The State of the Alaska Workers' Compensation System

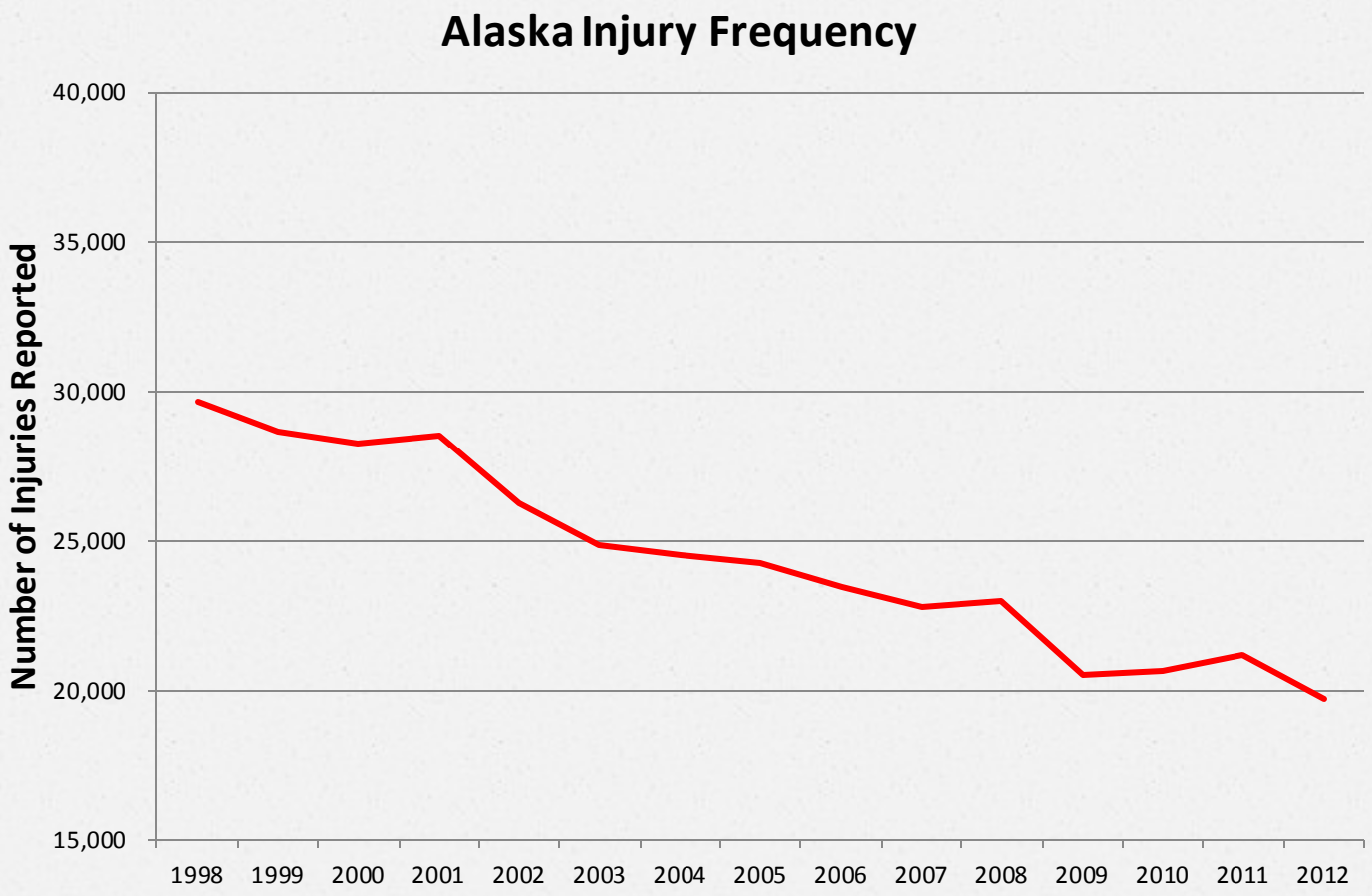
October 10, 2013

Prepared by the Department of Labor and Workforce Development

The Good News….

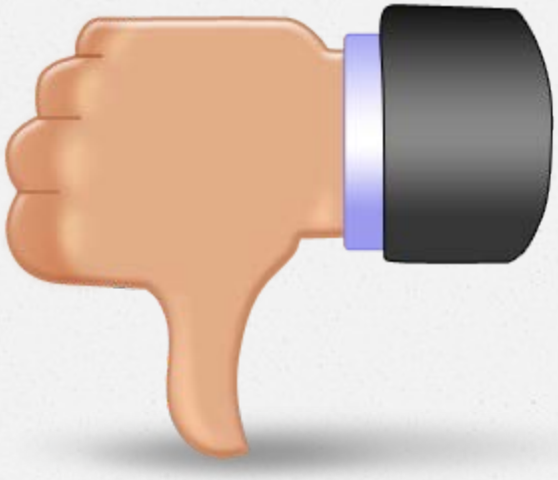
Alaska Department of Labor Research and Analysis

Prepared by the Alaska Department of Labor and Workforce Development



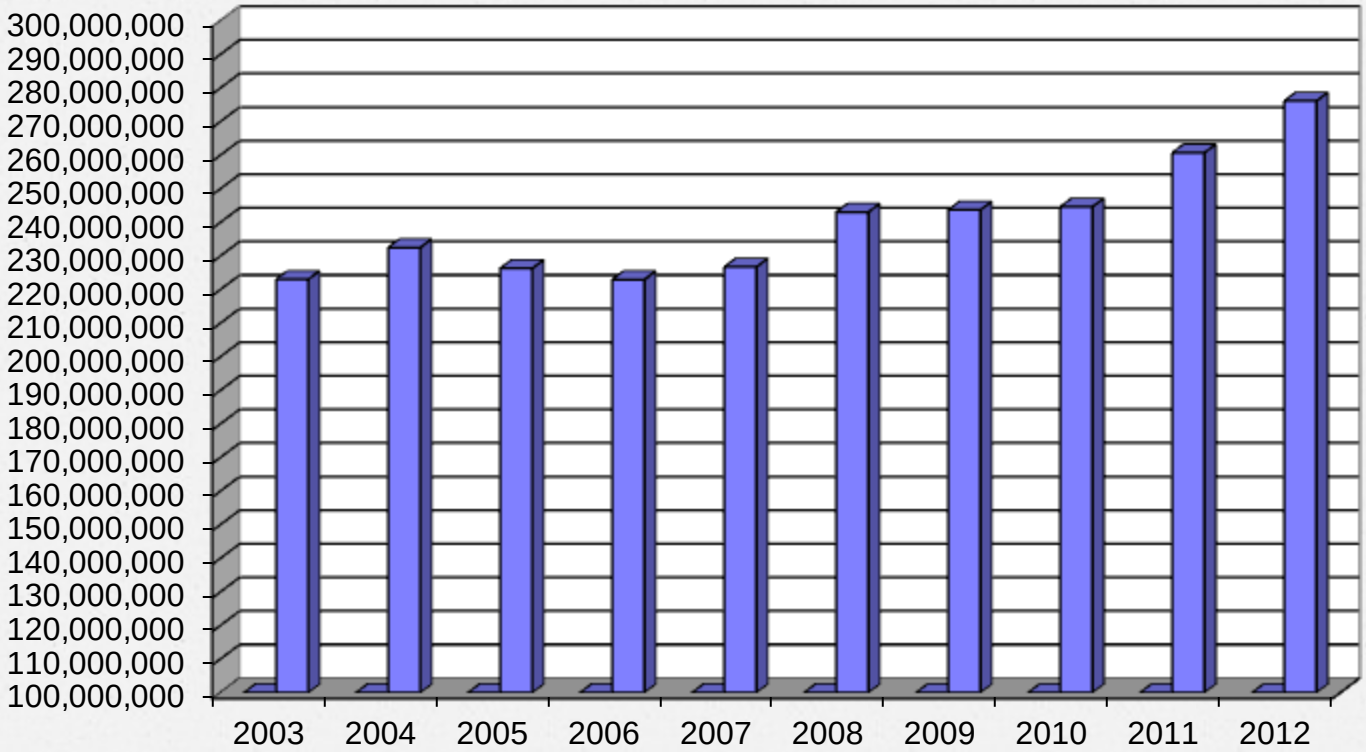
2012 Workers' Compensation Annual Report

Prepared by the Alaska Department of Labor and Workforce Development



The Bad News….

Total Compensation Payments



2012 Workers' Compensation Annual Report

How do Alaska's Premium Rates Compare?

2012 Ranking	2010 Ranking	State	Index Rate	Percent of study median
1	2	Alaska	3.01	160%
2	6	Connecticut	2.99	159%
3	5	California	2.92	155%
4	3	Illinois	2.83	151%
5	13	New York	2.82	150%
6	4	Oklahoma	2.77	147%
7	7	New Jersey	2.74	146%
8	1	Montana	2.50	133%
9	10	New Hampshire	2.40	128%
10	8	Maine	2.24	119%

Source: 2012 Premium Rate Ranking, State of Oregon, Department of Consumer and Business Services,

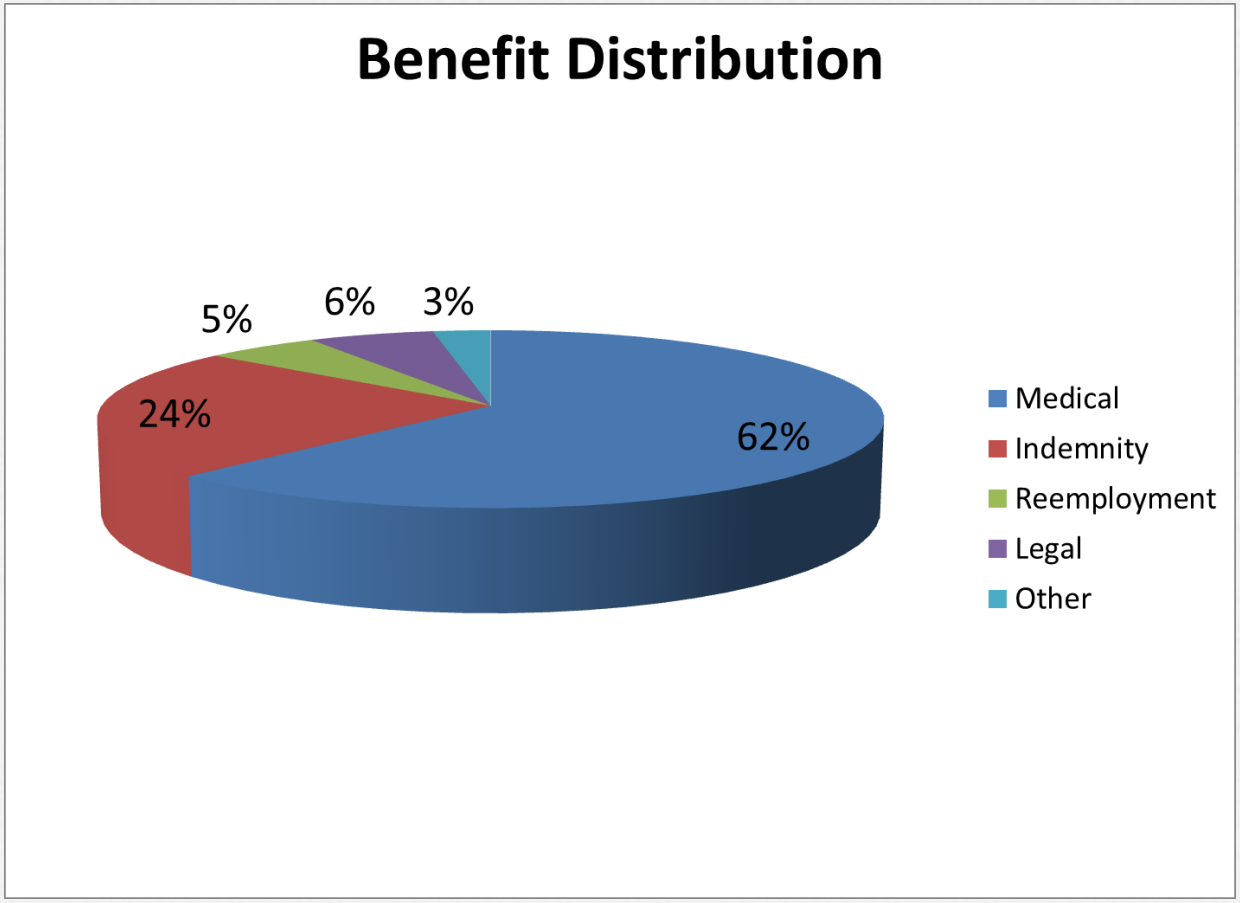
Prepared by the Alaska Department of Labor and Workforce Development

- Calendar Year 2000 – 28th in the nation…
- Calendar Year 2002 – 15th in the nation…
- Calendar Year 2004 – 2nd in the nation…
- Calendar Year 2006 – 1st in the nation…
- Calendar Year 2008 – 1st in the nation…
- Calendar Year 2010 – 2nd in the nation…
- Calendar Year 2012 – 1st in the nation…

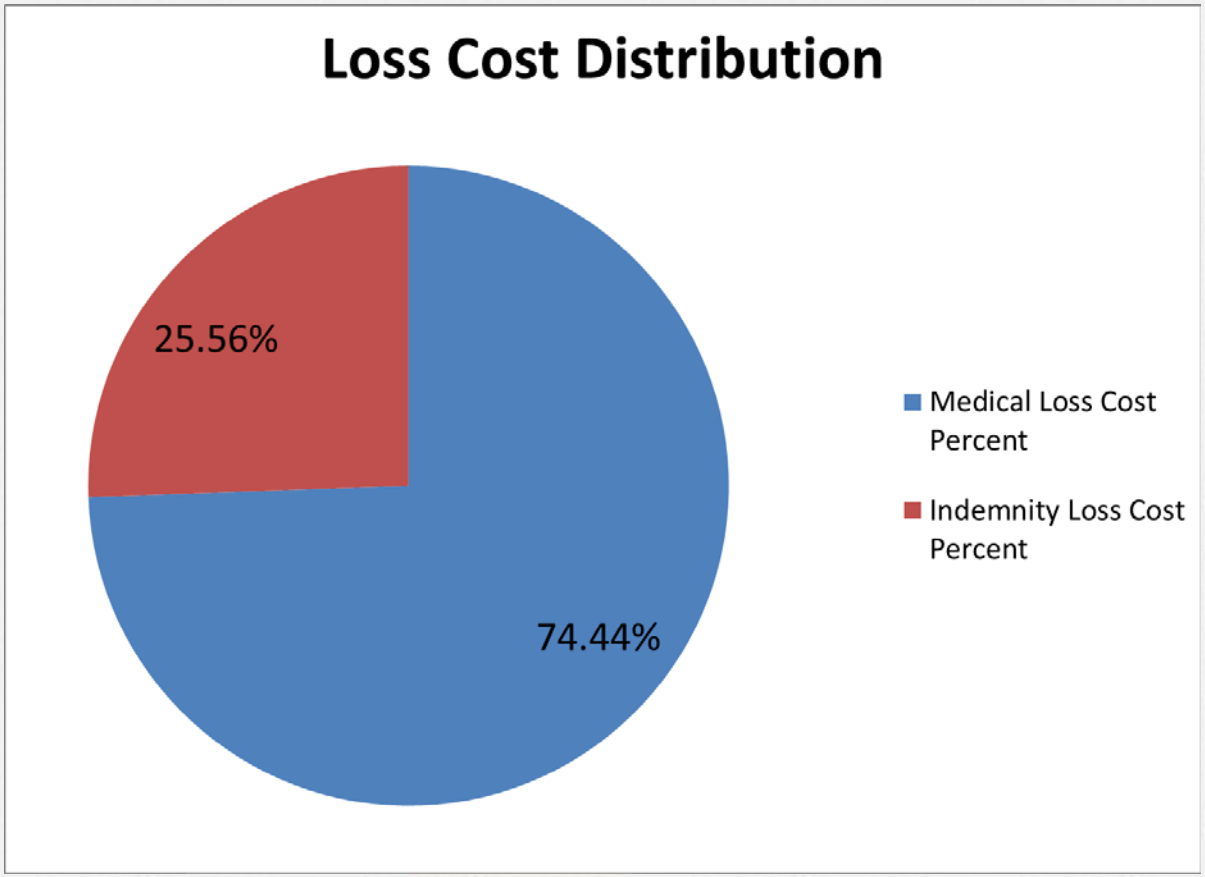
What's Driving Premium Costs?

Cost Drivers

- Medical Costs
- Indemnity Costs
- Legal Costs
- Reemployment Costs

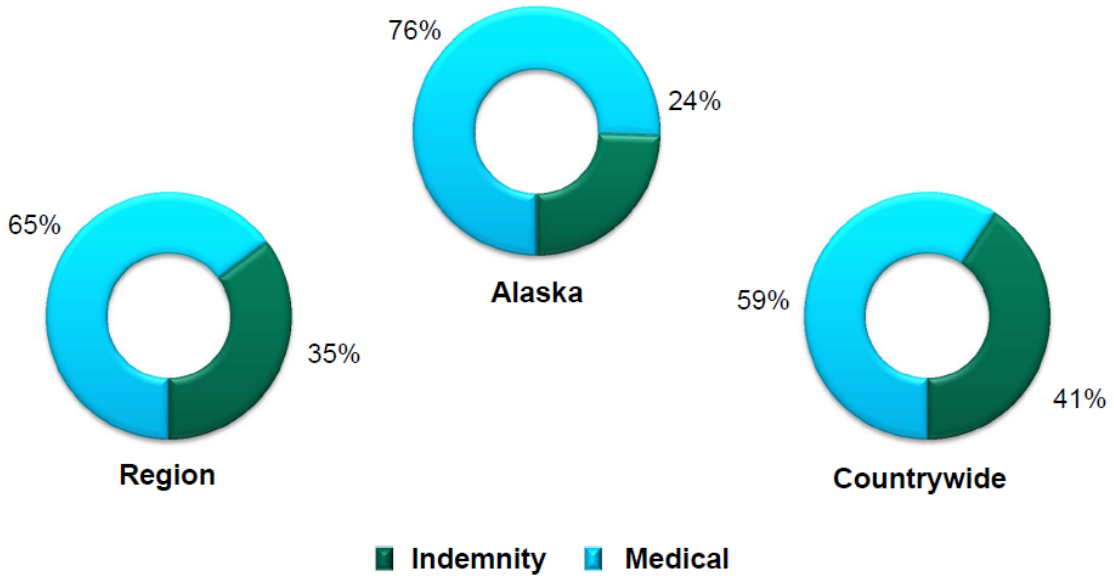


Source: Division of Workers' Compensation 2011 Annual Report



Source: Division of Workers' Compensation 2011 Annual Report

Medical Benefits Constitute the Majority of Total Benefit Costs in Alaska



Regional states are AZ, MT, NM, and OR
Based on NCCI's ***Statistical Plan*** data

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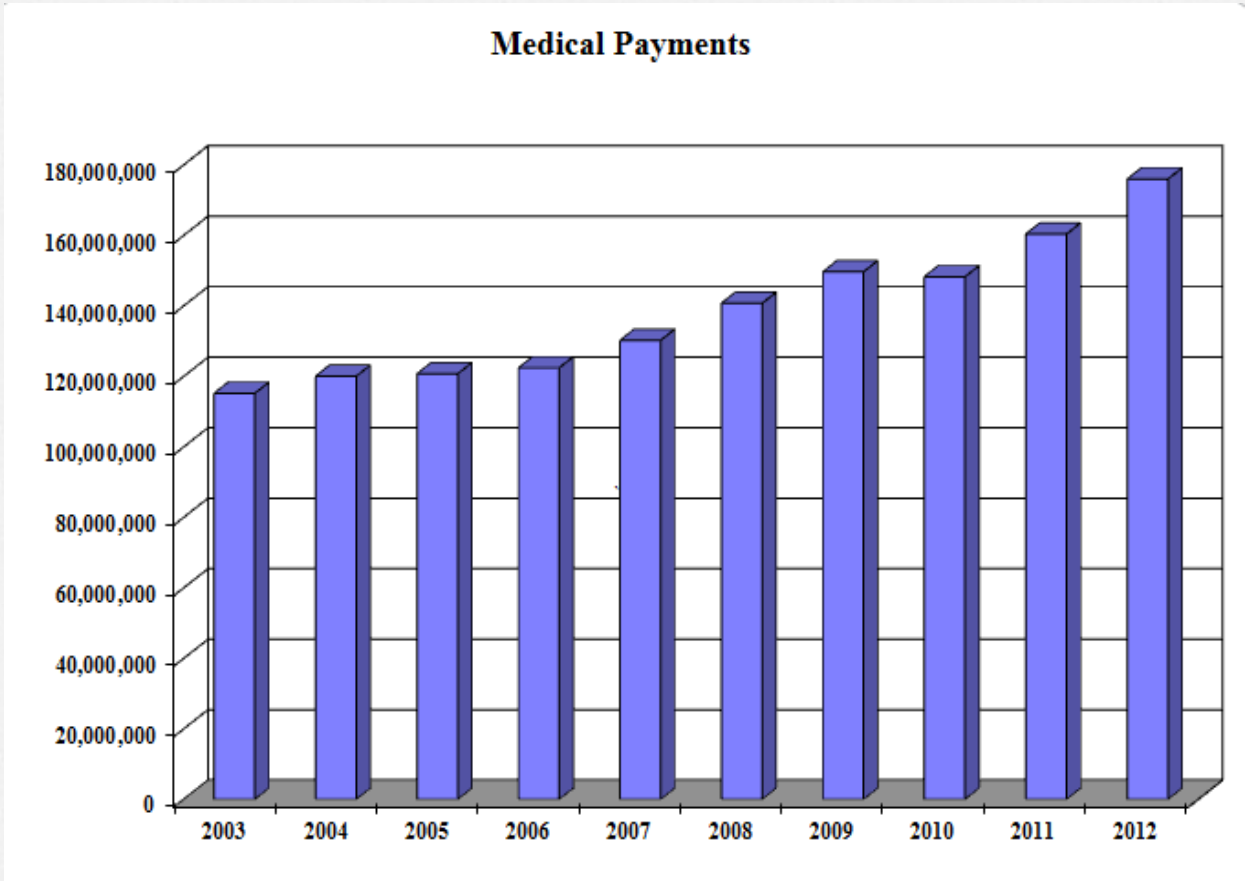
Source: NCCI 2012 State Advisory Forum

Medical Cost Components

- Fees for Services
- Utilization
- Prescription Drug Use
  - Use of opioid narcotics
  - Physician Dispensing

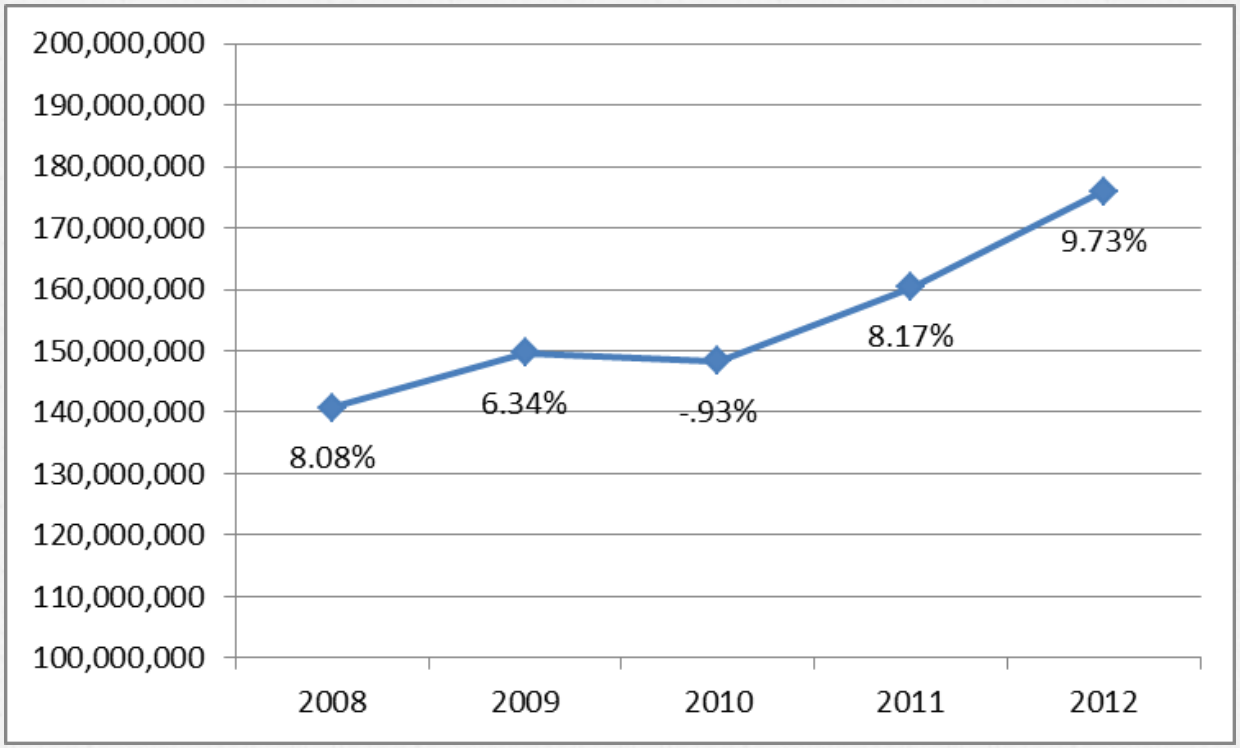
Medical Costs

- Fees for Services



Source: Alaska Workers' Compensation Division 2012 Annual Report

Medical Cost Changes



Source: Alaska Workers' Compensation Division 2012 Annual Report

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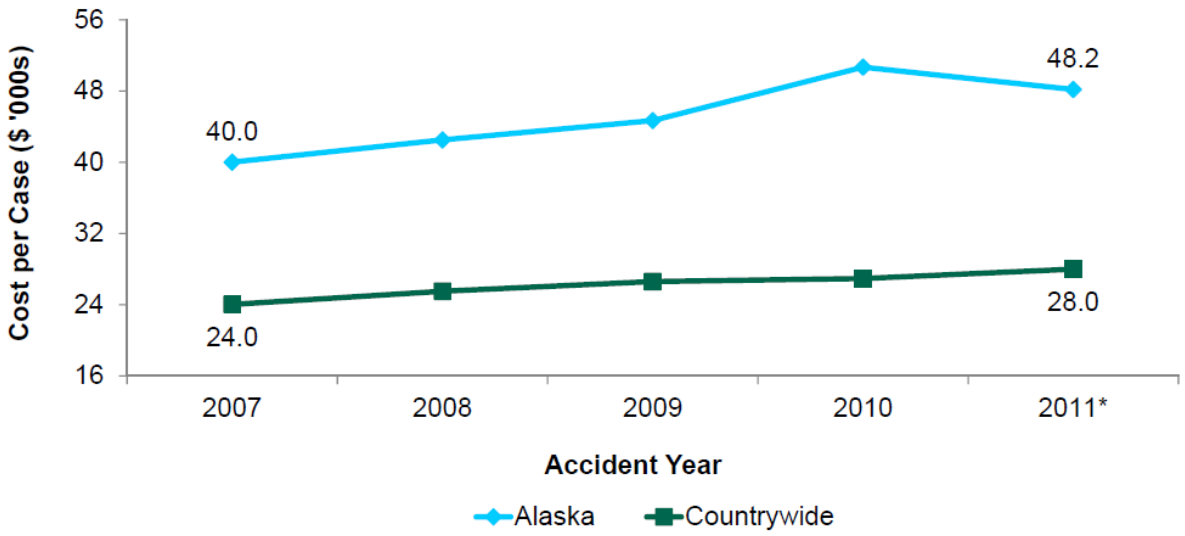
Alaska vs. Countrywide
Average Medical Claim Severity



* Countrywide figure is preliminary
Source: NCCI financial data valued as of 12/31/2011

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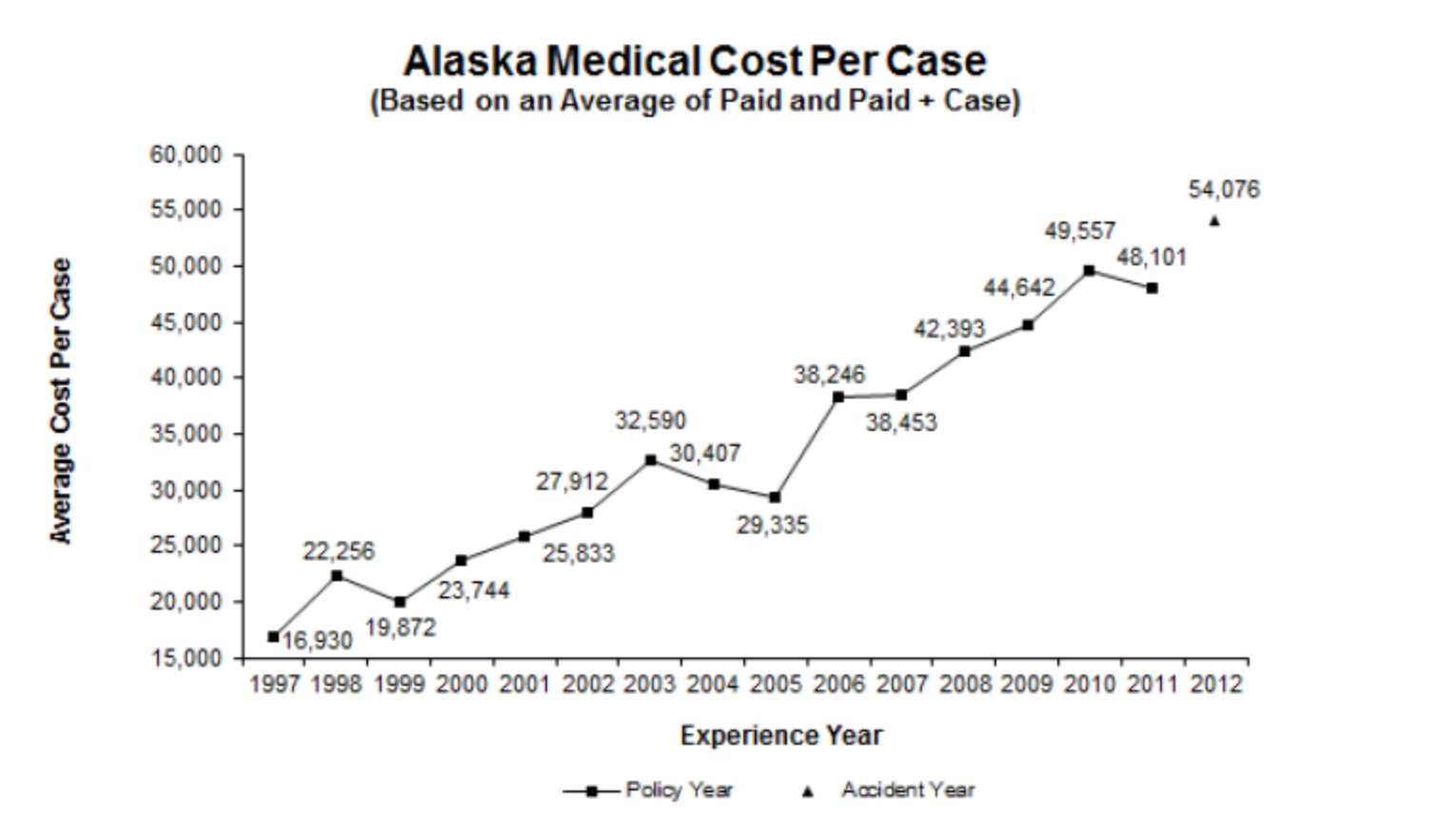
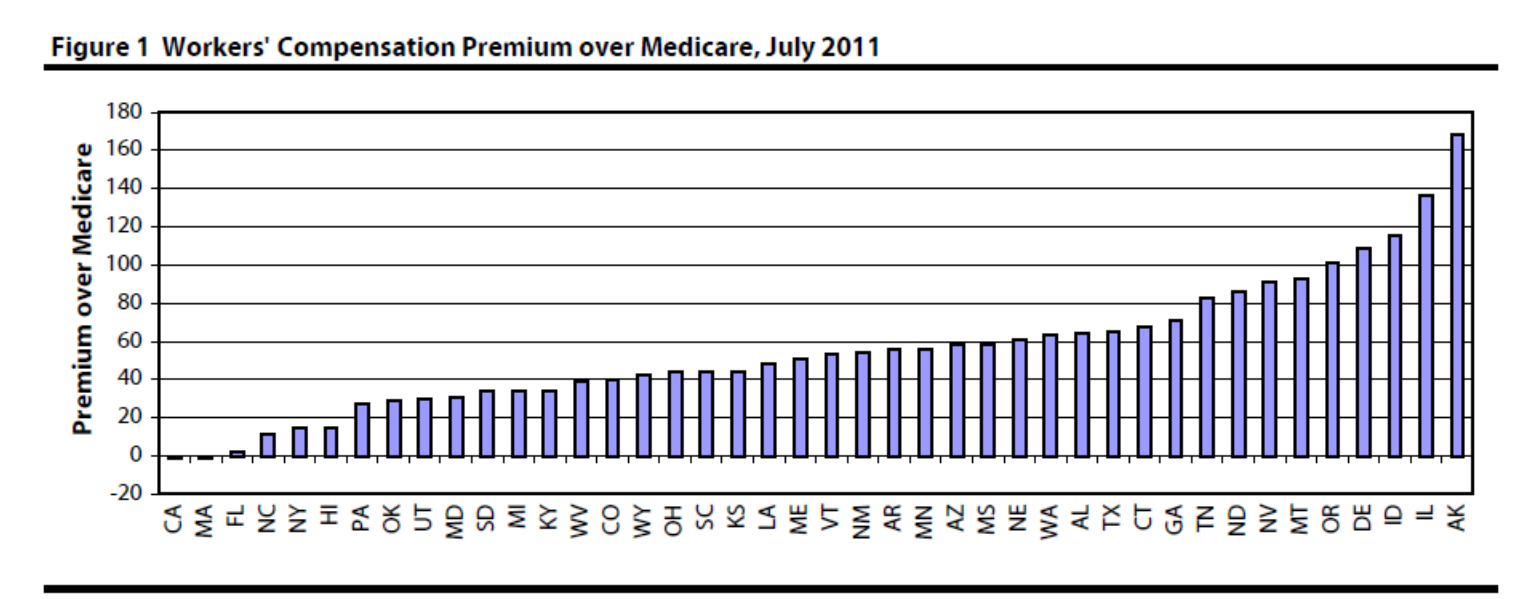
Source: NCCI 2012 State Advisory Forum



Source: NCCI 2014 Rate Filing

Prepared by the Department of Labor and Workforce Development



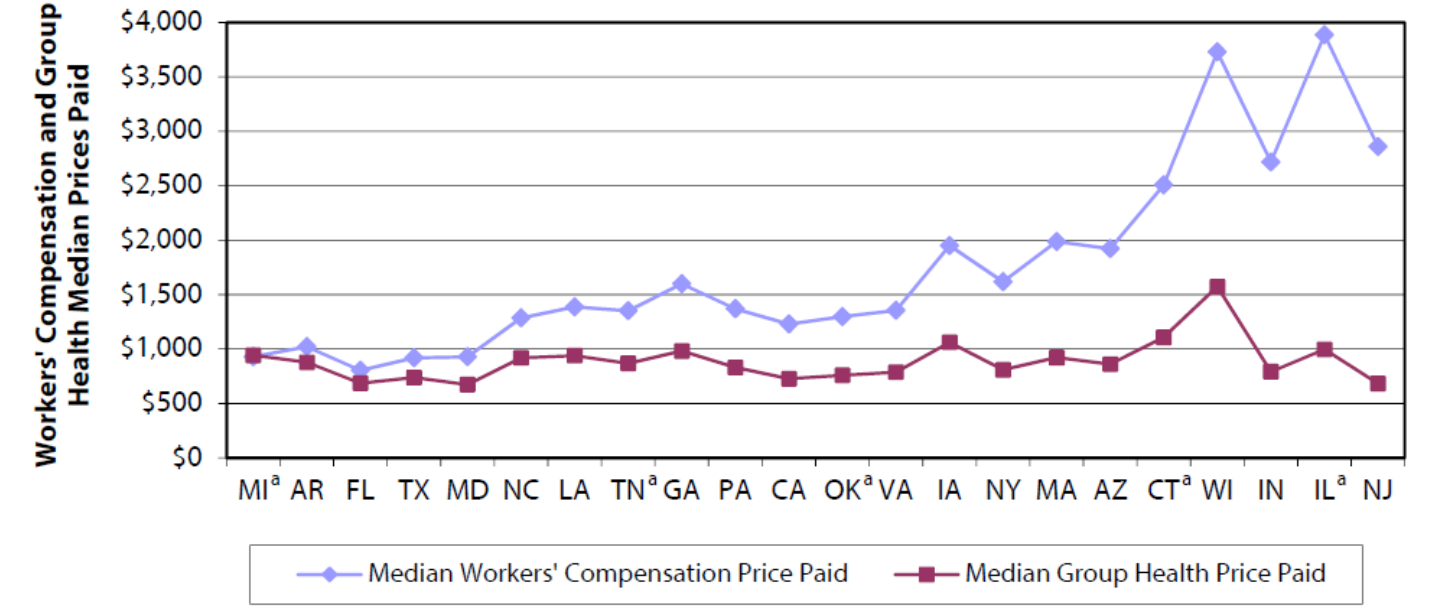
Source: WCRI – Designing Workers' Compensation Medical Fee Schedules – June 2012

Impact of Fee Schedule Adopted October 5, 2011

CHANGE FROM 2004 Fee Schedule	
EVALUATION & MANAGEMENT	16.81%
SURGERY	19.08%
RADIOLOGY	47.06%
PATHOLOGY	5.83%
DME	24.86%
ANESTHESIOLOGY	13.15%
OUTPATIENT	56.43%
INPATIENT	120.74%
INPATIENT ICU	99.99%

Prepared by the Department of Labor and Workforce Development

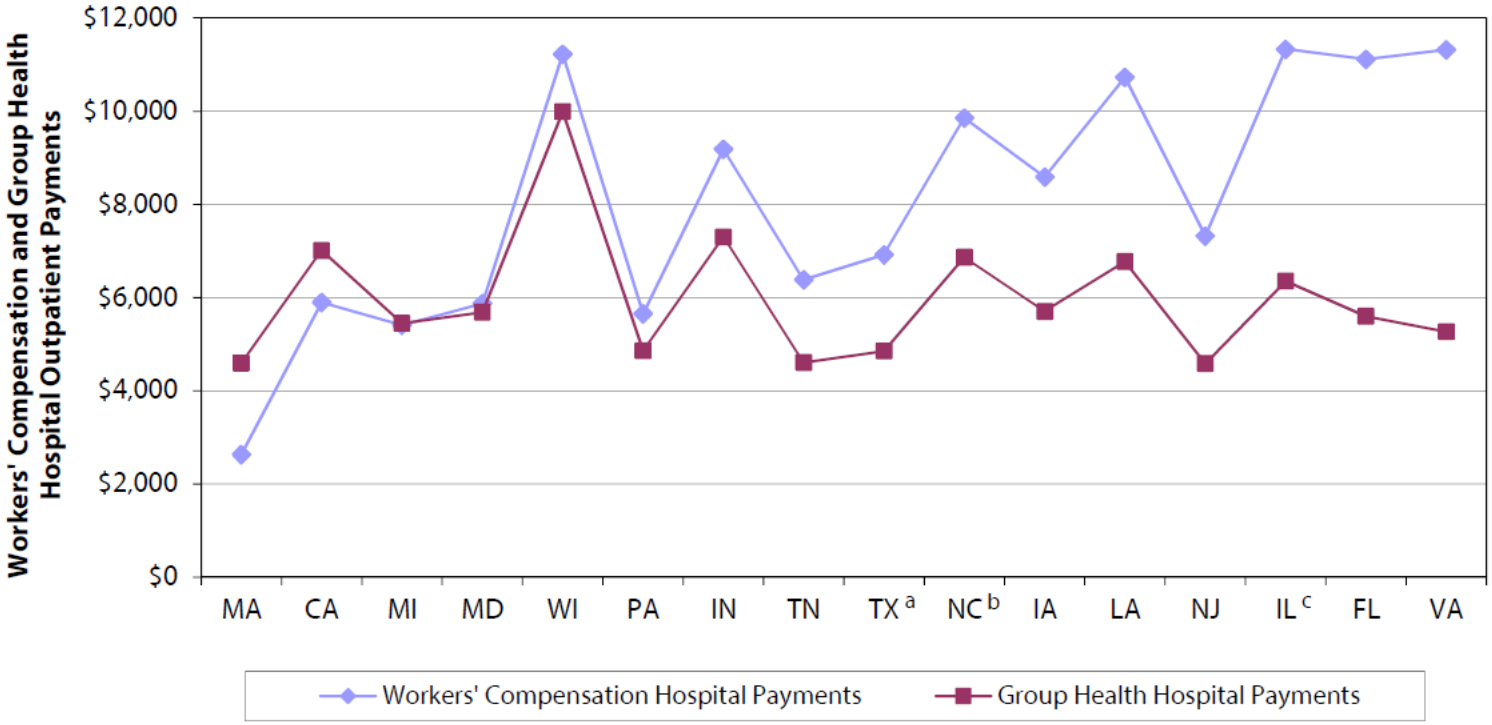
Figure 1.1 Workers' Compensation and Group Health Median Prices Paid for a Common Knee Arthroscopy, 2009



Source: WCRI: A New Benchmark for Workers' Compensation Fee Schedules: Prices Paid by Commercial Insurers
June 2013

Prepared by the Department of Labor and Workforce Development

Figure 1a Comparing Workers' Compensation and Group Health Hospital Outpatient Payments for Shoulder Surgical Episodes, 2008



Source: WCRI: Comparing Workers' Compensation and Group Health Hospital Outpatient Payments
June 2013

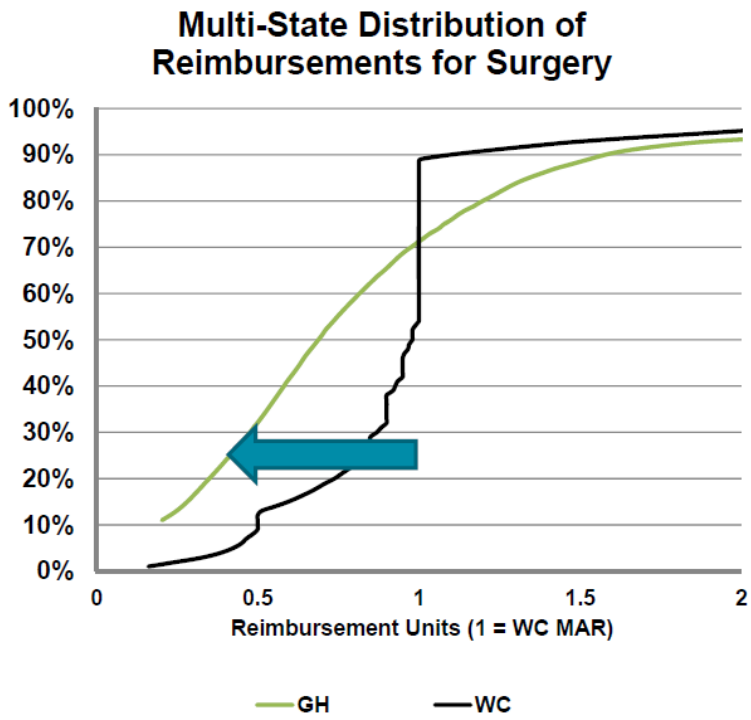
Prepared by the Department of Labor and Workforce Development

Top 25 Surgery Procedure Codes Ranked by Paid Amounts for Alaska (47% of total payments)

Rank	Procedure Code	Description	AK WC Fee Schedule	Medicare Fee	Washington WC Fee	AK Average Healthcare
1	29881	Arthroscopy Knee w/ Meniscus Repair	$ 5,158.02	$ 673.11	$ 912.56	$ 2,531.85
2	23412	Repair of Rotator Cuff	$ 7,725.78	$ 1,063.39	$ 1,421.68	$ 3,980.57
3	29826	Arthroscopy shoulder surgical w/decompres	$ 5,436.83	$ 224.46	$ 288.87	$ 853.41
4	63030	Laminotomy w/ decompression	$ 10,391.15	$ 1,186.95	$ 1,605.97	$ 4,450.70
5	29807	Arthroscopy shoulder surgical; labral tear	$ 6,621.79	$ 1,292.78	$ 1,724.95	$ 4,833.41
6	29888	Arthroscopic ligament repair	$ 8,782.58	$ 1,239.28	$ 1,648.03	$ 4,637.14
7	64483	Injection anesthetic agent/steroid epidural	$ 2,364.74	$ 274.82	$ 392.91	$ 1,070.73
8	29880	Arthroscopy knee surgical; with meniscector	$ 5,576.24	$ 700.17	$ 947.42	$ 2,642.16
9	22551	Arthrodesis anterior interbody; cervical	$ 13,973.36	$ 2,113.35	$ 2,827.87	$ 7,981.69
10	23430	Tenodesis of tendon	$ 5,837.26	$ 931.43	$ 1,252.34	$ 3,463.72
11	62311	Injection of diagnostic/therapeutic substanc	$ 1,295.28	$ 248.65	$ 371.33	$ 920.00
12	23120	Claviculectomy; partial	$ 2,704.02	$ 722.91	$ 983.95	$ 2,679.98
13	22612	Arthrodesis posterior; lumbar	$ 12,952.83	$ 1,979.87	$ 2,635.84	$ 7,437.21
14	29827	Arthroscopy shoulder surgical w/cuff repair	$ 7,318.82	$ 1,346.27	$ 1,789.14	$ 5,050.22
15	29877	Arthroscopy w/debridement	$ 4,879.21	$ 774.76	$ 1,045.37	$ 2,881.03
16	29806	Arthroscopy shoulder surgical; capsulorrhapl	$ 6,970.30	$ 1,326.86	$ 1,768.67	$ 4,964.70
17	49505	Repair initial inguinal hernia	$ 3,461.14	$ 655.21	$ 863.30	$ 2,430.13
18	64415	Injection anesthetic agent; brachial plexus	$ 1,182.37	$ 149.52	$ 202.54	$ 576.26
19	64721	Neuroplasty and/or transposition	$ 5,187.82	$ 525.08	$ 724.40	$ 1,946.17
20	29822	Arthroscopy shoulder surgical; debridement	$ 4,739.80	$ 714.19	$ 965.13	$ 2,660.81
21	20610	Arthrocentesis aspiration and/or injection	$ 382.66	$ 74.60	$ 100.72	$ 318.33
22	23420	Reconstruction of complete shoulder	$ 9,871.83	$ 1,208.38	$ 1,616.48	$ 4,516.47
23	63650	Percutaneous implantation of neurostimulat	$ 6,791.60	$ 564.80	n/a	$ 2,082.27
24	12001	Simple repair of superficial wounds	$ 489.30	$ 109.18	$ 154.95	$ 415.91
25	63042	Laminotomy with decompression	$ 11,681.55	$ 1,609.81	$ 2,154.94	$ 6,040.11

Prepared by the Department of Labor and Workforce Development

Surgery



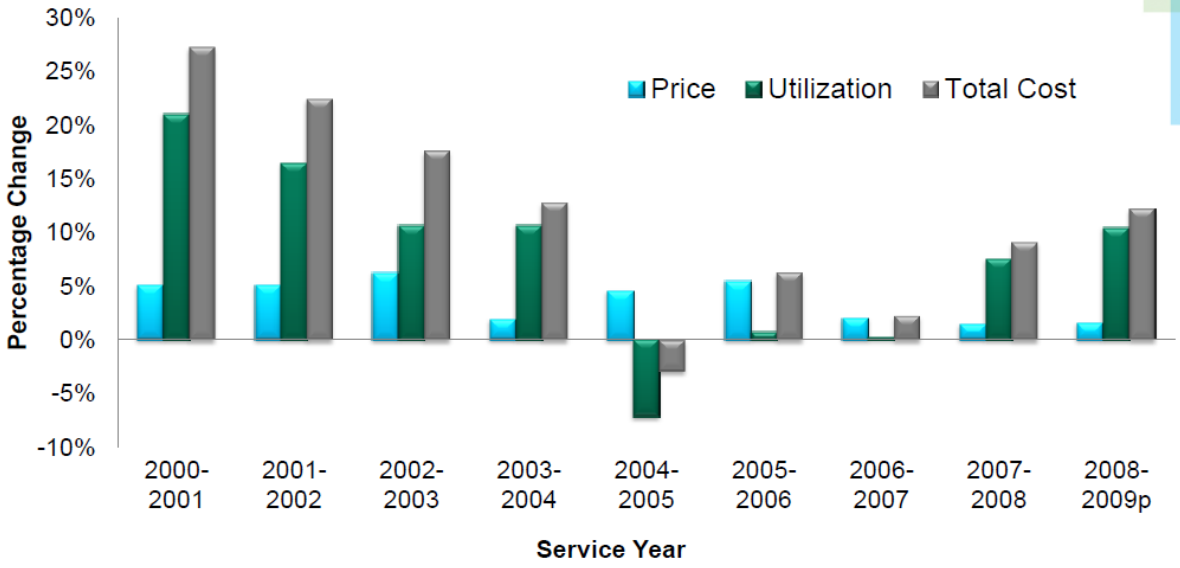
- One-third of WC payments for Surgery are at the MAR
- WC often pays more than GH for comparable surgical services
  - 70% of GH payments for Surgery are below the MAR
  - 25% of surgical services in GH are paid at 55% or more below the MAR

Source: NCCI: Price Impact of Workers Compensation Physician Fee Schedules: Preliminary Results
Annual Issues Symposium - May 2013

Medical Costs

- Utilization

Utilization Continues to Be a Major Cost Driver



Source: Derived from sample data provided by carriers
Aggregation of states where NCCI provides ratemaking services, excludes WV, plus CA, DE, MA, MI, MN, NJ, NY, PA, and WI
2009p = Preliminary

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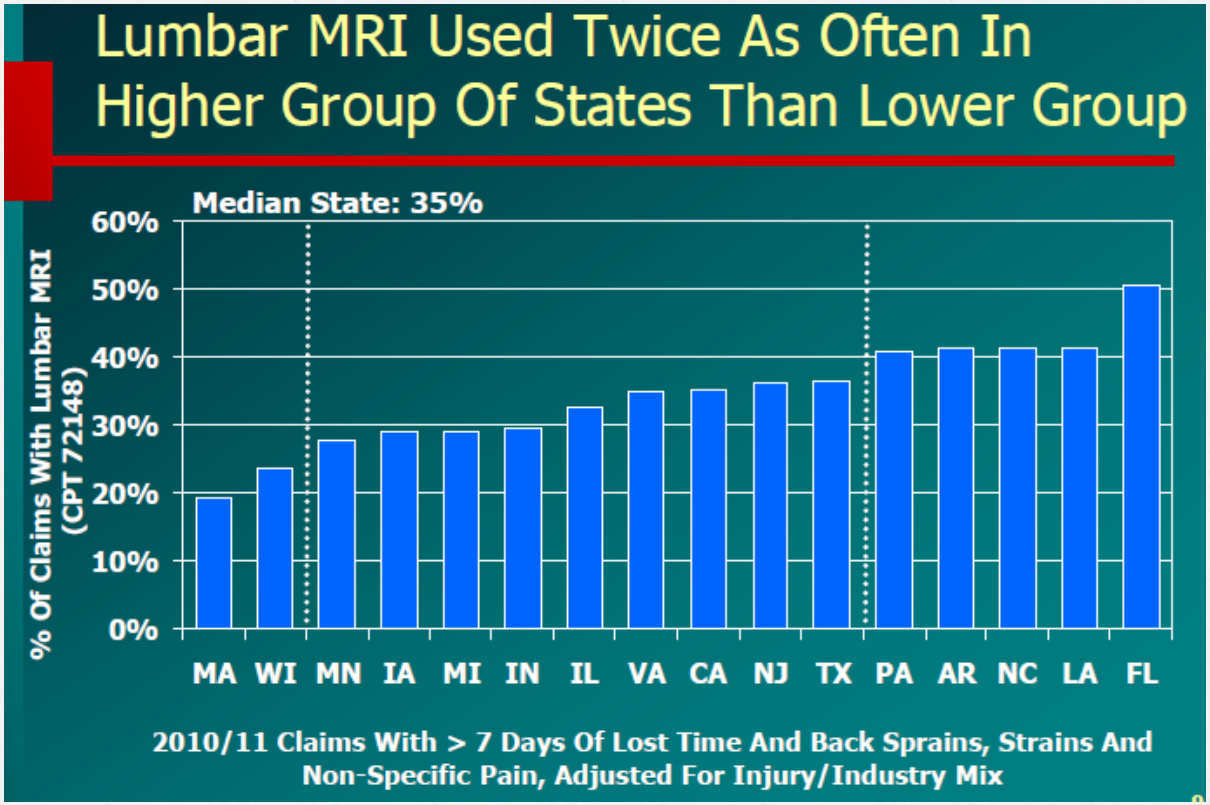
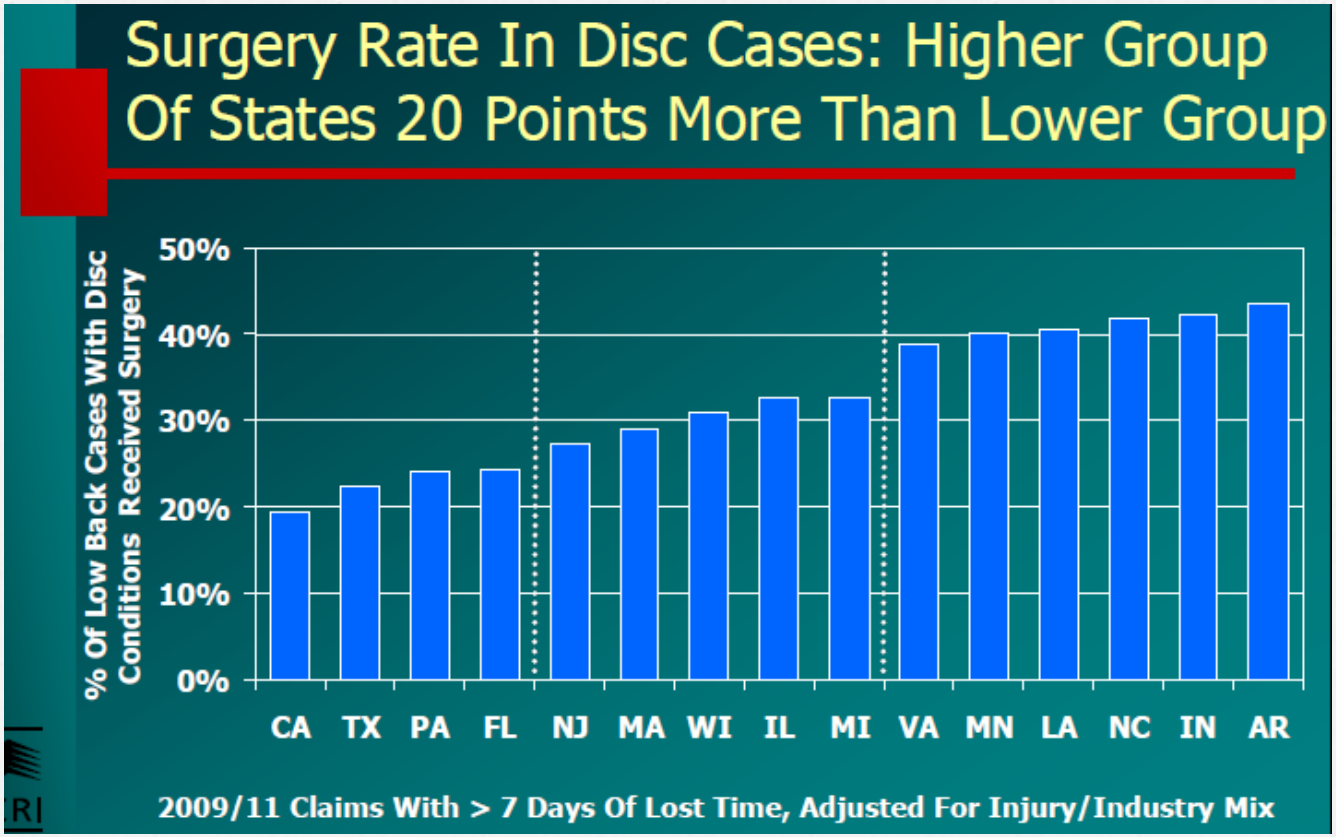
Source: NCCI 2011 State Advisory Forum

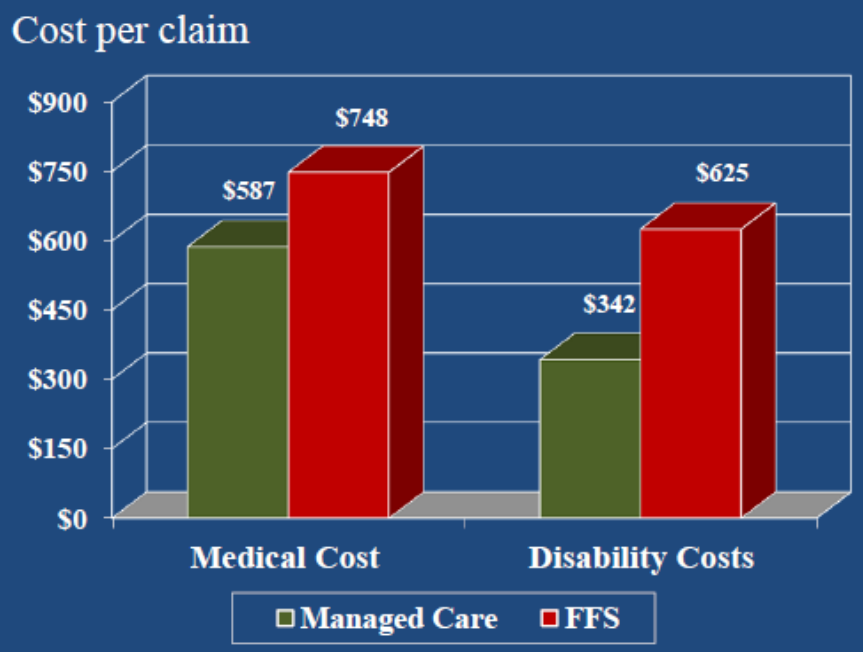


Interstate Variations in Utilization of Workers' Compensation Medical Care
Workers' Compensation Research Institute – February 2013



Interstate Variations in Utilization of Workers' Compensation Medical Care
Workers' Compensation Research Institute – February 2013

WA State MC Pilot: Differences in Medical and Disability Costs (n=2,217)



Fewer workers went on disability (19% vs 14%) and cost per disabled worker was less.

Data based on 9-month follow up.

Cheadle, Wickizer, Franklin et al. Medical Care 1994.

Impact of Medical Treatment Guidelines
Dr. Thomas Wickizer, College of Public Health, Ohio State University
February 2013

Adoption of Best Practices

Patients treated by COHE physicians who adopted best practices, based on guidelines, achieved better outcomes compared to patients treated by COHE physicians who adopted best practices less often.

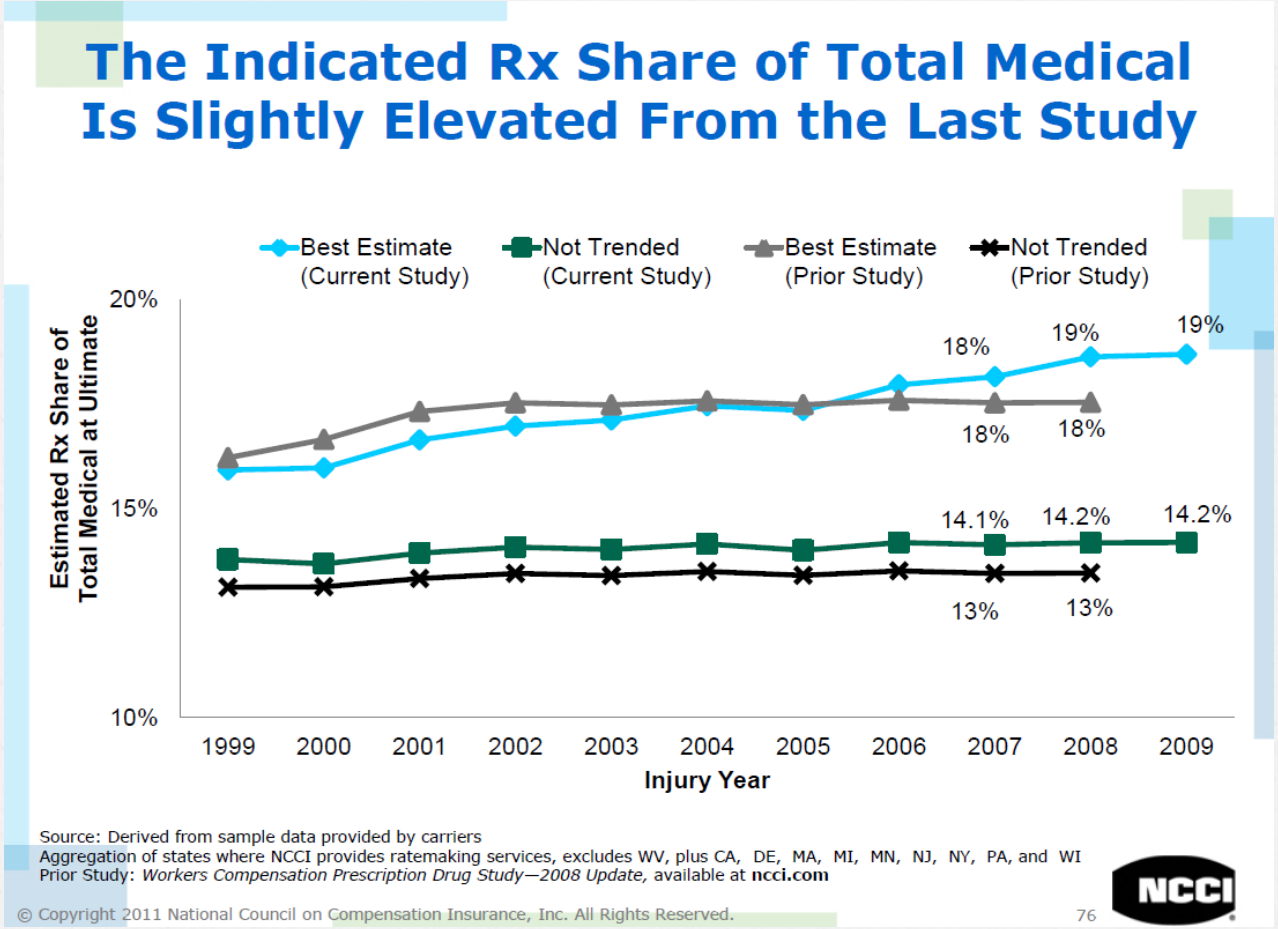
Measure	Baseline Year	Outcome Year
	(COHE Patients n = 33,787)	
Disability Days	19.2	12.3*
Disability Costs	$1,030	$646*
Medical Costs	$2,218	$1,846

Wickizer et al. Medical Care, 2011. * P < .01

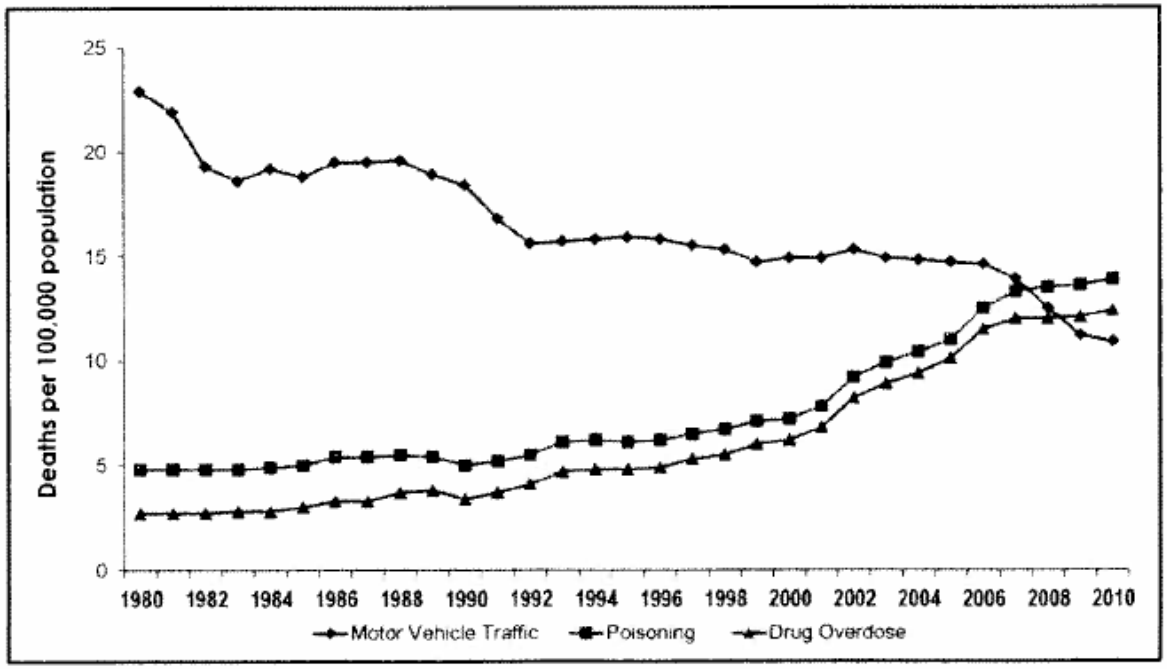
Impact of Medical Treatment Guidelines
Study of Eastern Washington Center of Occupational Health & Education (COHE)
Dr. Thomas Wickizer, College of Public Health, Ohio State University
February 2013

Medical Costs

- Prescription Drug Use
  - Use of opioid narcotics
  - Physician Dispensing



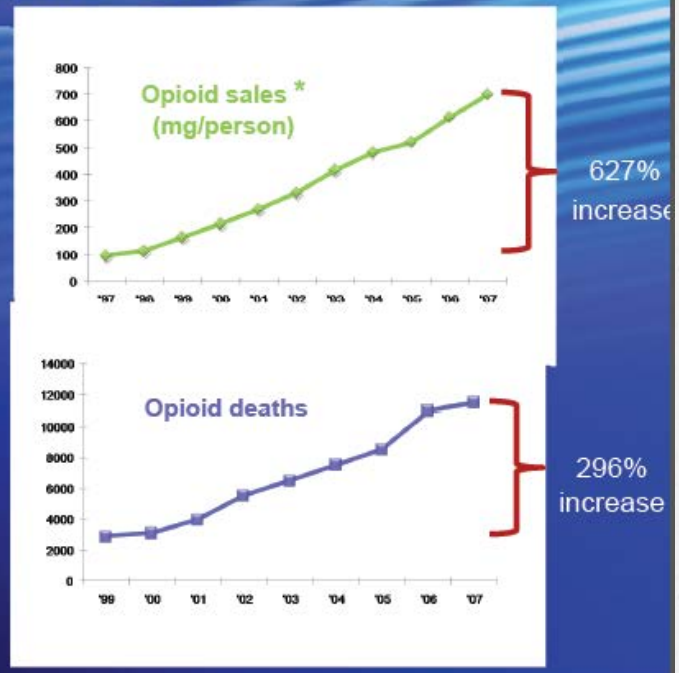
Source: NCCI 2011 State Advisory Forum



Opioids: The Problem and the Urgency
Dr. Karin Mack, Centers for Disease Control
February 2013

Unintentional Overdose Deaths Involving Opioid Analgesics Parallel Opioid Sales United States, 1997–2007

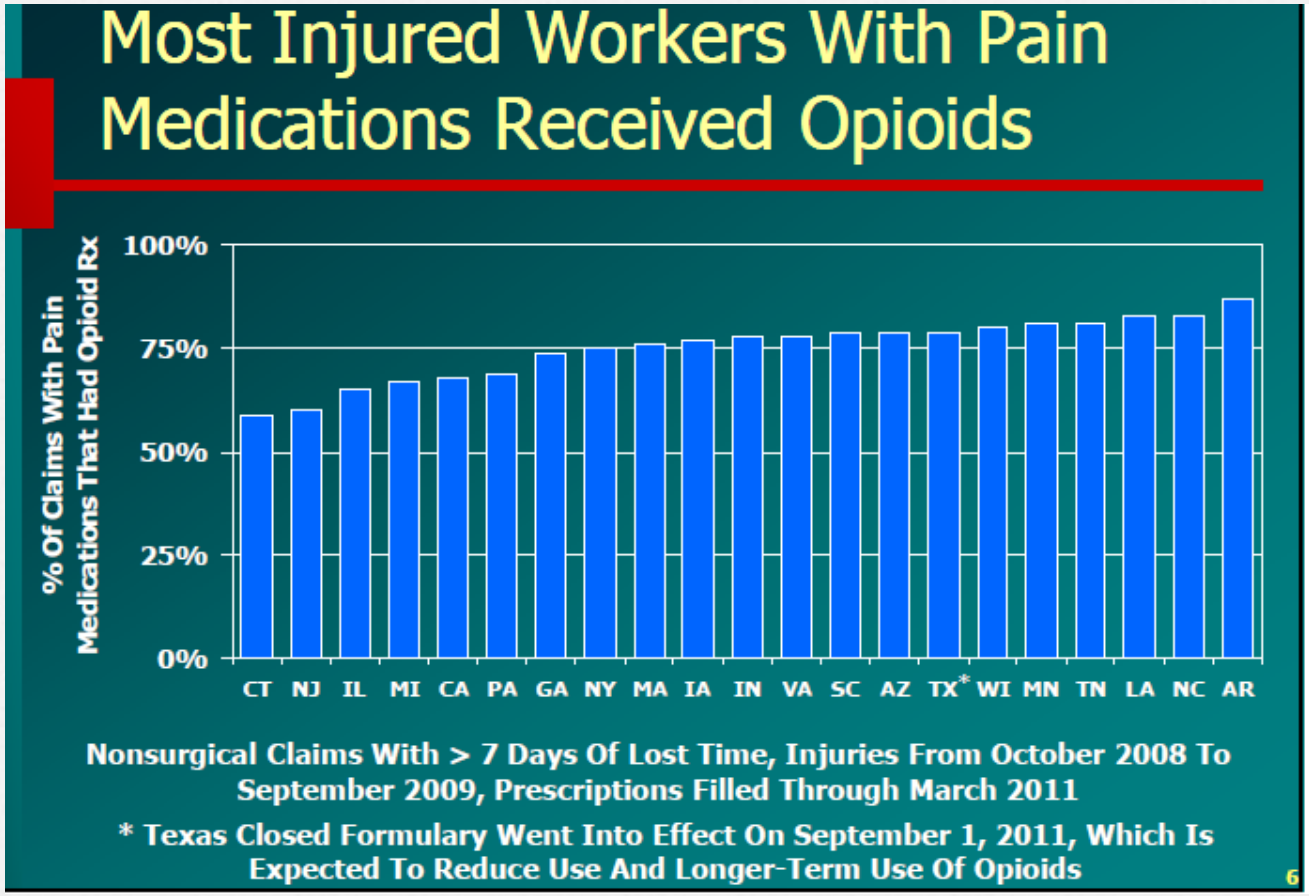
- **Distribution by drug companies**
  - 96 mg/person in 1997
  - 698 mg/person in 2007
    - Enough for every American to take 5 mg Vicodin every 4 hrs for 3 weeks
- **Overdose deaths**
  - 2,901 in 1999
  - 11,499 in 2007



National Vital Statistics System, multiple cause of death data set and Drug Enforcement Administration ARCOS system; 2007 opioid sales figure is preliminary 13

NCCI Report on Opioid Use
November 2011

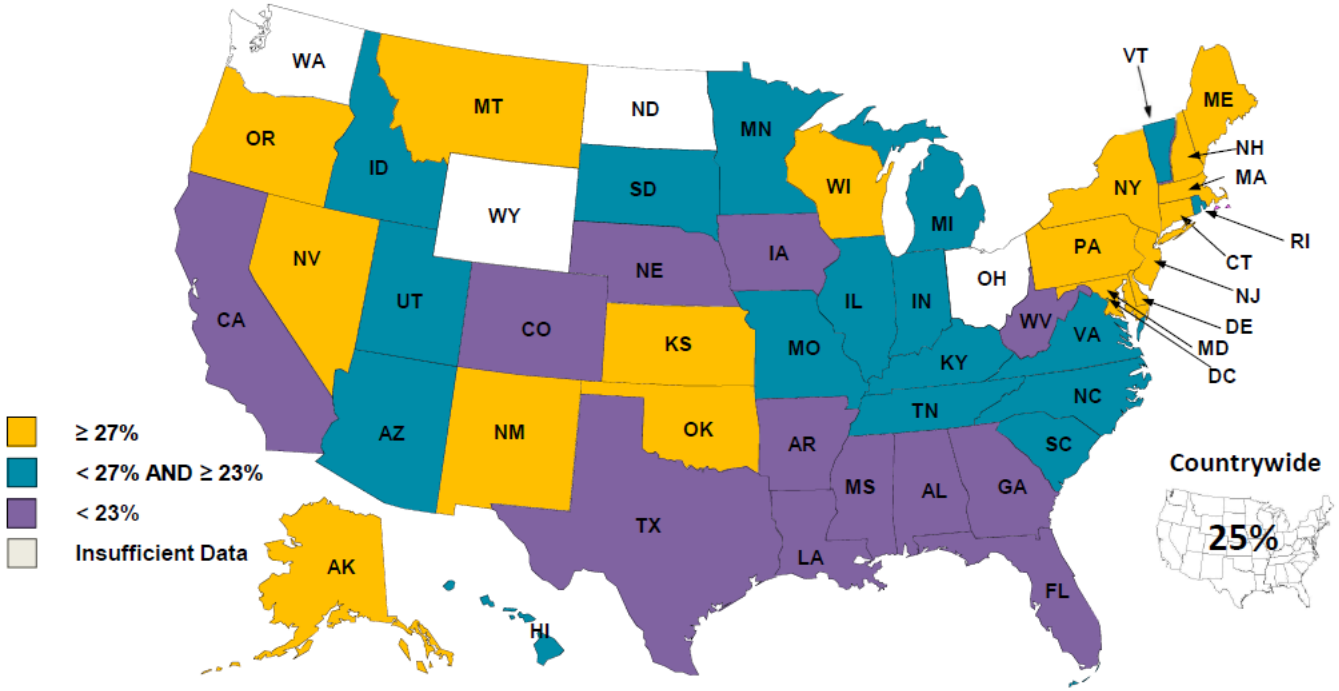
Prepared by the Alaska Department of Labor and Workforce Development



Opioids in Workers' Compensation

Workers' Compensation Research Institute – February 2013

Narcotics Share of Paid Rx
Service Year 2011



Source: NCCI Medical Data Call, for all states except CA, DE, MI, PA, and TX, which were derived from sample data provided by carriers
Relative Service Years 1 through 10
Data used with permission

State Legislatures Consider Drug Issues
National Council on Compensation Insurance – August 2013

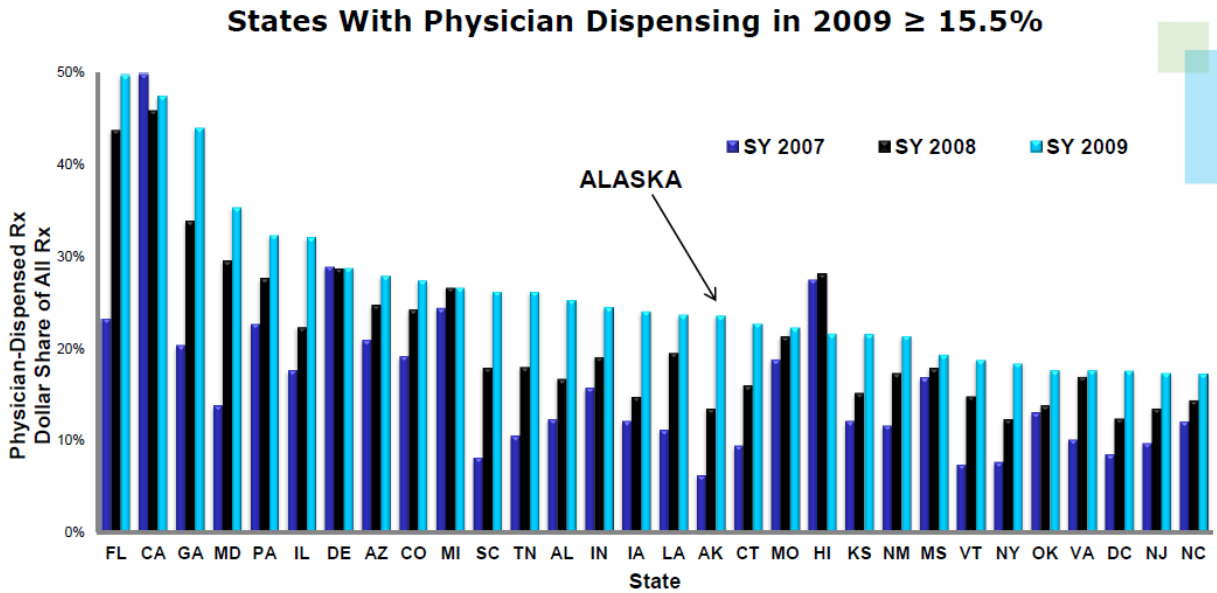
Top 10 Drugs Are Pain Medications

Top Drugs for Service Year 2011
Rank Based on Total Paid

Rank	Drug Name	Brand Name/Generic	Paid Share
1	OXYCONTIN	Brand Name	7.4%
2	LIDODERM	Brand Name	4.9%
3	LYRICA	Brand Name	4.6%
4	GABAPENTIN	Generic	4.0%
5	HYDROCODONE-ACETAMINOPHEN	Generic	3.8%
6	CYMBALTA	Brand Name	3.4%
7	CELEBREX	Brand Name	3.2%
8	MELOXICAM	Generic	2.9%
9	TRAMADOL HCL	Generic	2.5%
10	OPANA ER	Brand Name	2.5%

Workers Compensation Prescription Drug Study
NCCI 2013 Annual Issues Symposium – May 2013

Physician Dispensing on the Rise in Most States



Source: Derived from sample data provided by carriers
1st through 10th relative service year
Statistics are based on at least $150,000 paid Rx for each state service year combination

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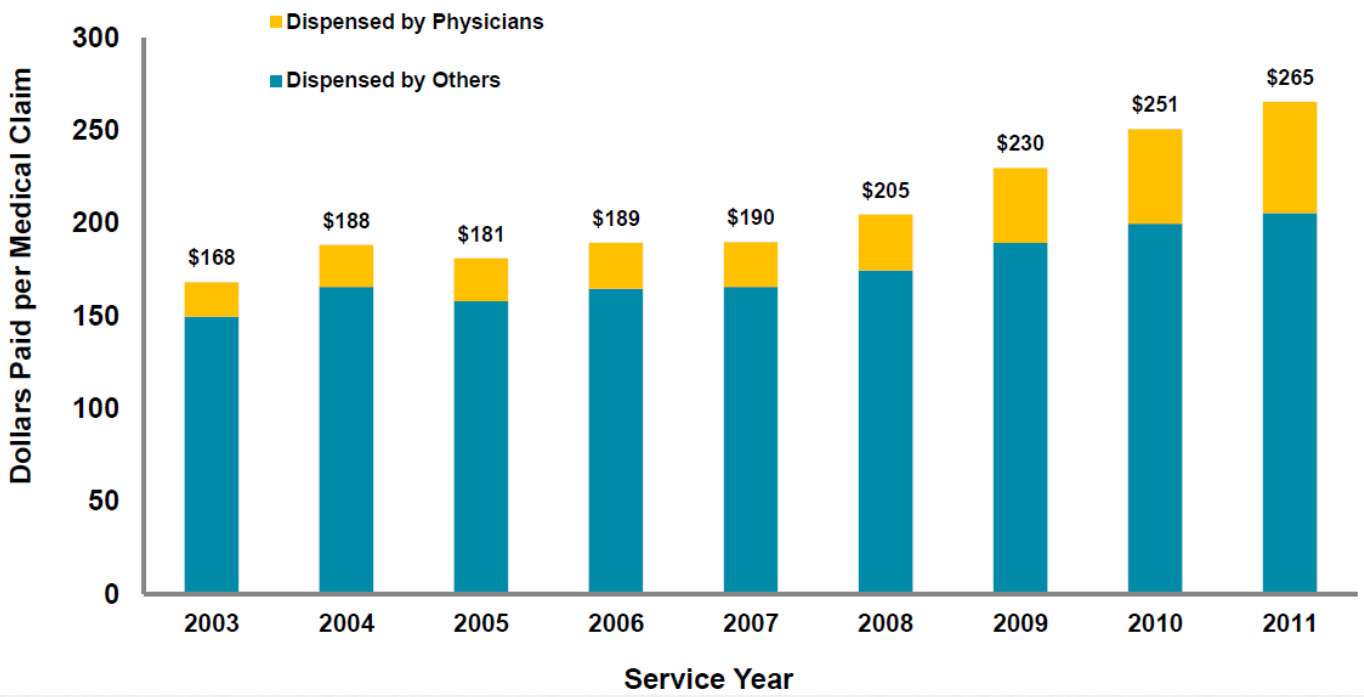
Source: NCCI 2011 State Advisory Forum

Most Recent Growth in Prescription Costs per Claim Is From Physician Dispensing

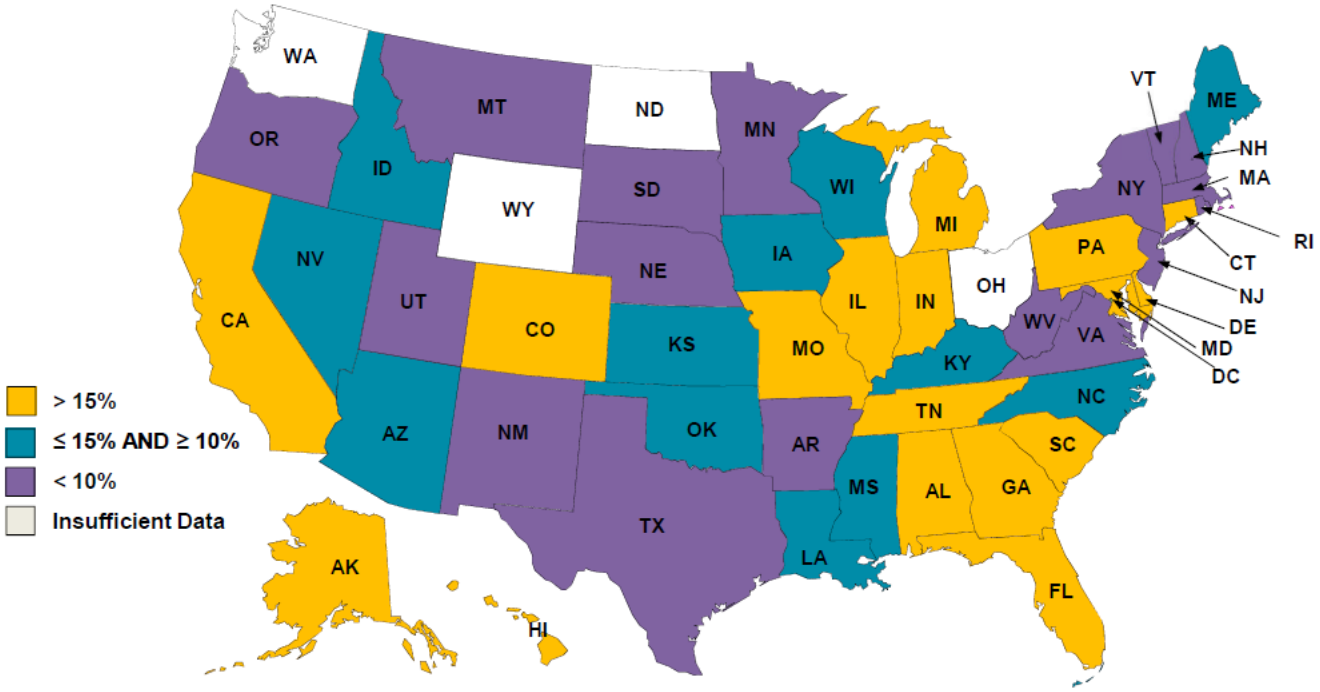


Workers Compensation Prescription Drug Study
NCCI 2013 Annual Issues Symposium – May 2013

Prepared by the Alaska Department of Labor and Workforce Development

Physician Dispensing Varies by State

Based on Physician-Dispensed Share of Paid Rx
Service Year 2011



Source: NCCI Medical Data Call, for all states except CA, DE, MI, PA, and TX, which were derived from sample data provided by carriers
Relative Service Years 1 through 10
Data used with permission

State Legislatures Consider Drug Issues
National Council on Compensation Insurance – August 2013

Recommendations

- Legislative History
- Best Practice Recommendations

Legislative History

- 2004
  - Medical fees payable at 90 percentile UCR
- 2005 – SB130
  - Froze medical fees at 2004 fee schedule
  - Sunset 2004 fee schedule effective 12/30/10
  - Established Workers' Compensation Task Force
  - Established Workers' Compensation Medical Services Review Committee
- 2007 – HB228
  - Increased 2004 fee schedule by 8.4%
- 2009 – HB104
  - Increased 2004 fee schedule by another 8.9%
- 2011 – HB13
  - Establish new medical fee schedule at 90 percentile UCR

Workers' Compensation Task Force Recommendations

- Discontinue medical fee schedule based on UCR.
- The Legislature work with Administration to improve medical cost data collection.
- Adopt legislation restricting the over-use of opioid narcotics.

Workers' Compensation Medical Services Review Committee Recommendations

- Switch from a UCR based fee schedule to a resource based relative value scale (RBRVS) fee schedule for physicians.
- Implement separate conversion factors for medical practice areas.
- Base hospital fees on MS diagnosis related group (DRG) codes.
- Base fees for ambulatory surgical centers on ambulatory payment classification (APC) rates.

Workers' Compensation Medical Services Review Committee Recommendations

- Implement treatment guidelines.
- Improve data collection on medical costs, including collection of group health cost data.
- Contract with an independent research organization to study the effects of recommended changes.

Workers' Compensation Board Recommendations

- Revise fee schedule methodology from UCR to RBRVS for physician, APC for outpatient, and DRG for hospital.
- Revise prescription drug formulary.
- Regulate physician dispensing
- Regulate use of opioid narcotics.

Questions?

A copy of this presentation is available online at
http://www.labor.state.ak.us/wc/