

# June 19, 2019—Actuarial Committee Update

The Actuarial Committee met on Wednesday, June 19, 2019. The major topics covered at this meeting included:

## **Workers Compensation Industry Reserve Analysis (ACT-19-04)**

Annually, NCCI completes a countrywide loss and loss adjustment expense (LAE) reserve analysis on private carrier data. At the meeting, staff provided an update on the latest analyses of underwriting results, reserve adequacy, tail factors, diagnostics, and indications of loss and LAE ratios based on Annual Statement Schedule P data evaluated as of 12/31/2018.

## **The Impact of Fee Schedule Updates on Physician Payments (ACT-19-05)**

Physician payments are the largest category of medical expenditures for workers compensation (WC) claims, comprising approximately 40% of medical costs. Using a univariate linear regression approach, NCCI has completed a study that investigates the effect of changes in fee schedules on physician payments. The study also examines a newly developed autoregressive model to estimate prices paid per transaction for physician services during a year in the WC system.

## **Changing Workforce Demographics and Workplace Injury Frequency (ACT-19-06)**

Workers compensation claim frequency has been declining for many years. Recent declines in frequency have coincided with a period of significant changes in the US labor force. Staff focused on three dimensions of the US workforce: age distribution, gender distribution, and sector mix. Incidence rates and causes of injury were shown to vary meaningfully by worker demographics. Frequency decline is mainly the result of lower incidence rates for all workers, not the result of changing workforce demographics.

## **Experience Rating Plan Research Update (ACT-19-07)**

NCCI regularly monitors and refines its Experience Rating (ER) Plan to ensure optimal performance. In 2017, staff kicked off a project to conduct a comprehensive review of the ER Plan. Staff previously shared the project scope, timeline, and current Mod performance results with the Actuarial Committee and provided additional findings at this meeting.

## **Small Risks and the Experience Rating Off-Balance (ACT-19-08)**

NCCI periodically reviews the off-balance methodology as applied in ratemaking. In anticipation of a future review of NCCI's off-balance methodology, staff presented the

current methodology and showed a preliminary analysis. Staff also discussed potential new methodologies and approaches for future investigation that may improve the handling of the experience rating off-balance.

**Workers Compensation and Prescription Drugs—2018 Update (ACT-19-09)**

NCCI periodically analyzes the factors influencing prescription drug costs, such as physician dispensing, opioid use, brand name vs. generic drugs, and in-network vs. out-of-network costs. Staff presented findings on the most recent trends observed in the use of prescription drugs in workers compensation.

Please refer to the Minutes for any pertinent meeting discussion and presentations.

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June 19, 2019—Actuarial Committee Minutes (PDF)