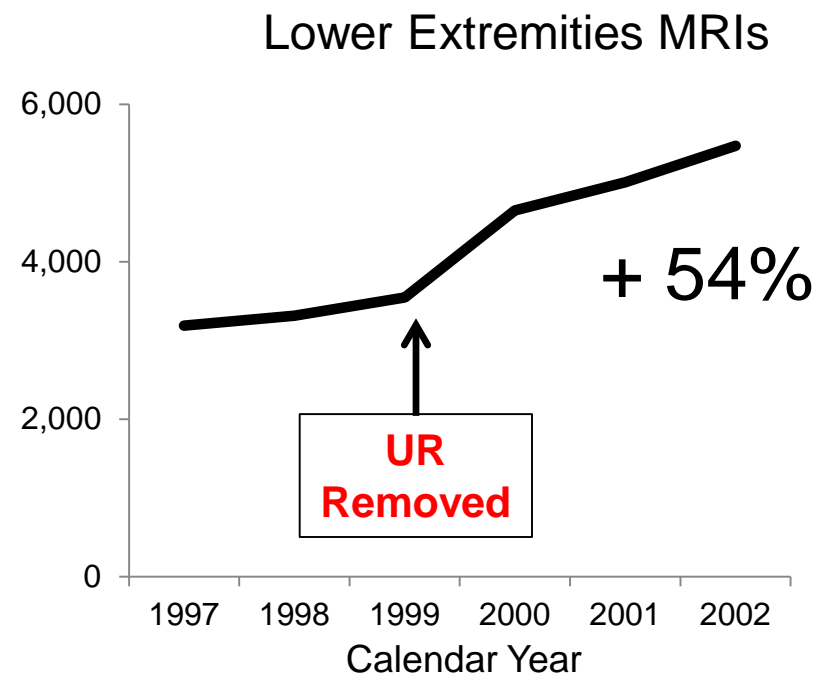
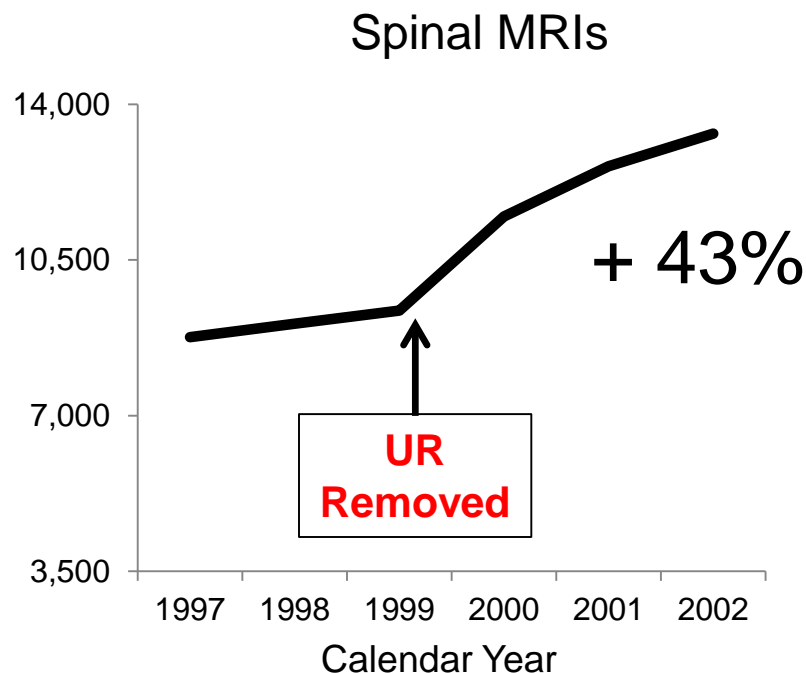
Lower Extremities MRIs



Source: Glass 2010

Balancing Medical Dispute Resolution

Medical Management and “ROI” Washington State: The Impact of Removing UR



Source: Glass 2010

One State, Many Outcomes Regional Variation in CA WC



California Workers' Compensation Institute	
IRIS Regional SCORE CARD	
Los Angeles (L.A.) County Claims	
<p>IRIS Regional Score Cards use subsets of accident year (AY) 2005-2013 claims data from CWI's Industry Research Information System (IRIS) database to measure and analyze various aspects of claims experience within 8 regions of California. Score Cards for each region will be released over the next few months, and each will profile claimant characteristics and show distributions of claims within the region broken out by industry sector, premium size, claim type, common "natural" and "artificial" injury categories, and primary diagnosis. Several exhibits, including the percentage of claims with PD payments at 3 years post injury, attorney involvement rates, claim closure rates, 2014 prescription drug distributions, breakdowns of medical development by Fee Schedule Section at 12 and 24 months, medical network utilization rates, notice and treatment time lags, and 12-, 24- and 36-month loss development compare results for the region against all other regions, and in many cases also show statewide results, providing a wealth of detailed data not only on claims within the region, but within all of California.</p> <p>The first Score Card in the series focuses on claims filed by residents of the largest county in the state, Los Angeles County, an area that has gained a reputation as a highly litigious, high-cost workers' compensation environment. The Score Card notes that a quarter of all California workers' compensation claims are filed by L.A. County residents, while benefit payments on those claims account for nearly 50% of total workers' compensation paid losses in the state.</p> <p>A list of the exhibits included in this Score Card is provided below. Click the title to go directly to an exhibit.</p>	
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8 Regional Scorecards.

1. Los Angeles County
2. Inland Empire
3. Valleys
4. Bay Area
5. San Diego
6. Central Coast
7. North Counties
8. Sierras

Average Total Paid to Date

AY 2007-2016 Indemnity Claims

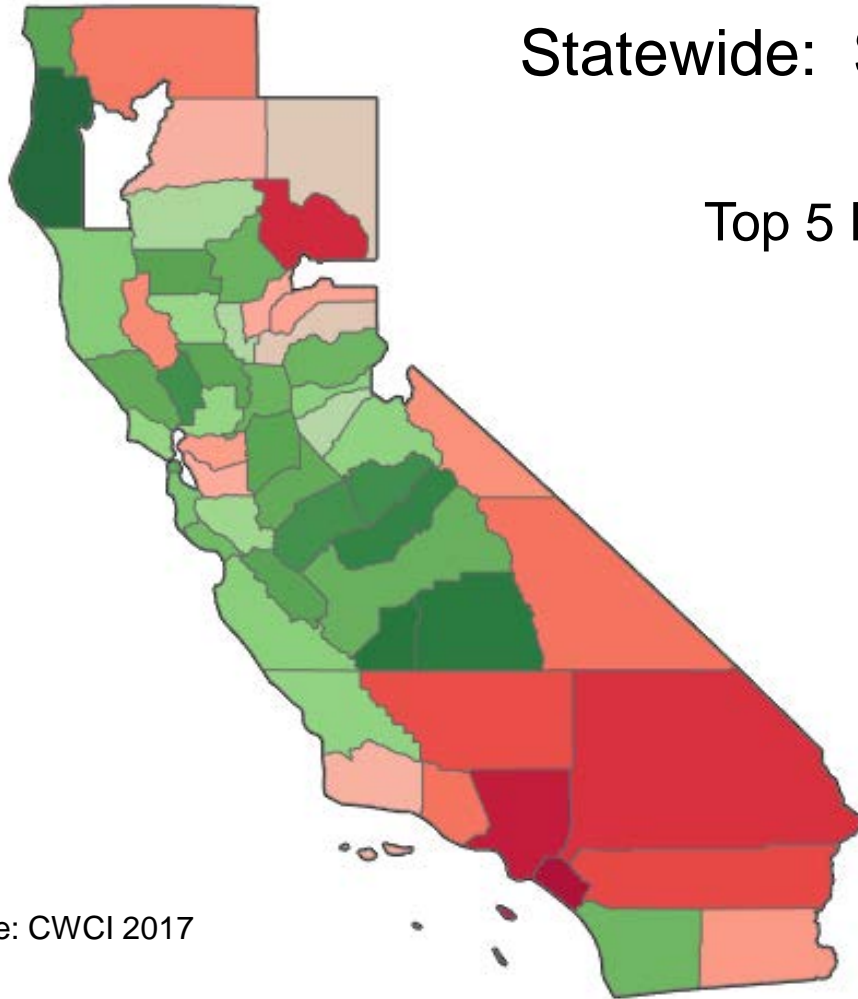
Statewide: \$46,399

Top 5 Highest Cost Counties

1	Orange	\$55,369
2	Los Angeles	\$53,857
3	Plumas	\$52,717
4	San Bernardino	\$52,094
5	Riverside	\$50,515

Top 5 Lowest Cost Counties

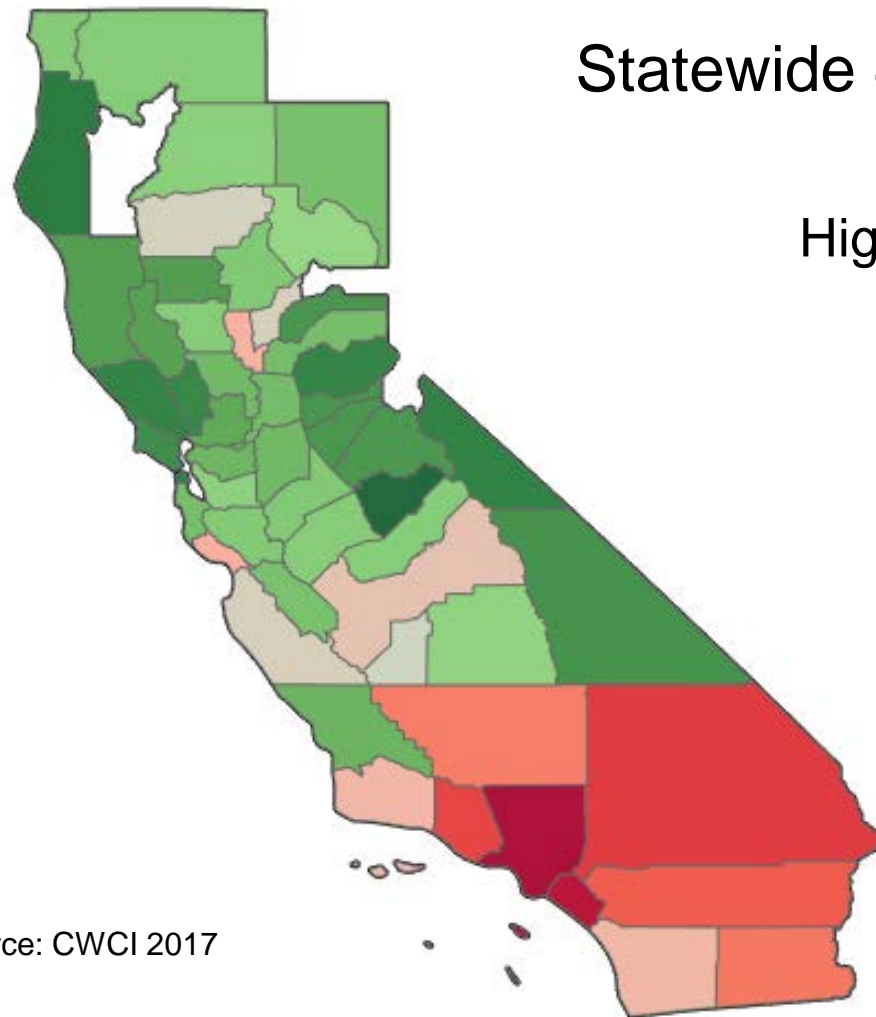
1	Humboldt	\$29,784
2	Kings	\$31,138
3	Tulare	\$31,528
4	Madera	\$32,604
5	Mariposa	\$33,672



Source: CWCI 2017

Attorney Involvement

AY 2007-2016 Indemnity Claims



Statewide 48.8%

Highest Percentage

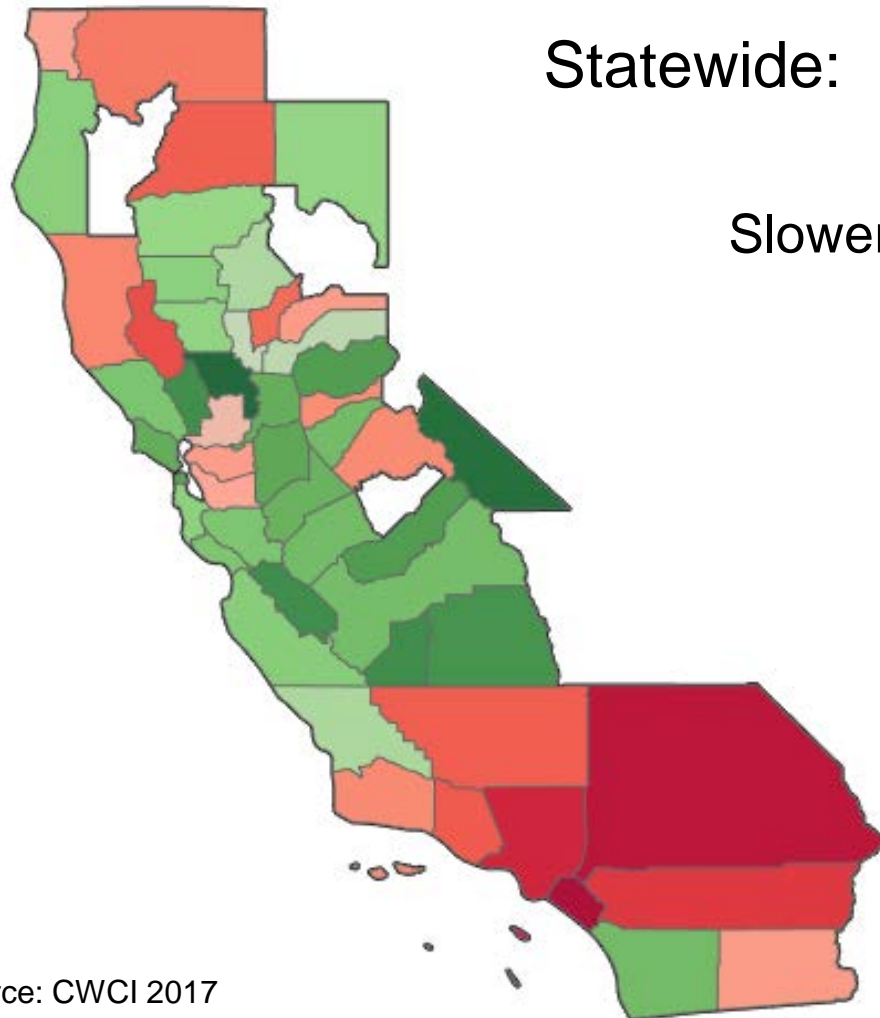
1	Los Angeles	59.5%
2	Orange	58.3%
3	San Bernardino	54.6%
4	Ventura	53.7%
5	Riverside	52.0%

Lowest Percentage

1	Mariposa	28.8%
2	Humboldt	31.1%
3	Mono	32.0%
4	San Francisco	32.1%
5	Sonoma	32.3%

Source: CWCI 2017

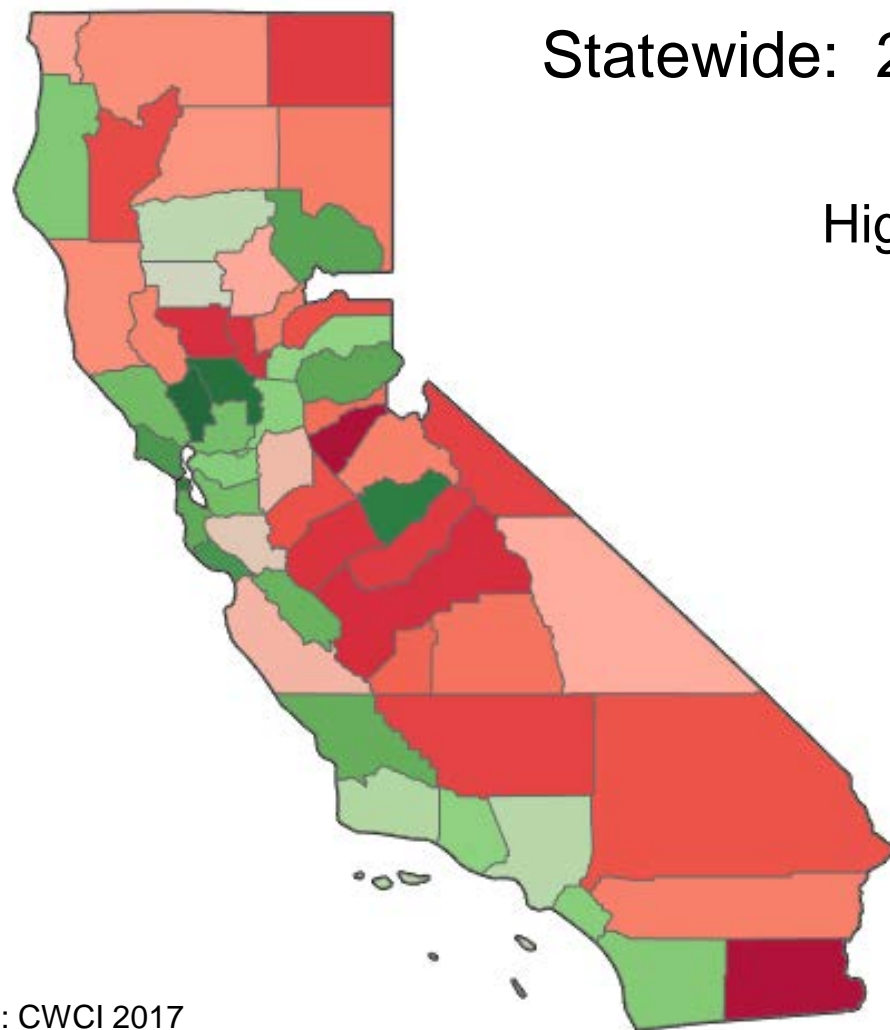
Return to Work (Paid Temp Disability Days) AY 2007-2016 Indemnity Claims



Source: CWCI 2017

Opioid Use at 24 Months Post Injury

AY 2014 Claims with Opioid Script(s)



Statewide: 24.1%

Highest

1	Calaveras	33.8%
2	Imperial	33.7%
3	Fresno	31.5%
4	Colusa	31.4%
5	Sutter	31.2%

Lowest

1	Napa	14.5%
2	Yolo	15.0%
3	San Francisco	16.0%
4	Mariposa	16.1%
5	Santa Cruz	17.9%