WORKERS COMPENSATION <u>RESEARCH</u> INSTITUTE

2012

ANNUAL REPORT + RESEARCH REVIEW



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WORKERS COMPENSATION RESEARCH INSTITUTE

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OUR MISSION: TO BE A CATALYST FOR SIGNIFICANT IMPROVEMENTS IN WORKERS' COMPENSATION SYSTEMS, PROVIDING THE PUBLIC WITH OBJECTIVE, CREDIBLE, HIGH-QUALITY RESEARCH ON IMPORTANT PUBLIC POLICY ISSUES.

To WCRI Members and Friends:



The workers' compensation landscape is being heavily influenced by two external forces. First, we are likely to face the economic woes of slow growth for most of this decade. Second, we have seen dramatic shifts in political alignments at both state and federal levels. Change creates both new challenges and new opportunities.

Economic downturns often lead to calls for reforms to contain workers' compensation costs. Shifts in legislative majorities often provide opportunities for reform driven by interest groups that believe that their constituents have not been fairly treated by the system.

Sometimes the forces produce reforms that are stable because they reasonably balance the interests of workers and employers. Other times, the reforms are not stable because they move the system from an imbalance favoring one side to an imbalance favoring the other side. When you add to the reform mix the increasing polarization of the public debate in so many areas, the odds of successful, stable reforms diminish.

In our experience, sound research, credible data and objective analysis can focus the debate and lubricate a partisan reform process. In the current environment, WCRI remains committed to providing that focus and expanding our activities to educate policymakers and system stakeholders about the relevant lessons from WCRI studies.

To do so, we have increased the number of studies and strengthened our communications capabilities with more frequent, targeted press releases and more active outreach in states with major policy debates. In the near future, you will see an updated website with increased content and special benefits for WCRI members. You may already be seeing WCRI's presence on social media sites like Twitter, Facebook, and LinkedIn.

Our focus will continue to be educating policymakers and system stakeholders. We will continue to avoid taking positions on issues or making recommendations. WCRI is both well-prepared and well-positioned to inform the public policy debates ahead of us.

Of course, the support of WCRI members with expertise, data, and funding is critical to our past and future success.

We look forward to continuing to work together.

Sincerely yours,

, Dr. Richard Victor Executive Director

The Institute

The Workers Compensation Research Institute is an independent, not-forprofit research organization providing high-quality, objective information about public policy issues involving workers' compensation systems.

The Institute's work helps those interested in improving workers' compensation systems by providing much-needed data and analyses that help answer the following questions:

- > How are workers' compensation systems performing?
- > How do various state systems compare?
- > How can systems better meet workers' needs?
- > What factors are driving costs?
- > What is the impact of legislative change on system outcomes?
- What are the possible consequences of proposed system changes? Are there alternative solutions that merit consideration? What are their consequences?

Those who benefit from the Institute's work include public officials, insurers, employers, injured workers, organized labor, and others affected by workers' compensation systems across the United States and around the world.

Organized in late 1983, the Institute is independent, not controlled by any industry or trade group. The Institute does not take positions on the issues it researches; rather, it provides information obtained through studies and data-collection efforts that conform to recognized scientific methods, with objectivity further ensured through rigorous, unbiased quality control procedures.

The Institute's work takes several forms:

- Original research studies of major issues confronting workers' compensation systems (for example, permanent partial disability, litigiousness, and medical management)
- Studies of individual state systems where policymakers have shown an interest in change and where there is an unmet need for objective information
- Studies of states that have undergone major legislative changes to measure the impact of those changes and draw possible lessons for other states
- Studies to identify those system features that are associated with positive and negative outcomes
- > *Presentations* on research findings to legislators, workers' compensation administrators, industry groups, and others interested in workers' compensation issues.

The Need

The reports and testimony of WCRI act as a catalyst for constructive change in improving workers' compensation systems throughout the U.S. and internationally. Too often, public policies are shaped by anecdote and emotion, not by objective evidence about current system performance or the consequences of proposed changes. As a result of WCRI research, policymakers and stakeholders can make information-based decisions that prove to be more enduring because they are more efficient, more equitable, and better designed to meet the needs of workers and employers.

Specifically, WCRI research meets the following important stakeholder needs:

- Measuring system results to encourage continuous improvement and move the systems away from the historic cycles of crisis-reform-crisis that have characterized workers' compensation for the past 30 years.
- Examining disability and medical management by evaluating and measuring the outcomes of medical care. These studies provide regulators with information about managing workplace injuries, what regulatory barriers are unnecessary or counterproductive, and what regulatory protections are needed for injured workers to assure quality outcomes. These studies also help guide business decisions.
- Identifying system features that improve performance or drive costs and quantifying their impact on system performance. These studies focus attention on system strengths and opportunities for improvement. They also provide lessons from successful states that other states may adopt.

The Workers Compensation Research Institute provides reliable information to legislators, governors, state (provincial) and federal administrators, task forces and study commissions, industry groups, labor organizations, and others interested in improving workers' compensation systems. The Institute's research addresses the major issues confronting these systems today. Its public policy studies are disseminated to all interested parties. "WCRI is one of the few sources that provides multistate and individual state data and analysis that is both informative and actionable. The briefings' WCRI provides to system stakeholders gives policymakers, employers, workers' representatives and carriers a credible, datadriven platform from which to engage in a meaningful dialogue and constructively initiate change."

Bob Steggert Vice President, Casualty Claims Marriott International, Inc.

The Impact

mproving workers' compensation systems is a product of many factors. WCRI's research is one important factor. Policymakers continue to look to the Institute as a source of objective information to help them make informed decisions about legislation and administrative changes.

For over twenty-eight years, Institute studies have helped public officials and stakeholders better understand how to improve system performance, what the impacts of proposed legislative changes are, and what the consequences of proposed solutions are. These studies provide much needed objective information on which to base decisions.

- WCRI is regularly called on by public officials to testify in legislative and other hearings. Some recent examples:
 - In February 2011, at the request of the Wisconsin State Assembly Committee on Labor and Workforce Development, WCRI testified at a hearing on Wisconsin employer costs and cost drivers, worker outcomes, how Wisconsin compares to other states, and trends in workers' compensation.
 - In April 2011, at the request of the North Carolina House of Representatives Committee on Insurance, WCRI testified at a hearing on how employer costs, cost drivers, and worker outcomes in North Carolina compare to other states.
 - In June 2011, at the request of the New York State Workers' Compensation Board, WCRI gave a presentation on the impact of the 2007 reforms.
 - Leading up to the passage of workers' compensation reform legislation by the Illinois legislature in early June 2011, WCRI fulfilled requests for research findings and statistical data from senior public officials in Illinois.
- WCRI's study that benchmarked prescription use in 17 states identified the substantial differences in some states between prices paid for physician-dispensed drugs and the prices paid at retail pharmacies. This study had immediate impact:
 - In Florida, several pieces of legislation were introduced in 2011 to address high costs of repackaged drugs in the workers' compensation system, which is estimated to save \$62 million.
 - In Maryland, a proposed regulation would establish a uniform reimbursement rate to eliminate the differences between physician-dispensed and pharmacydispensed prescriptions.

been conducted by WCRI has allowed stakeholders in **California to evaluate** our system and accompanying reform efforts through an unbiased and balanced approach. The Institute takes the anecdotal out of the equation and presents the information in a format that is easy to understand, allows for a logical comparison to other study states and provides for a solid foundational basis on which to educate the legislature and administration on the overall impact of the **California workers'** compensation system on employers and workers."

"The research that has

Angie Wei, Legislative Director California Labor Federation, AFL-CIO

➤ CompScope[™] Benchmarks studies, published annually, examine the impact of legislative changes and quantify differences in key metrics among study states. They continue to help policymakers identify key leverage points in their systems.

Some recent examples:

- In March 2011, Louisiana government officials invited WCRI to brief members of the Louisiana Workers' Compensation Advisory Council on Louisiana prescription costs, worker outcomes, and CompScope™ Medical Benchmarks.
- In July 2011, staff of the Massachusetts State Rating Bureau were provided permission to reproduce slides from CompScope[™] Benchmarks for Massachusetts, 11th edition, in an upcoming report they are writing on the state of the Massachusetts workers' compensation market.
- The WCRI medical fee schedule study, which quantified the large differences among states in workers' compensation medical fee schedules, is well-used by public officials to evaluate their own fee regulations.

To support our research programs, WCRI has developed the largest, most comprehensive, most representative claims database in use today – the Detailed Benchmark/Evaluation (DBE) database, containing over 29 million claims from insurers, state funds, and selfinsurers and representing nearly 80 percent of the workers' compensation benefits paid nationwide. This resource is a unique asset for WCRI and the workers' compensation community and allows WCRI to respond quickly to requests from public officials and other stakeholder groups with detailed, timely analysis of important issues.

State Impact

Institute research is widely disseminated to public officials, Institute members and others interested in improving workers' compensation systems. Members of the Institute's staff have consulted and given testimony and presentations on their research findings to public officials in the following states:

Alabama	Idaho
Arizona	Illinois
Arkansas	Indian
California	lowa
Colorado	Kansa
Connecticut	Kentu
lorida	Louisia
Georgia	Maine
Hawaii	Maryla

Illinois Indiana lowa Kansas Kentucky Louisiana Maine Maryland Massachusetts New Jersey New Mexico Michigan Minnesota New York Mississippi North Carolina Missouri Ohio Montana Oklahoma Nebraska Oregon Nevada Pennsylvania New Hampshire Rhode Island

South Carolina Tennessee Texas Vermont Virginia Washington West Virginia Wisconsin

"The Institute's multistate data enables us to benchmark and provide an objective analysis as to how various state workers' compensation systems compare. Thanks to WCRI, we are able to better analyze cost drivers in these states and this helps us determine the types of programs we need to put in place to mitigate workers' compensation costs."

Michael Fenlon Senior Director, Corporate Risk Management **United Parcel Service**

"WCRI provides the capability and resources to study, analyze, and report on current trends and allow legislators and industry experts to extrapolate future scenarios and take corrective action. This not only significantly impacts the direction of workers' compensation at the state level but has national implications that probe into the larger health care challenges that we all face."

David Patterson, President ESIS / ACE

Membership

To sustain and strengthen its impact, WCRI continues to expand its active and diverse membership, which elects the board of directors and is the source of representatives serving on key governance committees. Almost one hundred and fifty organizations supported the Institute in 2011. (A list of members and associate members appears on the inside back cover of this report.)

Organizations may join the Institute as members or associate members.

Membership in the Institute is open to insured and self-insured employers, insurers, reinsurers, national trade and professional associations, national labor organizations, universities, insurance brokers, third-party administrators, managed care organizations, other service vendors, and law firms. Members have electronic access to key research findings from WCRI studies on WCRI's web site. They also receive all publications from the Institute, preferred rates for registration to WCRI's acclaimed Annual Issues & Research Conference, and preferential invitations to other WCRI briefings. Member representatives participate in the governance of the Institute. Annual membership assessments are based on organization size.

Associate members have electronic access to key research findings from WCRI studies on WCRI's web site. They also receive all publications from the Institute and preferred rates for registration to WCRI's Annual Issues & Research Conference and to other WCRI briefings. Associate memberships are available in several categories:

- Associate member public sector is open to state workers' compensation agencies (except state funds), insurance commissioners, labor departments, and foreign entities
- > Associate member labor association is available to state labor organizations
- > Associate member rating organization is open to rating organizations.

Governance

he responsibility for policymaking rests with the Institute's board of *directors – a representative group of members who are elected by* the membership for staggered, three-year terms and meet three times a year. (A list of 2012 board members and officers appears on the inside front cover of this report.)

Operating responsibility is vested in the executive director by the board, with direction from the board and advice from committees established by the board.

The Research Committee, composed of representatives of member companies, gives the executive director guidance on the Institute's research program.

Project advisory committees assist the research staff in the formulation and conduct of specific studies. These committees are made up of representatives of member companies, public officials, academic researchers, and others knowledgeable about the specific topics before them.

Officers of the Board of Directors



Michael Fenlon, Chair



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Katrina Zitnik. Corporate Treasurer





Richard A. Victor, Executive Director





Ramona P. Tanabe, Corporate Secretary, **Deputy Director** and Counsel

RESEARCH COMMITTEE/2012

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Kevin Brady	The PMA Insurance Group
David Deitz	Liberty Mutual Group
Darrell DeMoss	MedRisk, Inc.
Artemis Emslie	MyMatrixx
Matthew Nimchek	The Hartford Financial Services Group
Marla Perper	Zurich Services Corporation
Allison Thomas-Vicuna	The Travelers Companies, Inc.
Kim Weisse	Selective Insurance Company of America, Inc.

The Research Program

THE INSTITUTE'S RESEARCH PROGRAM FOCUSES ON THE MAJOR PUBLIC POLICY ISSUES CONFRONTING WORKERS' COMPENSATION SYSTEMS. OUR RESEARCH MEASURES SYSTEM PERFORMANCE, IDENTIFIES COST DRIVERS, QUANTIFIES OUTCOMES RECEIVED BY INJURED WORKERS, EVALUATES THE IMPACT OF ALTERNATIVE SOLUTIONS, AND HIGHLIGHTS EMERGING TRENDS. THE LESSONS FROM WCRI STUDIES ARE USED TO FACILITATE ACTION-ORIENTED DECISIONS BY PUBLIC OFFICIALS, EMPLOYERS, INSURERS, WORKER REPRESENTATIVES, AND OTHERS AFFECTED BY WORKERS' COMPENSATION, BOTH NATIONALLY AND INTERNATIONALLY.

Our current research programs are:

CompScope[™] Benchmarks Research Program System Evaluation Research Program Disability and Medical Management Research Program

COMPSCOPE[™] BENCHMARKS RESEARCH PROGRAM

CompScope[™], WCRI's multistate benchmarking program, measures and benchmarks the performance of a growing number of state workers' compensation systems. Each year, CompScope[™] studies quantify performance trends, benchmark improvement opportunities, and assess the effectiveness of policy changes. Using CompScope[™], stakeholders and public officials can better manage change and avoid the historic pattern of crisis-reform-crisis that has frequently characterized workers' compensation in the past.

Using special statistical methods, the Institute has created performance measures and interstate comparisons that are comparable across otherwise diverse states. By identifying either incremental or sudden large changes in system performance – trends that may signal either improvement or possible deterioration in system performance – goals for system performance can be set, improvements accomplished, and crises avoided.

The CompScope[™] program is funded by employers, state governments, rating organizations, and insurers seeking to help achieve a more cost-efficient, stable, and equitable workers' compensation system. To achieve the ambitious goals outlined above, continued, broad support and expanded funding are needed.

Among the diverse organizations that have provided funding for this important program are the following:

ACE USA	International Truck and Engine Corporation
Advocate Health Care	Levi Strauss & Co.
Archer Daniels Midland Company	Liberty Mutual Group
AT&T	Louisiana Department of Insurance
Chartis Insurance	Louisiana Department of Labor, Office of
Chevron Corporation	Workers' Compensation Administration
CNA Foundation	Marriott International, Inc.
chartoundation	Massachusetts Workers' Compensation
Compensation Advisory Organization of Michigan	Rating and Inspection Board
or membun	Minnesota Workers' Compensation Insurers'
Costco Wholesale	Association, Inc.
Country Insurance & Financial Services	Mitsubishi Motors North America, Inc.
Florida Department of Insurance	Molloy Consulting, Inc.
Ford Motor Company	New Jersey Compensation Rating &
Gallagher Bassett Services, Inc.	Inspection Bureau
The Hartford Insurance Group	Nordstrom, Inc.
Indiana Compensation Rating Bureau	North Carolina Rate Bureau
	Pennsylvania Compensation Rating Bureau

Pubic Policy Institute of California

Safeway, Inc.

Sedgwick Claims Management Services, Inc.

State of Maryland Workers' Compensation Commission

Target Corporation

Tennessee Department of Labor and Workforce Development

Texas Department of Insurance

The Travelers Companies, Inc.

United Airlines, Inc.

United Parcel Service

Virginia Workers' Compensation Commission

The Walt Disney Company

Wisconsin Compensation Rating Bureau

Zenith Insurance Company

Zurich North America

he System Evaluation Research Program focuses on the major current public policy issues and long-term challenges confronting workers' compensation systems. The breadth and diversity of this research adds significantly to the base of knowledge about workers' compensation systems.

- The objectives of this program are to
 - evaluate workers' compensation systems and identify best practices;
 - identify leverage points and quantify opportunities for system improvement;
 - measure outcomes experienced by injured workers;
 - provide comprehensive reference books to help understand key system features; and
 - measure the impact of reform.

SYSTEM EVALUATION RESEARCH PROGRAM

System Evaluation, cont.

- The current research agenda includes the following studies:
 - Benefit Equity
 - Return to Work Barriers
 - Workers' Compensation/Group Health Price Comparisons
 - Impact of Fee Schedule Levels on Service Use
 - Area Variations in Pain Management
- > Recently published studies include:
 - Hospital Outpatient Cost Index for Workers' Compensation
 - Factors Influencing Return to Work for Injured Workers: Lessons from Pennsylvania and Wisconsin
 - Workers' Compensation Medical Cost Containment: A National Inventory, 2011
 - WCRI Medical Price Index for Workers' Compensation, Third Edition (MPI-WC)
 - Early Impact of the 2007 Reforms in New York.
 - Impact of Preauthorization on Medical Care in Texas.

The research in this program is funded by members and associate members of the Institute. Representatives of member organizations serve on the board of directors and on key governance committees. A list of current members and associate members appears on the inside back cover of this report.

DISABILITY AND MEDICAL MANAGEMENT RESEARCH PROGRAM As the cost of medical care continues to rise rapidly, many are asking how to identify high-cost medical care that may be delivering less than optimal benefits. The innovative Disability and Medical Management Research Program provides funds and establishes priorities for objective research that will improve public policy decisions about the management of work injuries.

Among the current topics for evaluation are

- > impact of fee schedule levels on service use; and
- > impact of Official Disability Guidelines (ODG).

Examples of studies published in the program include the following:

- Interstate Variations in Use of Narcotics
- > Prescription Benchmarks, 2nd Edition: Trends and Interstate Comparisons
- > Impact of Preauthorization on Medical Care in Texas
- > Workers' Compensation Medical Cost Containment: A National Inventory, 2011
- > WCRI Medical Price Index for Workers' Compensation, Third Edition
- > Factors Influencing Return to Work for Injured Workers: Lessons from Pennsylvania and Wisconsin

Funding for this program comes from organizations committed to improving public policies on disability and medical management to help policymakers and others make more informed decisions about managing work injuries. Research priorities are established by a Program Advisory Board that is composed of leaders in their fields.

PROGRAM ADVISORY BOARD / 2012

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GENEX Services, Inc.

The Hartford Financial Services Group, Inc.

Liberty Mutual Group

MedRisk, Inc.

MSC Care Management

Paradigm Management Services, LLC

PMSI

Progressive Medical, Inc.

Texas Mutual Insurance Company

The Travelers Companies, Inc.

Zurich Services Corporation

isit us at www.wcrinet.org to learn more about the work of the Institute and to quickly access over 300 WCRI studies using a powerful key word search. WCRI's web site is the most content-rich workers' compensation research web site.

VISIT OUR WEBSITE: www.wcrinet.org

For all visitors:

- Powerful key word search of research studies
- Abstracts of over 300 research studies
- WCRI Benchmarks of system performance
- WCRI Benchmarks of medical cost and utilization
- > Press releases
- \succ Conference and seminar information
- > On-line ordering of books and video-briefs

For members only:

- Detailed WCRI Benchmarks of system performance and medical use
- Executive summaries of research reports
- ➤ Key tables and charts from research reports
- > Slide presentations



n its 28th year, the Institute published 54 major studies on a broad range of topics. This brings the Institute's total to over 300 books and 263 research briefs on a wide variety of important workers' compensation issues affecting a growing number of states. At present, the Institute has 22 reports in progress and will launch other studies during 2012.

COMPSCOPE MEDICAL BENCHMARKS, 11TH EDITION

Rapid escalation in workers' compensation medical costs is a major driver of the overall increase in workers' compensation costs. For policymakers and stakeholders contending with this rapid growth, understanding the flow of payments – to whom and for what services – is essential.

CompScope™ Medical Benchmarks are indispensible for identifying where changes in treatment patterns may be occurring, where medical payments per claim or utilization may be atypical compared with other study states, or where, because of underutilization of medical services, there may be concerns about restrictions on access to care.

This report examines sixteen states (California, Florida, Illinois, Indiana, Iowa, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, North Carolina, Pennsylvania, Tennessee, Texas, and Wisconsin), providing detailed measures of medical prices, payments, and utilization by provider type and service group. There are individual state reports for all states except Indiana, Iowa, and Tennessee.

Questions addressed:

- How do medical prices, payments, and utilization per claim differ across states for similar injuries and workers?
- How have medical prices, payments, and utilization per claim changed over time within each state; and what are the major drivers of those changes?

Sample findings:

- Illinois: Even after the introduction of the medical fee schedule in 2006, which was enacted in response to the high medical payments per claim in Illinois, medical costs per claim continued to increase (by 7 percent in 2007 and 10 percent in 2008). These higher-than-typical medical costs per claim stemmed from a combination of factors: higher prices paid to nonhospital providers, higher outpatient payments per service, higher hospital payments per inpatient episode, and among the highest utilization of physical medicine of the states studied.
- Louisiana: Medical costs per claim in Louisiana were among the highest of the study states and grew rapidly by 15 percent in 2008 a larger increase than in other study states and more than in prior years in Louisiana. Several factors drove this growth, including more visits per claim to nonhospital providers, higher payments per service for hospital outpatient facility services, and a large increase in hospital payments per inpatient episode, especially in claims with surgery.

DISABILITY AND MEDICAL MANAGEMENT

DISABILITY AND MEDICAL MANAGEMENT, CONT.

- Florida: After a short-term stabilization following the 2003 fee schedule reforms in Florida, growth in medical costs per claim resumed from 2005 to 2008, but at a slower pace than the pre-reform growth. Starting in 2006, the rapid increases in the average payment per service for hospital outpatient services became a driver of growth in medical costs per claim. Several factors were behind the increases. One was a change in the mix of services provided by hospital outpatient settings that resulted from the change in fee schedule rates. Another factor was the continuous increases in the average payment per service for hospital outpatient services, especially for hospital facilities related to outpatient surgery and for hospital outpatient radiology services.
- Maryland: Medical payments per claim in Maryland were among the lowest of the states studied. This was mainly due to lower prices paid for nonhospital services that were tied to lower fee schedule rates, lower frequency of hospital outpatient care, lower hospital outpatient payment per claim, and lower hospital payment per inpatient episode. Although employers paid lower medical costs per claim, injured workers in the state reported typical outcomes when compared to other study states, such as access to care and return to work. Thus, the Maryland workers' compensation system offered a better-value proposition for both employers and injured workers.

CompScope™ Medical Benchmarks, 11th Edition. Evelyn Radeva, Bogdan Savych, Ramona P. Tanabe, Carol A. Telles, and Rui Yang. May 2011. WC-11-17 to WC-11-29.

PRESCRIPTION BENCHMARKS, 2ND EDITION: TRENDS AND INTERSTATE COMPARISONS

The rising costs and utilization of pharmaceuticals are leading many to consider ways to reduce the rate and growth. To shed light on the role of pharmaceuticals in workers' compensation, this study, the second in a series of prescription benchmark reports, compares the cost, price, and use of prescription drugs in 17 medium and larger states.

Among the 17 states studied, prescription cost per claim was the highest in Louisiana – the average prescription payment in Louisiana was \$1,182 per claim for workers' compensation claims that had more than seven days of lost time and at least one prescription paid by a workers' compensation payor, reported the study. By contrast, the figure was \$330-\$350 in the states with the lowest prescription costs.

Other high-costs states were Florida, Maryland, New York, North Carolina, Pennsylvania, and Texas. The study also reported that higher utilization of prescription drugs in Louisiana, New York, North Carolina, Pennsylvania, and Texas and more frequent and higher-priced physician dispensing in Florida and Maryland were among the main reasons for the higher prescription costs.

The 17 states included in this study are California, Florida, Illinois, Indiana, Iowa, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Pennsylvania, Tennessee, Texas, and Wisconsin.

The study is based on claims with more than seven days of lost time that had injuries occurring between October 2005 and September 2006 and prescriptions filled through March 2008 for interstate comparisons. Claims with an average 12 months of experience were used for the trend analysis. The reader should be cautioned that the results based on an average 12 or 24 months of experience understate the ultimate value of the metrics that depict quantities and costs.

Sample of major findings:

- Average prescription costs per claim were fairly stable in most study states over the time period from 2005/2006 to 2007/2008, but increased an average of 7 percent annually in Florida and Minnesota.
- The market share of physician dispensing in several states grew significantly over the study period. We see three different groups of states:
 - The first group of states includes those where physician dispensing was relatively uncommon. The market share of physician dispensing grew moderately in Iowa (2–5 percentage points), but was stable in Minnesota, North Carolina, Tennessee, and Wisconsin. Physician dispensing is not generally allowed in Massachusetts, New York, and Texas.
 - The second group of states includes Indiana, Louisiana, New Jersey, and Pennsylvania, where physician dispensing had a medium presence. The market share of physician dispensing grew moderately in Louisiana, but was stable in Indiana, New Jersey, and Pennsylvania.
 - The third group of states includes Florida, Illinois, Maryland, and Michigan, where physician dispensing was common. The market share increased moderately in Florida, Illinois, and Maryland. It was stable in Michigan.
 - The average price per pill paid for physician-dispensed prescriptions saw a considerable increase in Florida, as well as in several other states where physician dispensing was not common. In contrast, the prices per pill paid for pharmacy-dispensed prescriptions were fairly stable in all the states studied over the study period.

Prescription Benchmarks, 2nd Edition: Trends and Interstate Comparisons. Dongchun Wang and Te-Chun Liu. July 2011. WC-11-31.

HOSPITAL OUTPATIENT COST INDEX FOR WORKERS' COMPENSATION

Rising hospital costs have been a concern of public policymakers and system stakeholders and a focus of recent policy debates in many states.

To help policymakers and stakeholders conduct more meaningful comparisons on hospital outpatient costs across states as well as evaluate the impact of reforms over time, this study creates an index for hospital outpatient and/or ambulatory surgical center (ASC) costs for a group of relatively homogeneous surgical episodes that are most commonly used in workers' compensation. DISABILITY AND MEDICAL MANAGEMENT, CONT.

DISABILITY AND MEDICAL MANAGEMENT, CONT. The major findings from this study are as follows:

- Fee schedules based on different approaches shape significant interstate variations in hospital/ASC costs for similar outpatient surgical episodes.
- States with no fee schedule regulation on reimbursement for hospital/ASC services had higher costs compared to states with fee schedules.
- States with fee schedule regulations that were based on percent of charges had higher costs compared to states with other types of fee schedules
- States with per-procedure-based or ambulatory payment classification (APC)-based fee schedules had relatively lower costs among the 17 study states, except for Illinois.
- After fee schedule changes, growth in hospital outpatient/ASC costs resumed at faster rates in states with fee schedule regulations that were based on percent of charges.
- After the short-term impact of fee schedule adoptions in both Illinois and Tennessee around the same time, the hospital outpatient/ASC costs in Illinois grew faster than in Tennessee in the long run.
- After the short-term cost decrease in both Florida and California due to fee schedule reductions around the same time, the hospital outpatient/ASC costs in Florida resumed at faster rates than in California.



This study includes 17 large states that represent 60 percent of the workers' compensation benefits paid in the U.S. and covers a seven-year period from 2003 to 2009. The states included in the study are: California, Florida, Illinois, Indiana, Iowa, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, North Carolina, Pennsylvania, Tennessee, Texas, Virginia, and Wisconsin.

Hospital Outpatient Cost Index for Workers' Compensation. Rui Yang and Olesya Fomenko. January 2012. WC-12-01.

WORKERS' COMPENSATION MEDICAL COST CONTAINMENT: A NATIONAL INVENTORY, 2011

As costs for workers' compensation medical care continue to increase rapidly, the pressure on policymakers and other stakeholders to contain those medical costs also continues to increase.

This detailed report provides a comprehensive understanding of the strategies and regulations authorized and in use in all 51 jurisdictions as of January 2011 – a valuable resource for policymakers and others.

The report contains key features of each state's cost-containment initiatives, including

- medical fee schedules;
- regulation of hospital charges;
- choice of provider;
- treatment guidelines;
- utilization review/management;
- managed care;
- pharmaceutical regulations;
- > urgent care and ambulatory surgical center fee schedules; and
- ➤ medical dispute regulations.

No other publication offers the same in-depth description of medical cost containment strategies in such an easy-to-use format. The tables may be purchased separately or as a group.

Workers' Compensation Medical Cost Containment: A National Inventory, 2011. April 2011. WC-11-35.

INTERSTATE VARIATIONS IN USE OF NARCOTICS

The overuse of narcotics is a major national public health problem. Medical treatment guidelines recommend that patients who receive ongoing narcotics prescriptions be actively monitored by the physician using urine tests and be given psychological evaluations. However, many physicians who prescribed narcotics to injured workers were not using the recommended tools to monitor use, abuse, and diversion.

This study identifies certain states where patients who began treatment with narcotics were more likely to end up using narcotics on a longer-term basis – California, Louisiana, Massachusetts, New York, North Carolina, Pennsylvania, and Texas.

The study is based on nonsurgical workers' compensation claims that had more than seven days of lost time and received prescription pain medications. The data cover injuries in 2006 and prescriptions filled through March 2008. The reader should be

DISABILITY AND MEDICAL MANAGEMENT CONT.

DISABILITY AND MEDICAL MANAGEMENT, CONT. cautioned that the data, based on an average 24 months of experience, is not necessarily sufficient to capture the full utilization of narcotics.

Major findings:

- The amount of narcotics per claim was the highest in Louisiana, Massachusetts, New York, and Pennsylvania among the 17 states studied.
- In the other 13 states, there were large differences in the amount of narcotics received by injured workers.
- A higher-than-typical percentage of claims that received narcotics may signal overuse of narcotics for some states.
- The proportion of nonsurgical cases with narcotics that were identified as longerterm users of narcotics was substantially higher than typical in California, Louisiana, Massachusetts, New York, North Carolina, Pennsylvania, and Texas.
- Few longer-term users of narcotics received the recommended services for monitoring, contrary to medical guideline recommendations.

Interstate Variations in Use of Narcotics. Dongchun Wang, Kathryn Mueller, and Dean Hashimoto with the assistance of Jie Chen. July 2011. WC-11-01.

	CA*	FL	IA	IL	IN	LA	MA	MD	MI	MN	NC	NJ	NY*	PA	TN	ТХ	WI	17-State Median
Total number of nonsurgical cases that had narcotics	14,455	4,665	596	1,586	1,599	717	1,725	823	1,413	1,318	2,200	1,163	3,102	3,907	2,065	10,432	1,416	1,599
% of nonsurgical cases with narcotics that were identified as longer-term users of narcotics	9%	6%	4%	6%	5%	15%	9%	6%	5%	5%	8%	5%	12%	11%	6%	10%	3%	6%
% of cases that had drug screening test	4%	20%	n/a	6%	3%	21%	6%	9%	3%	2%	16%	7%	12%	8%	19%	11%	7%	7%
% of cases that had psychological evaluations	4%	4%	n/a	2%	3%	9%	3%	3%	4%	10%	6%	2%	6%	4%	3%	28%	5%	4%
% of cases that had psychological treatments/reports	3%	6%	n/a	4%	3%	9%	2%	1%	4%	11%	3%	n/a	7%	3%	2%	13%	n/a	4%
% of cases that had active physical medicine	83%	84%	63%	77%	79%	68%	55%	82%	71%	61%	82%	93%	71%	76%	75%	82%	64%	76%

USE OF SERVICES RECOMMENDED BY GUIDELINES[†] FOR CHRONIC NARCOTICS MANAGEMENT, AMONG NONSURGICAL CASES IDENTIFIED AS LONGER-TERM USERS OF NARCOTICS[#]

Note: Underlying data include nonsurgical claims with more than seven days of lost time that had injuries arising from October 1, 2005, to September 30, 2006, and prescriptions filled through March 31, 2008.

† Technical Appendix B summarizes the guideline recommendations for longer-term narcotic management.

We identified the longer-term users of narcotics as those who had narcotics within the first three months after the injury and had 3 or more visits to fill narcotic prescriptions between the seventh and twelfth month after the injury. See the Data and Methods and Technical Appendix C for a more detailed description.

* California and New York had statutory changes in 2007 which impacted the reimbursements for prescription drugs including narcotics in workers' compensation. In California, the statutory changes lowered the prices paid for physician-dispensed prescriptions to the level received for pharmacy-dispensed prescriptions, which impacted the prices paid for physician-dispensed narcotics. The data in this study reflect a mix of experience before and after the changes.

n/a: Not available (due to small sample size or lack of data).

INTERSTATE VARIATIONS IN MEDICAL PRACTICE PATTERNS FOR LOW BACK CONDITIONS

Back pain is a common source of disability, both from work-related injuries and from injuries that occur outside of the workplace. Annually in the United States, over \$15 billion is spent for the treatment of low back pain and disorders, and approximately 15 percent of the costs in workers' compensation medical care are for low back pain cases.

This study focuses on care provided or directed by physicians and addresses the following questions:

- What are the patterns of medical care for workers with common low back conditions in the 16 states studied?
- > How do these patterns vary across states?
- How do the patterns of medical practice in the study states compare with evidence-based treatment guideline recommendations?

Overall, we found that workers with similar low back conditions received very different care, depending on the state. These interstate differences were most noticeable for cases with nonspecific low back pain in the areas of diagnostic services and pain management injections. For disc cases, the interstate differences were most notable in the utilization of nerve testing, pain management injections, back surgery, and physical medicine. Large interstate differences in the timing of care were also seen for both types of low back conditions.

We also identified several areas of service and a number of states where the patterns of care were inconsistent with evidence-based treatment guidelines. The inconsistency was seen in the frequency of use and early use of X rays and MRIs, especially for nonspecific low back pain, and in the early timing of back surgery and injections for disc cases.

Among our findings:

- X rays and MRIs were used more often and earlier than recommended by evidencebased treatment guidelines, especially for cases with nonspecific low back pain. For example, the percent of cases with X rays ranged from 42 percent in Massachusetts to 77 percent in Louisiana. When provided, 78-91 percent of first X rays were performed early – within four weeks postinjury.
- Nerve testing was used typically in 20-26 percent of disc cases among the 16 states, higher in pre-reform California, Pennsylvania, Michigan, and pre-reform Texas (28-32 percent) and lower in Arkansas, Connecticut, Indiana, Massachusetts, North Carolina, and pre-reform Tennessee (10-17 percent).
- Workers with disc conditions in Georgia and Indiana were twice as likely to receive injections as workers in Massachusetts and Connecticut. While 40-50 percent of disc cases had injections in most states studied, the figure was higher in Georgia and Indiana (59-62 percent) – double that in Massachusetts and Connecticut (31 percent).
- The percentage of disc cases with surgery was the highest in Arkansas and pre-reform Tennessee (40-45 percent) – double that in pre-reform California, pre-reform Florida, and pre-reform Texas (17-22 percent). The surgery rate was also higher than typical of the 16 states in Georgia, Indiana, Louisiana, and North Carolina (33-37 percent).

DISABILITY AND MEDICAL MANAGEMENT, CONT.

"Overall, we found that workers with similar low back conditions received very different care, depending on the state. These interstate differences were most noticeable for cases with nonspecific low back pain in the areas of diagnostic services and pain management injections. For disc cases, the interstate differences were most notable in the utilization of nerve testing, pain management injections, back surgery, and physical medicine."

DISABILITY AND MEDICAL MANAGEMENT, CONT.

- In Arkansas, North Carolina, and pre-reform Tennessee, workers with disc conditions were not only more likely to receive surgery but also had surgery performed early within six weeks postinjury. More frequent early surgery in those states was inconsistent with evidence-based treatment guidelines that recommend surgical options being considered only for patients with severe and persistent radicular symptoms after 4-6 weeks of conservative care.
- Utilization of medical services (X rays, MRIs, nerve testing, injections, and surgery) was consistently higher in Louisiana than in the other study states for both types of low back cases. Conversely, utilization of the same services was consistently lower to typical in Connecticut, Illinois, Maryland, Massachusetts, and Wisconsin.

The 16 states in the study (Arkansas, California, Connecticut, Florida, Georgia, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, North Carolina, Pennsylvania, Tennessee, Texas, and Wisconsin) are geographically diverse and represent differences in fee schedules, choice of provider, and other key aspects of workers' compensation systems. For California, Florida, Tennessee, and Texas, the results are largely or entirely pre-reform, providing a baseline for monitoring relevant reforms in these states.

Interstate Variations in Medical Practice Patterns for Low Back Conditions. Dongchun Wang; Kathryn Mueller, MD; Dean Hashimoto, MD; Sharon Belton; and Xiaoping Zhao. June 2008. WC-08-28.

THE IMPACT OF PROVIDER CHOICE ON WORKERS' COMPENSATION COSTS AND OUTCOMES

Health care providers play many important roles in the outcome of workers' compensation cases, from diagnosing the condition and assessing its cause through medical management practices to assessing maximum medical improvement and making decisions on the degree of impairment. The perspective of either the employer or the employee on these decisions can be important and warrant being able to control the selection decision.

Workers and their advocates have argued that the choice of treating provider should be left to the worker, allowing the worker to be treated by those whom they trust and whose interests align with the worker: return to work that is medically appropriate and restoration of physical recovery that is to the fullest possible extent. Employer advocates argue that employer choice would ensure that incentives exist for keeping the costs of care reasonable and would help avoid excessive treatment. They also contend that providers familiar with the employer's worksite could use that knowledge to expedite return to work.

This study, which analyzes data from employee interviews in California, Texas, Massachusetts and Pennsylvania, examines whether costs (medical and indemnity) and outcomes (return to work, duration of time away from work, perception of recovery from the work injury, and overall satisfaction with the health care provided) are affected by who selects the health care provider.

Among our findings:

- Comparing cases in which the worker selected the primary provider with otherwise similar cases in which the employer selected the provider, the study found that costs were generally higher and return-to-work outcomes poorer when the worker selected the provider. In these same cases, workers reported higher rates of satisfaction with overall care but similar perceived recovery of physical health.
- When the worker selected a provider who had treated him or her previously for an unrelated condition (a "prior provider"), the cases may have had higher costs, but the evidence was weak. Satisfaction with overall care was higher when the worker saw a prior provider, but other outcomes did not appear to be very different between these cases and ones in which the employer chose the provider.
- When workers selected a new provider, the cases had much higher costs, poorer return-to-work outcomes, generally no differences in physical recovery, and higher levels of satisfaction with overall care than when employers chose the provider.
- Comparing cases in which the employee selected a prior provider with similar cases in which the employee selected a new provider, the study found that the worker treated by a new provider was less likely to return to work, returned to work more slowly if he or she did return, had lower levels of satisfaction with overall care, and experienced no better physical recovery.

The Impact of Provider Choice on Workers' Compensation Costs and Outcomes. Richard A. Victor, Peter C. Barth, David Neumark. A Joint Publication: Workers Compensation Research Institute and Public Policy Institute of California. October 2005. WC-05-14.

WCRI MEDICAL PRICE INDEX FOR WORKERS' COMPENSATION, THIRD EDITION (MPI-WC)

Over recent years the costs of medical treatment per claim for workers' compensation injuries have been growing rapidly due to growing medical prices in some jurisdictions.

Without the information the MPI-WC provides, states cannot accurately understand how prices for medical care for injured workers in their state compare with other states or know if prices in their state are rising rapidly or relatively slowly. States will also not know if the reason for rapid growth in their state is part of a national phenomenon or whether the causes are unique to their state and thus subject to local management or reform.

Additionally, medical prices for workers' compensation are regulated in about 80 percent of states. In those states the consumer price index for medical care (CPI-M) does not accurately reflect the changes in actual prices paid in the regulated workers' compensation market.

For example, in North Carolina, the consumer price index for medical care (CPI-M) shows that medical prices rose 35 percent from 2002 to 2010, while the MPI-WC shows that it barely changed. The MPI-WC is more accurate since the state-established maximum reimbursement rates did not change during that time period.

DISABILITY AND MEDICAL MANAGEMENT, CONT.

DISABILITY AND MEDICAL MANAGEMENT, CONT. The MPI-WC tracks medical prices paid in 25 large states from calendar year 2002 through June 2010 for non-hospital, non-facility services billed by physicians, physical therapists, and chiropractors. The medical services fall into eight major groups: evaluation and management, physical medicine, surgery, major radiology, minor radiology, neurological testing, pain management injections, and emergency care.



The 25 states included in the MPI-WC, which represent more than three quarters of the workers' compensation benefits paid in the United States, are Arizona, Arkansas, California, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin.

WCRI Medical Price Index for Workers' Compensation, Third Edition (MPI-WC). Rui Yang with the assistance of Juxiang Liu. August 2011. WC-11-37.

IMPACT OF PREAUTHORIZATION ON MEDICAL CARE IN TEXAS

During the decade of the 2000s, Texas policymakers enacted several reforms that were intended to give payors additional tools to manage medical care, patient outcomes, and costs. One class of reforms requires preauthorization by the payor for certain types of medical treatments and services.

Under the Texas Division of Workers' Compensation rules, preauthorization of medical care for injuries covered by workers' compensation is the responsibility of the insurance carrier and is subject to a process prescribed by the rules. Among those rules, the requestor or employee is required to request and obtain approval from the carrier prior to providing or receiving a medical service.

This study helps policymakers and other stakeholders quantify the impact of these reforms on physical and occupational therapy services, work hardening and work conditioning services, and spinal surgeries received by injured workers who were covered by the Texas workers' compensation system.

For each type of medical care, WCRI measured changes in utilization, after the preauthorization reforms became effective, using detailed medical billing data for two sets of claims – one prior to the effective date of the preauthorization reform and one after the effective date. WCRI also studied changes in disability duration and return to work, as measured by the days in which an injured worker received temporary disability payments.

Questions addressed:

- > What impact does preauthorization have on reducing medical visits?
- > Does preauthorization hamper return to work?
- > Did preauthorization create a delay in spinal surgeries for injured workers?

Sample findings:

- Return to work did not change significantly over the time period for injured workers who received physical medicine services, despite a large reduction in the number of physical medicine visits that they received.
- There was a 21 percent reduction in the number of injured workers receiving work hardening and work conditioning services, but not significant changes in the number of visits and services per visit.
- Time to surgery was shorter among injured workers who received spinal surgery after preauthorization was effective.

Impact of Preauthorization on Medical Care in Texas. Christine Yee, Philip Borba, and Nicole Coomer. June 2011. WC-11-34.

COMPSCOPE™ BENCHMARKS: MULTISTATE COMPARISONS, 12TH EDITION

CompScope[™] Benchmarks provide the most meaningful interstate comparisons currently available for more than 60 system performance measures for 16 large states. There are separate state reports for 14 of the 16 study states, which represent nearly 60 percent of the nation's workers' compensation benefit payments. Those states are California, Florida, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, North Carolina, Pennsylvania, Texas, Virginia, and Wisconsin.

Sample of major findings:

- Texas: Medical payments in Texas dropped significantly because of reform legislation (HB 2600 in 2001 and HB 7 in 2005), along with increased payor focus and effort on managing medical care. Prior to the reforms, Texas medical payments per claim were the highest among 16 states studied by WCRI. In 2009, medical payments per claim were 16 percent lower than the typical study state.
- Louisiana: Workers' compensation costs per claim for Louisiana grew at a doubledigit rate in recent years, the fastest growth among all states. The 16-state study reported that costs per claim rose 11 percent per year from 2007 to 2009 with increases in all key cost components – medical, indemnity (payments for lost wages), and expenses per claim. WCRI speculated that this rapid growth may reflect some impact from the recession, although it noted that the recession's effects appear to have been less severe in Louisiana than in other states, in part due to the post-Hurricane Katrina recovery.

DISABILITY AND MEDICAL MANAGEMENT, CONT.

COMPSCOPE[™] BENCHMARKS



COMPSCOPE[™] BENCHMARKS, CONT.

- Florida: Medical costs per claim in Florida grew 5-6 percent per year starting in 2005, following one year of stabilization due to the fee schedule reforms. A main driver of the growth in medical payments per claim in 2005 was the price increase for chiropractors and physical/occupational therapists, resulting from a fee schedule increase. From 2006 to 2008, growth in the average payment per service for hospital outpatient services was a driver of the growth in medical payments per claim.
- North Carolina: With only eight months of experience under the new hospital fee schedule, overall medical payments per claim in North Carolina were 6 percent higher than the study median for 2009 cases evaluated in 2010. From 2008 to 2009, evaluated in 2010, growth in overall medical payments per claim was more moderate – at 3 percent – compared to 8 percent per year from 2004 to 2008.
- Virginia: Medical payments per claim for injured workers in Virginia were among the highest of the study states. Medical payments per claim with more than seven days of lost time in Virginia were 22 percent higher than the median of the 16 states. The study found medical payments in Virginia were the main driver of the growth in costs per claim from 2004 to 2009, increasing an average of 8 percent per year for the period.

The study used data from claims from injury years 2004 through 2009, evaluated as of March 31 of each year from 2005 through 2010, from WCRI's Detailed Benchmarking/ Evaluation database containing over 29 million claims.

CompScope™ Benchmarks: Multistate Comparisons, 12th Edition. Evelina Radeva, Bogdan Savych, Ramona P. Tanabe, Carol A. Telles, and Rui Yang. December 2011. WC-11-41 to WC-11-54.

OTHER STUDIES BY WCRI

FACTORS INFLUENCING RETURN TO WORK FOR INJURED WORKERS: LESSONS FROM PENNSYLVANIA AND WISCONSIN

Against a backdrop of high unemployment, some injured workers may face even greater challenges in returning to work, leading to potential increases in the duration of disability. Although injured workers in Pennsylvania and Wisconsin have typically reported better return-to-work outcomes than workers in other states, the economic downturn has diminished the impact of selected workers' compensation system features that facilitate return to work for longer-term injured workers in these two states.

According to the study, poor economic conditions have made it more difficult for some employers to offer light, transitional, or modified duty to assist their injured workers in returning to sustainable work or to provide permanent job accommodations for workers with restrictions.

While recognizing that employers and injured workers play a central role in the returnto-work process, the study used a case-study approach to identify the features of the Pennsylvania and Wisconsin workers' compensation systems that promote timely, safe, and sustainable return to work, as well as those that create barriers. The study's findings can provide lessons for other states seeking to facilitate return to work.

Sample of major findings:

- Wisconsin's clear standards and processes for terminating temporary disability (TD) benefits – when effectively communicated by employers and insurers and well-understood by injured workers and their medical providers – establish early, upstream expectations about benefit termination. These expectations prompt workers to focus on their recovery and return to work rather than on benefit continuation. In Pennsylvania, however, unilateral termination is generally not permitted; instead, there is an agreement approach which is intended to ensure due process. While such an approach creates strong financial incentives for employers to return injured workers to work, it also may delay return to work for some workers if a dispute arises, as workers do not typically return to work during the litigation process.
- Statutory standards and processes for TD benefit termination can encourage employers to offer injured workers safe and suitable light-, modified-, or transitionalduty work during the healing period. If injured workers accept such offers, it may minimize their detachment from the workforce and reduce the likelihood of a longer-term absence from work, also reducing indemnity benefit costs for employers.
- Medical providers play a key role in facilitating return to work. Public policy decisions regarding the delivery of workers' compensation medical care can also directly or indirectly impact indemnity benefits by influencing the return to work process.
- Public policy decisions about the transition from TD to permanent partial disability (PPD) benefits represent key opportunities to impact return to work for longer-term unemployed injured workers.

Workers with permanent restrictions are especially vulnerable to difficulties and delays in return to work. The difficulties these workers face are magnified further in the economic downturn and put a public policy spotlight on how workers' compensation systems address workers who are unable to return to work with the pre-injury employer – particularly in the areas of lump-sum settlement practices and the availability of vocational rehabilitation and retraining benefits.

Factors Influencing Return to Work for Injured Workers: Lessons from Pennsylvania and Wisconsin. Sharon Belton. November 2011. WC-11-39.

AVOIDING LITIGATION: WHAT CAN EMPLOYERS, INSURERS, AND STATE WORKERS' COMPENSATION AGENCIES DO?

One goal of a workers' compensation program is to deliver necessary medical care and income benefits to workers injured on the job without the uncertainty, delay, and expense of litigation. In many states, however, disputes and attorney involvement in the benefit delivery process are common.

Policy debates about attorney involvement have common themes from state to state. Workers' attorneys argue that they help workers receive benefits that these workers would not be able to obtain themselves, help workers navigate a sometimes complex system, and protect workers from retaliation by the employer or insurer. Advocates for employers OTHER STUDIES BY WCRI, CONT.

OTHER STUDIES BY WCRI, CONT.

"This singular collection of papers critically examines the key issues that emerged over the past twenty-five years and identifies forces that will come into play during the next decade...." and insurers contend that attorneys are involved more often than necessary, that workers can often receive the benefits they are entitled to without representation, and that attorneys may even reduce the total amount of benefits that workers take home.

Some of the existing attorney involvement is inevitably unnecessary – for example, cases where the worker would have received the statutory entitlement without resorting to hiring an attorney. If unnecessary attorney involvement can be avoided, this would be a win-win-win scenario. Workers would receive benefits without the expense of paying an attorney and the delays of dispute resolution; employers and insurers would save the costs of defending the case; and increasingly resource-short state workers' compensation agencies would have smaller caseloads to manage and would have to provide fewer dispute-resolution services.

This study identifies and quantifies some of the more important factors that lead injured workers to seek representation by an attorney, providing some key elements for employers, claims organizations, and state agencies to take away.

Major findings:

The study found that workers were more likely to seek attorneys when they felt threatened. Sources of perceived threats were found in two areas:

- The employment relationship. Workers believed they would be fired as a result of the injury, and/or workers perceived that the supervisor did not think the injury was legitimate.
- The claims process. The worker perceived that his or her claim had been denied, although it was later paid. This perception may have stemmed from a formal denial, delays in payment, or communications that the worker deemed to be a denial.

Potential implications for employers, claims organization, and state agencies

It is possible that attorney involvement can be decreased if employers, claims organizations, and state agencies reduce or eliminate *unnecessary actions* that workers interpret as threats. The suggested actions below, while logical implications of this study, are not themselves the findings of the empirical research:

- Train supervisors. Help supervisors create timely communications that focus on trust, job security, and entitlement to medical care and income benefits.
- Create state agency education materials and help lines. Provide written materials and an accessible help line that answers workers' questions to help ease feelings of vulnerability and uncertainty.
- Communicate in a clear and timely fashion about the status of the claim. Prevent misunderstandings through unambiguous, timely communication from the claims manager so the worker does not mistakenly conclude that the claim has been denied.
- Eliminate system features that encourage denials or payment delays. Eliminating system features that discourage timely payments may help prevent a worker's misconstruing a delay as a denial.

Avoiding Litigation: What Can Employers, Insurers, and State Workers' Compensation Agencies Do? Richard A. Victor and Bogdan Savych. July 2010. WC-10-18.

EARLY IMPACT OF THE 2007 REFORM IN NEW YORK

New York enacted major reforms in March 2007. As the reforms are implemented, policymakers and stakeholders will want to be able to assess the performance of the system, identifying objectives that are being met, objectives that are not being met, and unintended consequences that may have emerged.

The fourth in a series that will monitor the impact of the reforms, this report focuses on trends of performance metrics for the benefit delivery system in New York. Using these metrics, policymakers and stakeholders will be able to track current and future progress on a myriad of issues.

Key findings – early impact of regulatory changes:

- Increase in statutory benefit maximum: The maximum weekly benefit rose from \$400 prior to July 1, 2007, to \$550 on July 1, 2008. We found a corresponding increase of the average weekly temporary total disability benefit – 19 percent after the implementation of the second of the three increases in the statutory benefit maximum. The goal of the increases was to bring New York maximum weekly benefits closer to national norms and reduce the percentage of workers whose benefits were limited by the maximum. The first two increases reduced the share of workers affected by the maximum from 48 percent to 29 percent. We estimate that, after the third increase in the maximum, the percentage would fall further to approximately 24 percent.
- Duration limits on PPD benefits: From 2007/2008 to 2008/2009, for permanent partial disability (PPD)/lump-sum cases at an average 12 months of experience, there was a 10 percentage point decrease in cases that received PPD payments only (with no lump-sum payment) and an 11 point increase in cases with a lump-sum settlement only (with no PPD payments). This shift may suggest earlier settlements for some types of cases and could be related to Aggregate Trust Fund (ATF) reform provisions, which require carriers to pay the present value of all classified (non-scheduled) PPD benefits into the fund.

Although the limitation on the weeks of PPD wage replacement benefits is expected to result in large savings for the New York system, it will likely be several years before significant changes will be reflected in the data because it generally takes several years for PPD benefits to be determined.

- Pharmacy fee schedule: The implementation and subsequent change of the pharmaceutical fee schedule had the effect of decreasing the average price per pill 10–20 percent, depending on the drug and dosage.
- Diagnostic testing: From 2007/2008 to 2008/2009, we observed a 6 percent increase in the number of visits for minor radiology services by nonhospital providers. This may be an effect of the increase of the preauthorization requirement from \$500 to \$1,000.

OTHER STUDIES BY WCRI, CONT.

OTHER STUDIES BY WCRI, CONT.

"Rocket Docket": Defense attorneys were involved in over 50 percent more indemnity claims in 2008/2009 than in 2003/2004. This growth began prior to the passage of the 2007 reforms, so it is uncertain if the reforms were a factor in this increase. There was little change in the average defense attorney payment per claim from 2003 to 2007. However, in 2008, the average defense attorney payment per claim grew 24.5 percent, all occurring in cases with defense attorney payments greater than \$500. This growth may be related in part to the increase in cases with lump-sum settlements. It is important to note that payment to a defense attorney is the only metric we have related to controversion of claims. As a result of the administrative changes aimed to resolve controverted claims, one might expect to see a reduction in the time frames related to resolution of controverted claims. Indirectly, these changes could also impact litigation rates and costs.

Early Impact of the 2007 Reforms in New York. Carol A. Telles and Ramona P. Tanabe. December 2011. WC-11-38.

HOW HAVE WORKER OUTCOMES AND MEDICAL COSTS CHANGED IN WISCONSIN?

One way to examine the performance of a state workers' compensation system is in the context of a key value proposition. In WCRI studies, the value proposition used to evaluate the cost and delivery of workers' compensation medical care has two dimensions.

- First, a state system delivers better value than another state if the medical costs borne by employers in the first state are the same or lower than in the second state, while the outcomes achieved by injured workers are better in the first state (interstate comparison of value).
- Second, the value delivered by a state system is increasing if the medical costs borne by employers in the first state are stable or falling, while the outcomes achieved by injured workers are improving (trend in value). This study examines how worker outcomes and medical costs and prices have changed in Wisconsin since injuries that occurred in 2001.

Among our findings:

Interstate comparison of value: Compared to 10 other states, Wisconsin most likely provides a good value proposition for workers and their employers in the cost and delivery of medical care. Wisconsin workers who were injured in 2006 and interviewed in 2009 reported better recovery of health and functioning, return to work, access to care, and satisfaction with care than workers in most of the other study states. In 2006, the average medical cost borne by employers was 19 percent above the median of 14 states in the WCRI CompScope™ benchmark studies. So workers in Wisconsin get better than average outcomes while employers in Wisconsin pay somewhat higher than average medical costs per claim. Because return to work and worker satisfaction with care in Wisconsin were the highest of the states studied, it is likely that Wisconsin provides a good value proposition on medical care, on balance, to workers and their employers.

Trend in value: The outcomes reported by workers in Wisconsin did not materially change in the five years between the first survey and the 2009 survey of workers injured in 2006. The average medical cost per claim with more than seven days of lost time rose 70 percent. The average prices paid to nonhospital providers rose by 29 percent during this period, and the average payment per claim to hospitals rose by 58 percent. Medical costs and medical prices for claims with more than seven days of lost time rose rapidly from 2001 to 2006, while worker outcomes were not materially changed. Although the value proposition in Wisconsin is stronger than in the majority of states studied, the overall trend in value is toward lower value.

How Have Worker Outcomes and Medical Costs Changed in Wisconsin? Sharon E. Belton and Te-Chun Liu. May 2010. WC-10-04.

MEASURES (all for claims with more than 7 days of lost tim	ne)	COMPARISON OF STATES' OUTCOMES										
RECOVERY OF PHYSICAL HEALTH AND FUNCTIONING												
Improvement in health status —	CA	TN	FL	NC	MD	тх	ст	МІ	WI	PA	MA	
from injury to interview	14	15	16	16	17	17	18	18	19	21	24	
TIME FROM INJURY TO FIRST SUBSTANTIAL RETURN TO WORK (AS OF 2 ¹ / ₂ YEARS POSTINJURY)												
	CA	тх	MA	FL	MI	TN	СТ	MD	NC	PA	WI	
Median weeks	12	12	10	9	9	9	8	8	8	8	6	
TIME FROM INJURY TO FIRS	TIME FROM INJURY TO FIRST VISIT WITH INITIAL PROVIDER											
Percentage who were —	FL	CA	тх	TN	MD	NC	МІ	WI	PA	СТ	MA	
"somewhat" or "very" satisfied	75	76	79	81	82	82	83	85	86	87	89	
Percentage who were —	CA	FL	TN	тх	NC	MD	МІ	СТ	WI	PA	MA	
"very dissatisfied"	17	14	14	14	12	11	11	9	9	8	6	
TIME FROM INJURY TO FIRS	ST VISIT	WITH PRIMA		DER								
Dereentere who were	FL	CA	TN	МІ	NC	тх	MD	PA	WI	СТ	MA	
Percentage who were "somewhat" or "very" satisfied	70	72	77	79	80	80	82	83	83	84	86	
Percentage who were	CA	FL	TN	МІ	NC	тх	MD	PA	СТ	WI	MA	
"very dissatisfied"	19	19	17	14	14	14	12	11	10	10	6	
SATISFACTION WITH OVERALL HEALTH CARE												
Percentage who were — "somewhat" or "very" satisfied	CA	FL	TN	тх	NC	MD	MI	PA	СТ	MA	WI	
	70	73	76	79	80	82	82	83	84	85	89	
Percentage who were	CA	NC	TN	FL	тх	СТ	MD	мі	PA	MA	WI	
"very dissatisfied"	19	16	16	15	13	10	10	9	9	8	7	

INTERSTATE COMPARISON OF WISCONSIN 2006/2009 WORKER OUTCOMES ON SELECTED MEASURES

Notes: The data shown above for Wisconsin reflect outcomes reported by workers injured in 2006 and interviewed in 2009. The 2010 WCRI report, How Have Worker Outcomes and Medical Costs Changed in Wisconsin provides detailed information about the data and methods underlying the Wisconsin worker outcomes survey and definitions and caveats related to measures shown in this table. Readers interested in more detailed information on the injury years, samples, interview periods, response rates, and representativeness and bias tests for the other 10 states should refer to Technical Appendix A in Belton and Liu, 2009, Comparing Outcomes for Injured Workers in Michigan. The data shown in this table are not adjusted for case-mix differences across states. The outcomes shown above for California, Maryland, and Texas are reflective of claims from the insured market only in each state and do not include self-insured claims.

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RECESSION, FEAR OF JOB LOSS, AND RETURN TO WORK

Recessions typically mean fewer job opportunities and a greater likelihood that an injured worker will not be able to find suitable return-to-work employment. In a particularly severe recession, therefore, we might expect that a larger number of injured workers will suffer longer-term unemployment.

Despite the severity of the current recession, which began in December 2007 and is deeper and longer than past recessions, this study suggests that some injured workers in this recession may speed up their efforts to return to work when they are concerned about their job security.

The study reported that if a recession is sufficiently serious that it generates an especially high level of fear of job loss, workers may behave differently by engaging in more aggressive efforts to return to work, offsetting a portion of the traditional negative effects of recessions on return-to-work outcomes of injured workers.

By connecting local economic opportunities, workers' concerns about job security, and the workers' return-to-work outcomes, this study provides a framework for predicting return-to-work outcomes when the unemployment rate rises and the fear of job loss is magnified.

The report may be useful to those who are trying to predict the impact of the current recession on return-to-work interventions and outcomes, as well as on workers' compensation claims and costs – especially for income benefits. It may also be relevant for predicting the impact of an economic recovery. As the economy strengthens and the unemployment rate falls, there will be more job opportunities, less fear of job loss, and perhaps less aggressive efforts by injured workers to seek reemployment.

Key findings:

- Workers who are afraid of being fired are less likely to become longer-term unemployed after an injury. These workers may be more aggressive in seeking return-to-work opportunities, making an extra effort to return to work earlier or to take steps to increase their chances that their job will exist after return to work.
- Injured workers in areas with unemployment rates that are rising or that are higher than normal for the area are more likely to fear losing their jobs. The greater the fear, the more likely it is that workers will more actively pursue retuning to work, thus reducing the number of workers that experience longer-term unemployment.

Recession, Fear of Job Loss, and Return to Work. Richard A. Victor and Bogdan Savych. April 2010. WC-10-03.

WORKERS' COMPENSATION LAWS AS OF JANUARY 2012

An essential tool for researching and understanding the distinctions among workers' compensation laws in all U.S. states and certain Canadian provinces is done as a joint venture of the International Association of Accident Boards and Commissions (IAIABC) and the Workers Compensation Research Institute (WCRI).

This report is a key resource for policymakers and other stakeholders to identify the similarities and distinctions between workers' compensation regulations and benefit levels in multiple jurisdictions in effect as of January 1, 2012.

The publication is best used to understand macro-level differences and general tendencies across jurisdictions, such as:

- > How many states/provinces allow individual or group self insurance?
- How do the maximum and minimum payments for temporary and permanent total disability benefits vary?
- > How many states cover mental stress claims, hearing loss, and cumulative trauma?
- How many jurisdictions allow the worker to choose the treating physician and how many allow the employer to do so?

In Canada and the United States, workers' compensation is entirely under the control of sub-national legislative bodies and administrative agencies. As a result, it is easy to misunderstand subtle differences between jurisdictional laws and regulations. This survey gives you the ability to understand those differences.

Workers' Compensation Laws as of January 2012. Ramona P. Tanabe. March 2012. WC-12-18.

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