

## Medical Advisory Committee, January 9, 2015 Workers' Compensation System Information

### Employment and claims:

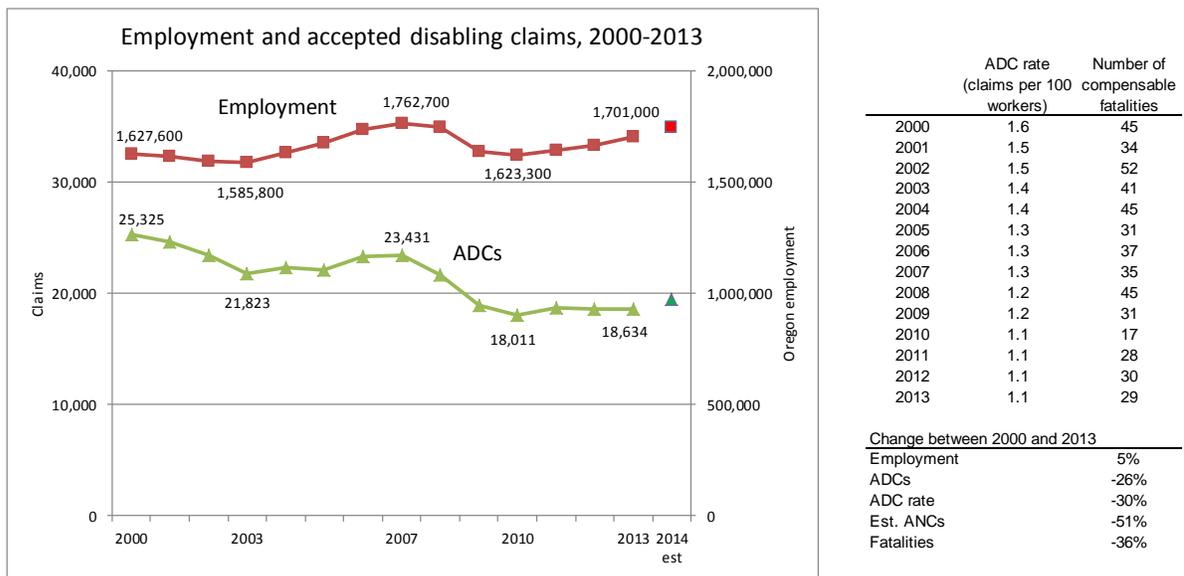
In the figure below, the red line indicates the number of workers covered by the workers' compensation system. There has been little sustained employment growth since 2000; the net growth in employment between 2000 and 2013 was 5 percent.

The employment growth was 2.2 percent in 2013. The Office of Economic Analysis forecasts employment growth to be strongest in 2014 - 2016, at about 2.6 percent, followed by declining rates of growth.

Accepted disabling claims (ADCs) are shown by the green line. ADCs generate most of the claims costs, and most of the information we provide is for ADCs. In general, the number of ADCs has remained steady during periods of employment growth and declined sharply during the recessions. The claims rate (ADCs per 100 workers) has been slowly declining; the declines have been sharpest during the recessions. The rate has fallen 30 percent between 2000 and 2013. The estimated claims rate for 2014 remains at 1.1 claims per 100 workers.

Accepted nondisabling claims (ANCs) are not reported to WCD, but we estimate the number using the medical EDI data reported by the insurers with large numbers of claims. We estimate that there are about 2.2 ANCs per ADC. The estimated numbers fell sharply during the recession.

The number of fatality claims has fallen by 36 percent between 2000 and 2013. Multiple-fatality events can cause fairly wide year-to-year changes in the fatality figures.

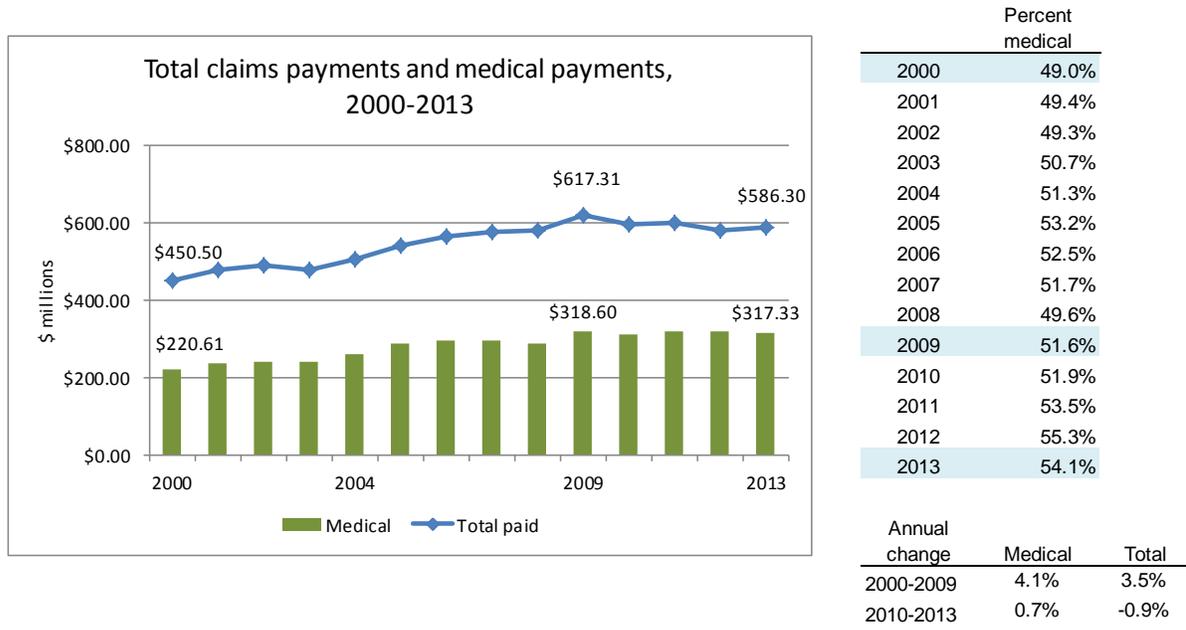


Accepted disabling claims (ADCs) are claims entitling workers to indemnity (temporary disability, permanent disability, or death) benefits. In contrast, ANCs are medical-only claims.

**Claims payments:**

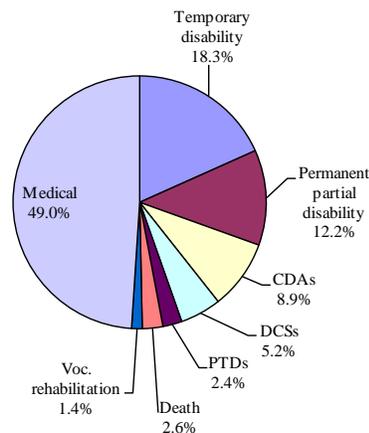
The first figure below shows the growth in estimated indemnity and medical payments made by insurers and self-insured employers between 2000 and 2013. The payments increased 3.3 percent per year between 2000 and 2009. The payments have been flat, averaging \$591 million for the past four years.

The distributions of these indemnity and medical payments are shown in the two pie charts. Medical payments have been an increasing percentage of these payments.

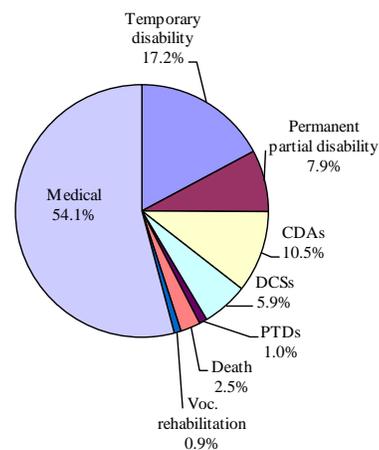


**Benefits paid by insurers and self-insured employers, calendar years 2000 and 2013**

**2000 distribution**



**2013 distribution**



**Premiums:**

The insurance premiums that employers pay each policy year are expected to cover the costs of the injuries that occur during the policy year for as long as those costs occur, which may extend through the lifetimes of a claimant’s beneficiaries. Premiums are paid per \$100 of payroll. Some 2014 average industry rates per \$100 of payroll were:

- logging \$26.58
- trucking \$8.94
- retail \$1.52
- office work \$0.18

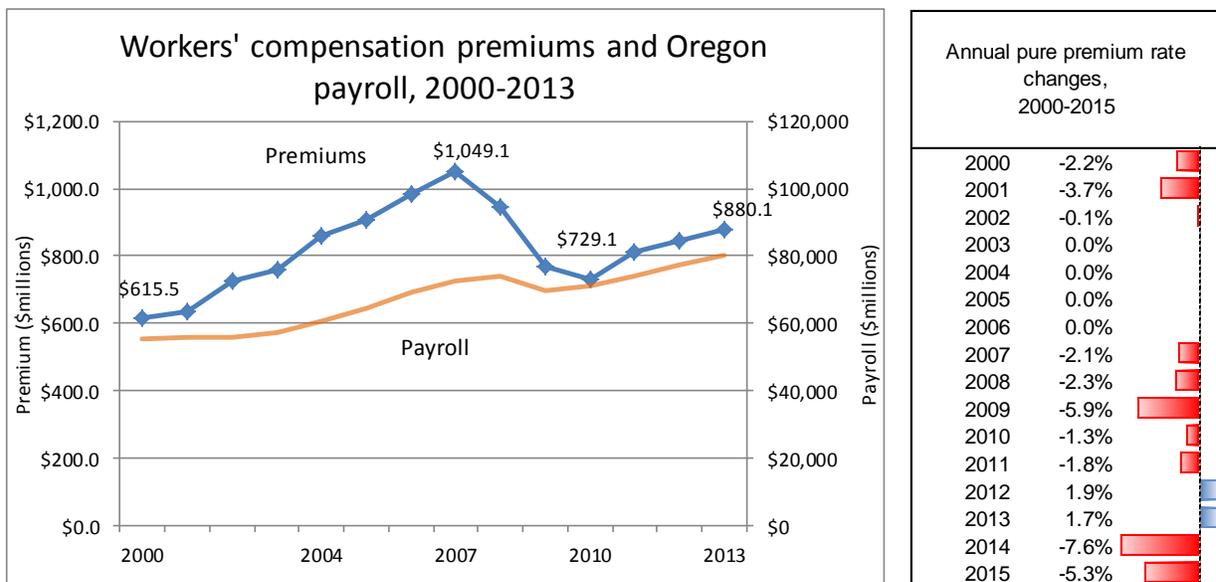
An employer’s premium depends on its industry, insurance carrier, claims history, etc.

We define total system written premiums as:

- premiums written by SAIF
- premiums written by private insurers
- credits from the large-deductible premium policies issued by private insurers, and
- simulated premium that is calculated for each self-insured employer to set its workers’ compensation assessment.

Excluding three years during the recession, total premium growth has averaged 7 percent per year. This reflects employment growth and average wage growth. With the recession, premiums dropped sharply due to the decline in employment, especially in high-risk industries. Including the recession, the annual premium growth between 2000 and 2013 is just 2.8 percent.

As a part of rate setting, NCCI calculates the pure premium rate, the average, wage-adjusted rate. Individual industry rates are computed relative to this pure premium rate. This rate has declined by an average of 1.5 percent per year from 2000 through 2015.



**Market share:**

Total system written premiums can be used to determine workers' compensation market share. In 2013, SAIF's share of the market was 50 percent. This represents SAIF's largest market share since at least 1980.

Year	Workers' compensation market share, by insurer type, 2000-2013		
	SAIF	Private insurers	Self-insured employers
2000	35.7%	50.2%	14.0%
2001	37.2%	49.3%	13.5%
2002	41.7%	44.9%	13.4%
2003	42.5%	42.8%	14.7%
2004	44.3%	41.4%	14.3%
2005	46.1%	39.3%	14.6%
2006	45.8%	40.4%	13.9%
2007	42.4%	44.0%	13.6%
2008	42.6%	42.1%	15.2%
2009	40.8%	41.5%	17.7%
2010	44.9%	37.0%	18.1%
2011	44.9%	38.6%	16.5%
2012	47.2%	36.6%	16.2%
2013	49.6%	34.7%	15.7%

**Claim closure and resolution:**

In the following table, claim resolutions are defined as ADCs that were closed through the closure process and the claims whose indemnity benefits were finalized through CDAs. The number of claim resolutions has declined as the number of ADCs has declined. The average temporary disability benefit has increased at 4.1 percent per year.

The average and median number of paid temporary disability days jumped in 2009. This was a result of the recession, which reduced the number of new short-term claims. Therefore, those claims resolved in 2009 were disproportionately long-term claims. The mean is dropping as more new, short-term claims are being resolved.

The percentage of closed (not resolved) claims with PPD had remained at about 30 percent for many years. It has fallen in the past three years.

The percentage of all resolutions that are CDAs grew between 2000 and 2009; it has remained steady for the past five years.

Year	Temporary disability				Claims with PPD			CDA resolutions	Percent of all resolutions
	Resolved claims	Average days	Median days	Average dollars	Closed claims with PPD	Percentage of all closed claims	Average PPD award		
2000	24,814	56	18	\$3,288	6,937	29.0%	\$7,767	892	3.4%
2001	24,608	60	18	3,718	7,004	29.6%	8,291	954	3.7%
2002	23,107	63	18	3,958	6,712	30.3%	8,554	925	3.8%
2003	21,804	62	19	3,846	6,223	29.8%	9,081	927	4.0%
2004	21,883	63	19	4,124	6,285	30.0%	9,567	906	3.9%
2005	21,389	66	20	4,311	6,272	30.7%	9,976	953	4.2%
2006	22,557	64	19	4,289	6,347	29.5%	9,563	1,045	4.4%
2007	23,248	65	19	4,474	6,336	28.7%	9,769	1,159	4.8%
2008	22,191	69	20	4,913	6,021	28.7%	10,157	1,238	5.3%
2009	19,980	77	24	5,565	5,726	30.8%	10,515	1,390	6.7%
2010	18,417	77	23	5,698	5,001	29.1%	10,743	1,257	6.5%
2011	18,372	74	23	5,563	4,774	27.9%	10,847	1,269	6.6%
2012	18,657	70	23	5,380	4,704	27.0%	10,454	1,241	6.4%
2013	18,950	73	25	5,658	4,647	26.3%	11,112	1,289	6.7%

Resolved claims – accepted disabling claims that have been closed or had a CDA. At claim closure, insurer temporary disability payments and determines permanent disability awards. This ends most claims costs.

Temporary disability – Indemnity payments made for time away from work. Workers are paid a percentage of their wage during this time.

Permanent partial disability – Award made by insurers or during the reconsideration process or at hearings for permanent disability.

Claims disposition agreements – negotiated agreements between workers and insurers. The worker receives a negotiated amount and gives up the right to future indemnity benefits (medical benefits continue).

Disputed claims settlements – negotiated agreements between workers and insurers. The worker receives a negotiated amount in return for agreeing that the claim or condition is not longer compensable. The worker gives up all rights, including medical benefits, for the condition.

### Re-employment and the impact of return-to-work programs on employment:

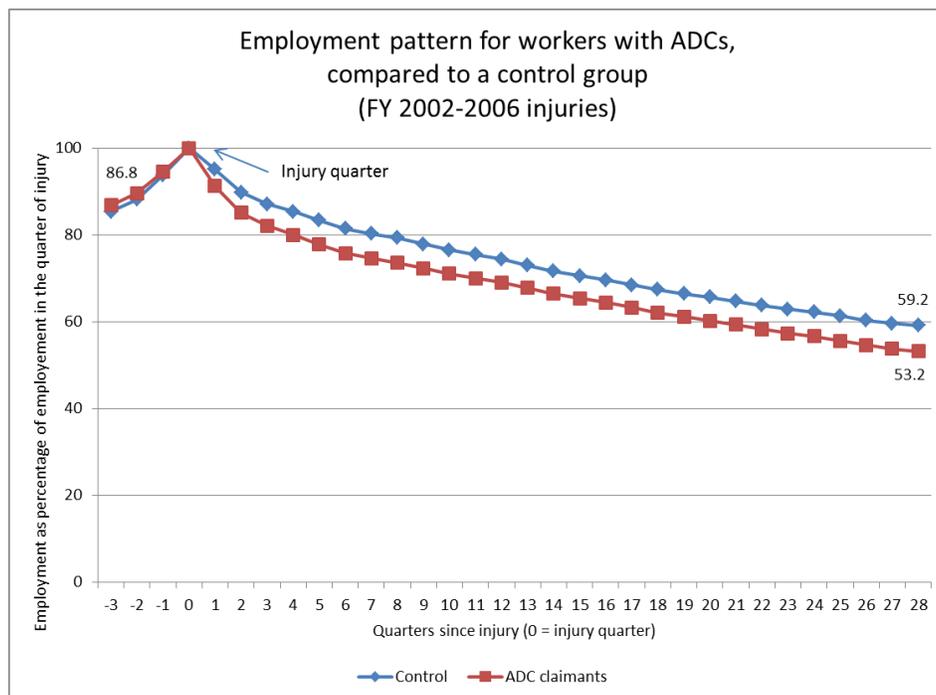
We are able to look at the long-term employment patterns of injured workers. We do this by matching claims data to the Employment Department’s quarterly wage records. For our reporting, workers are defined as employed if they received wages from an Oregon employer required to report to the Employment Department. This definition excludes the self-employed, employees of non-Oregon employers, and those who are unemployed or retired.

In the figure below, the red line shows the employment patterns for workers injured during FY 2002 – 2006 (July 2001 – June 2006). The figure shows the percentage of these people who were employed from 3 quarters prior to injury to 28 quarters (7 years) after injury. The quarter of injury is quarter 0. By definition, 100 percent of these people were employed in injury quarter 0; 87 percent were employed three quarters prior to the injury, and 53 percent were employed 28 quarters after injury.

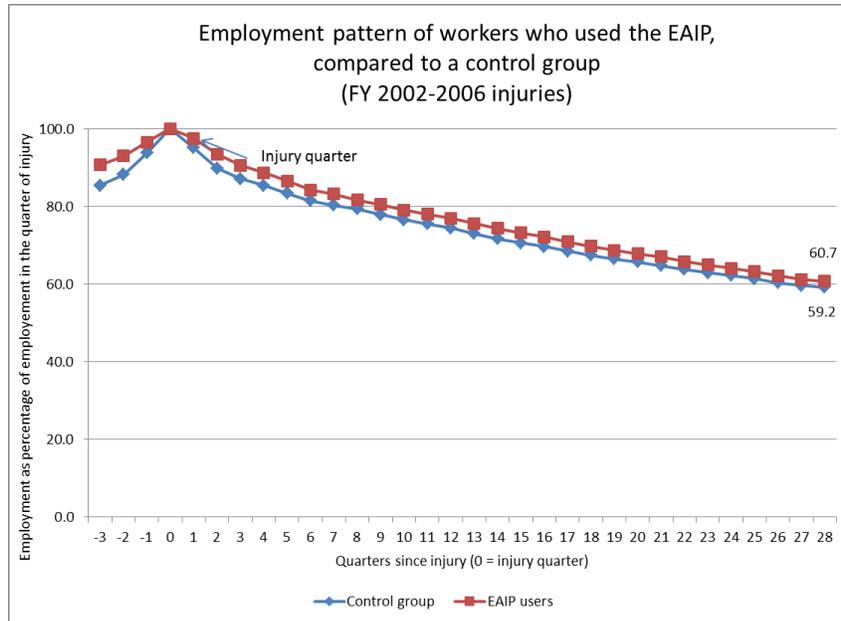
For this information to be useful, we need to compare it to a control group. The control group that is available is the set of people with a nondisabling claim shown in the medical EDI data. Other research has shown that these people have an employment pattern that is nearly identical to that of uninjured workers.

The blue line shows the employment pattern for this group of workers who had a nondisabling claim during the FY 2002-2006 period. After 28 quarters, 59 percent of them were still employed by Oregon employers.

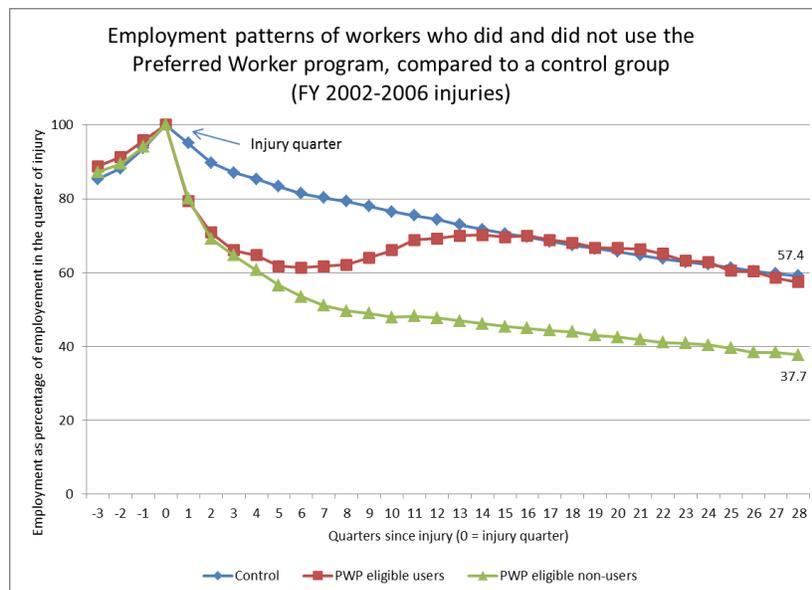
The difference between the two lines indicates the impact of the ADC on long-term employment. Our research shows that as injury severity increases, long-term employment rates decline.



The next two figures use the same method to look at the impact of return-to-work programs. The first figure shows the employment patterns of workers who used the Employer-at-Injury Program compared to the control group. It shows that these workers had slightly higher employment rates than did the control group.



The next figure provides the employment patterns for two sets of injured workers: those who were eligible for the Preferred Worker Program and used the program, and those who were eligible for the program but did not use it. It illustrates that the workers using the program have poor employment outcomes initially, but are able to recover and have normal long-term employment patterns.



**Medical disputes and reconsiderations:**

Medical disputes are one of the few areas that did not have a decline in workload during the 2000s. However, the numbers of requests and orders have been stable over the past three years.

Over the past five years, 56 percent of the disputes have been fee disputes, and 21 percent have been medical services disputes.

Medical dispute requests and orders, 2000-2013

Year	Requests	Orders	Request-to-order median days
2000	991	948	114
2001	1,181	1,222	69
2002	1,049	918	81
2003	1,362	1,293	88
2004	1,350	1,264	87
2005	1,456	1,548	75
2006	1,651	1,745	41
2007	1,823	1,803	28
2008	3,319	2,740	24
2009	3,047	3,822	16
2010	2,950	2,665	11
2011	2,214	2,255	13
2012	2,076	2,104	13
2013	2,189	2,227	10

Types of medical disputes, 2009-2013

	2009	2010	2011	2012	2013
Fees	56.2%	58.6%	49.1%	50.4%	66.3%
Medical services	23.5%	19.5%	25.2%	22.3%	14.5%
Treatments	6.9%	6.4%	8.7%	8.0%	6.9%
Palliative care	1.2%	1.3%	1.9%	1.1%	0.8%
MCO issues	8.0%	9.1%	9.4%	12.8%	6.7%
Changes of attending physician	0.5%	0.6%	1.1%	0.8%	0.5%
Independent medical exams	0.4%	0.4%	0.3%	0.3%	0.3%
Compensability	3.0%	4.1%	4.2%	4.2%	3.9%
Interim medical benefits	0.4%	0.1%	0.0%	0.1%	0.0%

The number of requests for reconsideration of claim closures has declined with the falling number of claim closures; the percentage of closures appealed has remained about 16 percent. There has been a steady decline in the percentage of review orders that have been appealed to hearings.

Appellate review requests and orders, 2000-2013

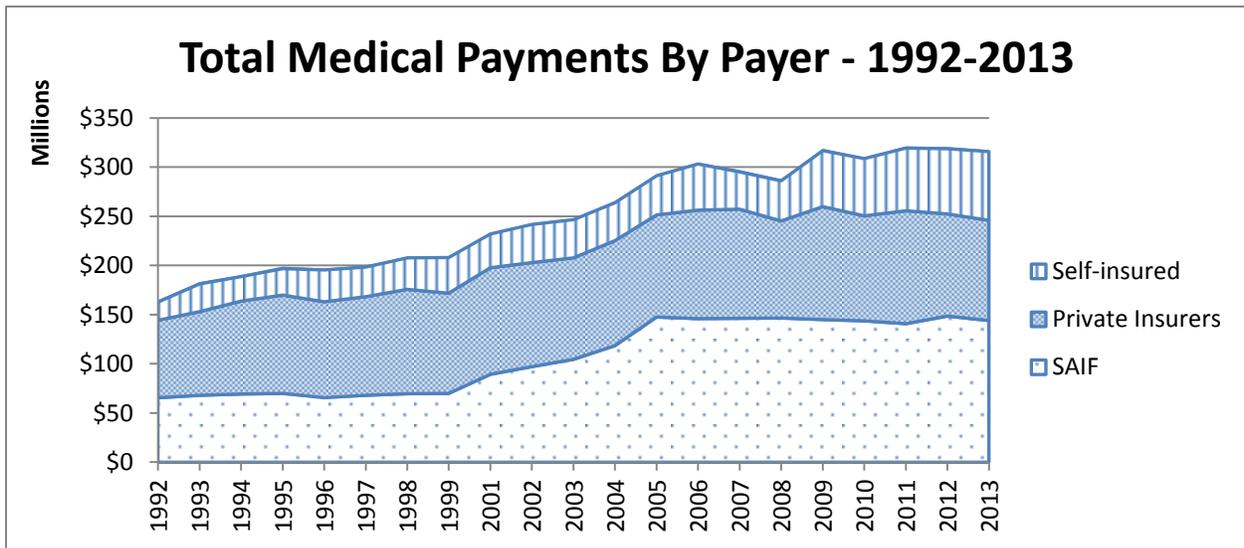
Year	Requests on closures	Percent of closures appealed	Requests on disability classifications	Total orders issued	Percent of cases appealed to hearings
2000	3,833	15.3%	132	3,988	33.7%
2001	3,979	16.0%	142	4,021	30.7%
2002	3,906	16.7%	188	4,122	29.6%
2003	3,749	17.1%	205	4,037	28.2%
2004	3,800	17.2%	186	3,950	29.1%
2005	3,531	16.4%	182	3,824	25.3%
2006	3,424	15.2%	198	3,637	24.1%
2007	3,788	16.4%	186	3,941	23.1%
2008	3,527	16.1%	149	3,743	19.2%
2009	3,409	17.5%	147	3,598	21.6%
2010	2,978	16.6%	167	3,215	22.0%
2011	2,714	15.1%	135	2,844	19.1%
2012	2,669	14.8%	135	2,823	18.8%
2013	2,704	15.0%	148	2,852	17.6%

The Appellate review process generally involves workers' challenges to insurers' claim closures. If PPD is at issue, medical arbiters examine the workers.

**Payments for medical services:**

Medical costs in workers’ comp have held steady over the past several years following a period of accelerating increases. The change coincides with nationwide trends toward decelerating medical inflation and the decline in the number of ADCs. These tables show payments for all medically-related services on claims rendered in the year indicated. That is, all non-indemnity products and services.

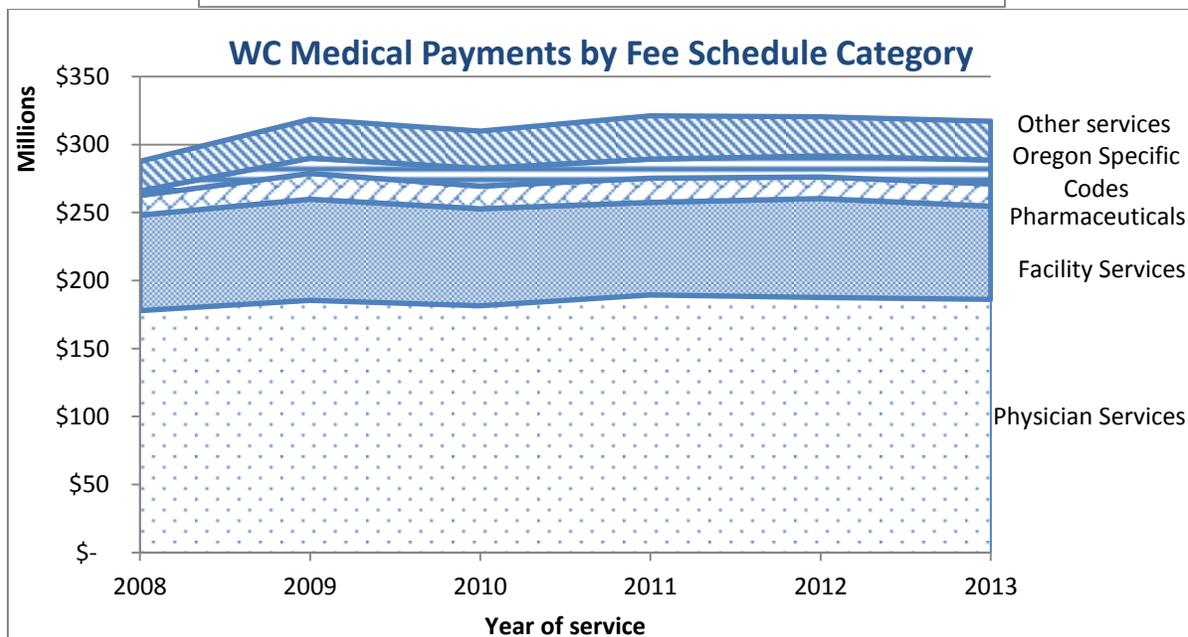
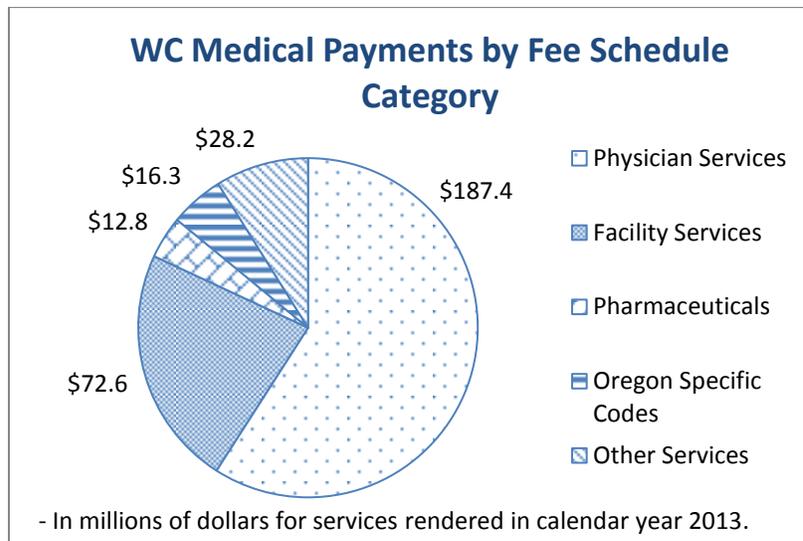
The distribution of payments across payers shows no growth in any category except self-insured employers, reflecting a similar trend in the number of ADCs.



	Total Medical Payments by Payer in millions of dollars							Average Annual Growth
	2007	2008	2009	2010	2011	2012	2013	
SAIF	\$146	147	145	144	141	148	144	-0.19%
Private Insurers	111	99	115	107	115	104	102	-0.54%
Self-insured	38	41	57	58	64	66	70	10.45%
<b>Total</b>	<b>\$297</b>	<b>288</b>	<b>319</b>	<b>310</b>	<b>321</b>	<b>321</b>	<b>317</b>	<b>1.51%</b>

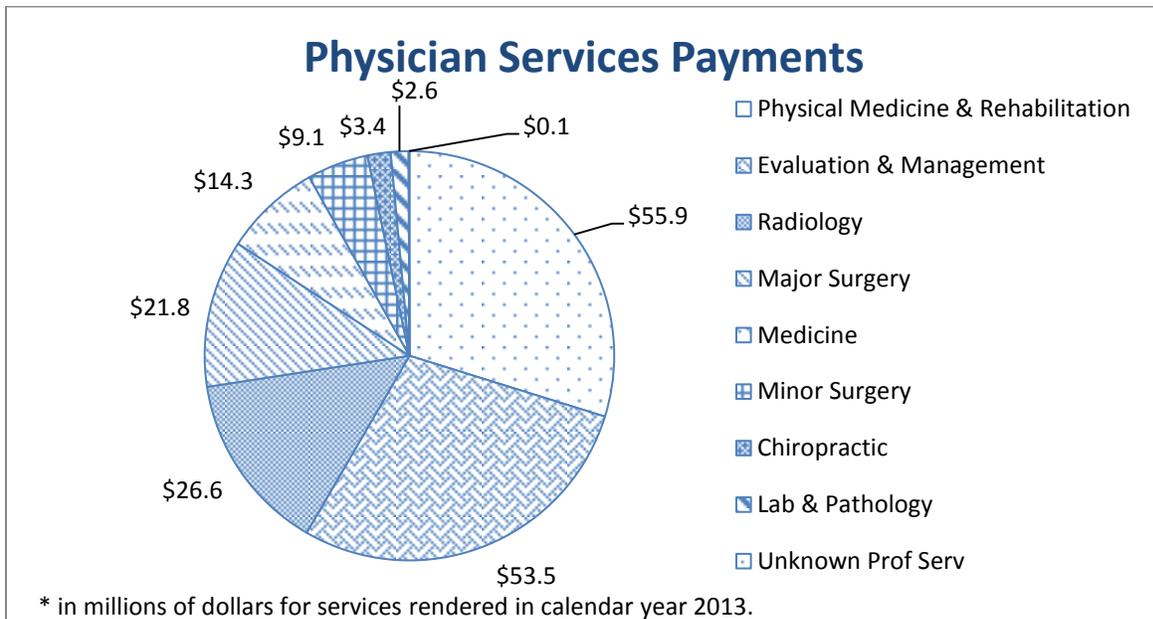
**Medical payments by service category.**

This chart shows payments and proportions for fee-schedule-regulated service categories and other non-fee-schedule categories. Physician services are those billed with CPT codes. They are covered by the physician fee schedule. Facility Services includes inpatient services and the facility portion of outpatient services, such as emergency department and surgery facility fees. These are paid according to the hospital cost-to-charge ratio (Bulletin 290) or the ASC fee schedule. Oregon-specific services are those unique to the workers' compensation system in Oregon, such as interpreter services and closing exams. About two-thirds of these are for independent medical examinations (IMEs) and related services. Pharmaceuticals include drugs and other products included on pharmacy bills. Finally, other services include small, as well as non-fee-schedule categories such as dental, durable medical equipment and supplies, anesthesiology and unclassifiable payments. The second chart shows the distribution over the time. There has been very little variation, even as the number of services covered by fee schedules has grown.



**Physician Services:**

Physician Services can be further broken down into categories of service. In general, these categories follow those of the Current Procedural Terminology coding system maintained by the AMA. For ease of analysis, several categories are further divided into smaller categories. Physical Medicine and Rehabilitation and Chiropractic include codes from the Medicine category. Prior to 2011, Chiropractic was included with Medicine. Surgery is divided into two categories, Major Surgery and Minor Surgery, depending on the length of the post-operative period established by CMS. Major Surgery has a post-operative period of 90 days, Minor Surgery has a shorter post-operative period. The Unknown Professional Services category that appears to be growing is actually much smaller than previously. Coding errors and unknown services are now fairly rare and we are able to categorize some of them as physician services that before were unclassifiable. Figures shown are in millions of dollars by year of service.



	Physician Services					
	2008	2009	2010	2011	2012	2013
Physical Medicine & Rehabilitation	\$49	53	52	55	55	56
Evaluation & Management	48	50	49	54	53	54
Radiology	25	24	26	28	28	27
Major Surgery	28	26	27	22	22	22
Medicine	13	18	16	15	14	14
Minor Surgery	13	12	11	9.4	9.2	9.1
Chiropractic				3.4	3.4	3.4
Lab & Pathology	2.0	2.0	2.3	2.8	2.8	2.6
Unknown Professional Services				0.08	0.08	0.12
<b>Total Physician Services</b>	<b>\$178</b>	<b>186</b>	<b>182</b>	<b>189</b>	<b>188</b>	<b>187</b>

This table shows the top 15 physician service codes ranked by payments. In 2013, the medical service with the largest volume of payments, \$19.24 million, was therapeutic exercises. The top 15 services combined accounted for more than one-fourth of all workers' compensation medical payments and nearly half of all physician services.

Four of the top 15 services are in the physical medicine category, commonly performed by physical therapists. Five are evaluation and management services, either office or emergency room visits. Three are MRIs, two are surgeries and one is a special service, procedure or report.

**Top 15 workers' compensation physician services, 2013**

Service code	Description of service	Payments (\$ millions)	Percent of total payments
97110	Therapeutic exercises	\$19.24	10.3%
99213	Office/outpatient visit established patient	16.65	8.9%
97140	Manual therapy of 1 or more regions	10.89	5.8%
99214	Office/outpatient visit established patient	6.85	3.7%
97530	Therapeutic activities	5.24	2.8%
99203	Office/outpatient visit new patient	5.16	2.8%
99283	Emergency department visit	4.20	2.2%
99204	Office/outpatient visit new patient	3.10	1.7%
73721	MRI joint of lower extremity w/o dye	2.74	1.5%
99199	Special service/procedure/report	2.69	1.4%
73221	MRI joint upper extremity w/o dye	2.46	1.3%
29881	Knee arthroscopy/surgery	2.30	1.2%
97001	PT evaluation	2.18	1.2%
72148	MRI lumbar spine w/o dye	2.14	1.1%
29827	Arthroscopic rotator cuff repair	2.05	1.1%
	Subtotal:	\$87.89	46.9%
	Remaining physician services:	\$99.55	53.1%
	Total:	\$187.44	100%

**Non-physician services:**

This table shows the top 15 non-physician service codes ranked according to total payments. Non-physician services, designated by HCPCS Level II codes, include transportation services (e.g., ambulances), medical and surgical supplies, durable medical equipment, and orthotics and prosthetics.

Home health aids and certified nurse assistants accounted for the largest category of non-physician services in 2013. Transportation services were four of the 15 top services, three were prosthetic and orthotic procedures, two are for hearing aids and the remainder is for durable medical equipment and surgical or medical supplies.

**Top 15 workers' compensation non-physician services, 2013**

Service code	Description of service	Payments (\$ millions)	Percent of total payments
S9122	Home health aide or certified nurse assistant	\$1.76	2.4%
A0427	Ambulance Services: ALS1-emergency	1.08	1.5%
L8699	Prosthetic implant	0.98	1.3%
V5261	Hearing aid, digital, binaural, behind the ear	0.89	1.2%
A0431	Rotary wing air transport	0.77	1.1%
C1713	Anchor/screw bone-to-bone,tissue-to-bone	0.72	1.0%
A0436	Rotary wing air mileage	0.41	0.6%
L7499	Upper extremity prosthesis	0.39	0.5%
E1399	Durable medical equipment misc	0.36	0.5%
A4556	Electrodes, pair	0.33	0.5%
A0425	Ground mileage	0.33	0.5%
L5999	Lower extremity prosthesis	0.31	0.4%
V5257	Hearing aid, digital, monaural, behind the ear	0.25	0.3%
C1820	Generator, neurostimulator, with rechargeable battery	0.20	0.3%
E0676	Intermittant limb compression device	0.19	0.3%
	Subtotal:	\$8.99	12.3%
	Remaining services:	\$63.89	87.7%
	Total:	\$72.88	100%

**Revenue Codes:**

This table shows the top 15 revenue codes ranked according to total payments. Revenue codes are used on hospital bills to indicate which department performed a service. Payments for hospital inpatient services and the facility portion of outpatient services are paid according to Bulletin 290. For each general acute care hospital in Oregon, a factor is computed which represents the portion of billed charges that are accounted for by the cost of providing the services along with allowances for bad debt and charity care and for the maintenance of the facility. This factor is called the cost-to-charge ratio (CCR) and ranges from a maximum of 1 to a low of less than 0.25. The maximum payment due to the hospital for covered services is computed by multiplying the billed charges by the CCR. Hospitals designated as Critical Access Hospitals as well as some other rural hospitals are automatically exempt and assigned a CCR of 1 irrespective of their actual ratio. The CCR system was implemented in order to insure that payments covered the costs of providing services to injured workers but prevented the shifting of costs from other services onto the workers' compensation system.

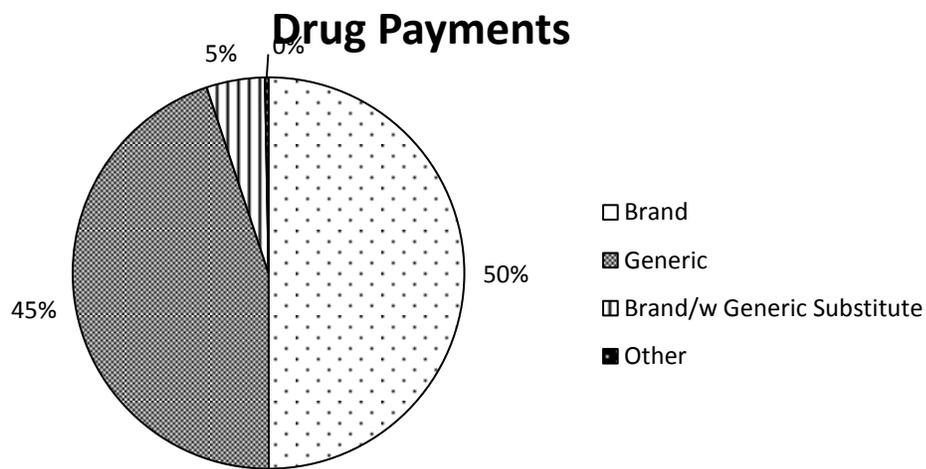
**Top 15 workers' compensation revenue codes, 2013**

Service code	Description of service	Payments (\$ millions)	Percent of total payments
360	Operating Room Services	\$6.04	9.2%
278	Medical/Surgical Supplies: Other implants	4.64	7.0%
120	Room & Board (Semi-Private 2 beds)	2.83	4.3%
250	Pharmacy	2.58	3.9%
370	Anesthesia	2.34	3.5%
710	Recovery Room	2.07	3.1%
450	Emergency Room	1.72	2.6%
272	Medical/Surgical Supplies: Sterile supplies	1.61	2.4%
636	Drugs requiring detail coding	1.57	2.4%
121	Medical/Surgical/Gyn	1.48	2.2%
200	Intensive care	0.93	1.4%
270	Medical/Surgical Supplies	0.86	1.3%
320	Radiology - Diagnostic	0.53	0.8%
420	Physical Therapy	0.46	0.7%
300	Laboratory - Clinical Diagnostic	0.39	0.6%
	Subtotal:	\$30.04	45.5%
	Remaining services:	\$36.00	54.5%
	Total:	\$66.04	100%

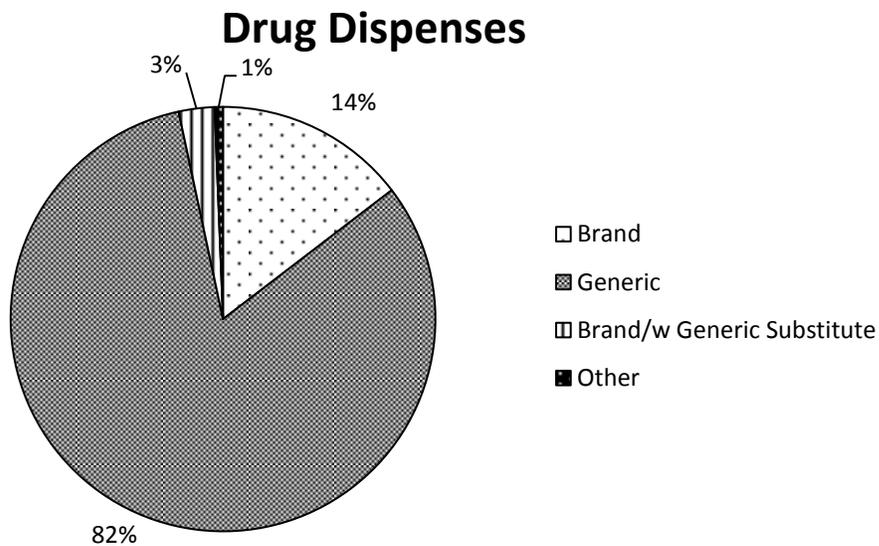
**Pharmaceuticals:**

This table shows the distribution of payments for pharmaceuticals by payments and by the number of dispenses. Brand name drugs account for half of drug payments but less than 15 percent of dispenses. Generic drugs, on the other hand, make up more than 80 percent of dispenses but less than half the payments.

Drug Type	Total Payment	Number of Dispenses	Percent of Payments	Percent of Dispenses
Brand	\$9,931,973	30127	49.97%	14.61%
Generic	\$8,926,087	169161	44.91%	82.03%
Brand/w Generic Substitute	\$957,576	5613	4.82%	2.72%
Other	\$58,804	1308	0.30%	0.63%
Total	\$19,874,440	206209	100.00%	100.00%



For services rendered in calendar year 2013.



The pharmaceutical with the largest share of payments is Oxycontin, a pain killer, which accounts for more than 15 percent of all pharmaceutical payments. This is likely a result both of the ubiquity of this drug in the medical system in general and the unique nature of workers' compensation claims which are more likely to be for traumatic injuries than for disease. The Workers Compensation Division has recently been making efforts to curb the growth of opiate prescriptions. These top 15 drugs make up nearly 60 percent of all payments for pharmaceuticals.

**Top 15 workers' compensation pharmaceuticals, 2013**

Drug name	Therapeutic class	Payments	
		(Millions of Dollars)	Percent of total drug payments
Oxycontin	Analgesics - opioid	\$2.56	15.7%
Lyrica	Anticonvulsants	0.84	5.2%
Cymbalta	Antidepressants	0.84	5.1%
Hydrocodone/Acetaminophen	Analgesics - opioid	0.81	5.0%
Gabapentin	Anticonvulsants	0.80	4.9%
Celebrex	Analgesics – anti-inflammatory	0.63	3.9%
Oxycodone HCL	Analgesics - opioid	0.55	3.4%
Modafinil	ADHD, anti-narcolepsy, anti-obesity, anorexiant	0.48	2.9%
Morphine Sulfate ER	Analgesics - opioid	0.48	2.9%
Lidoderm	Dermatologicals	0.42	2.6%
Fentanyl	Analgesics - opioid	0.35	2.1%
Oxycodone/Acetaminophen	Analgesics - opioid	0.27	1.7%
Metaxalone	Musculoskeletal therapy agents	0.24	1.5%
Opana ER (Crush Resistant)	Analgesics - opioid	0.24	1.5%
Lunesta	Hypnotics	0.23	1.4%
Subtotal:		\$9.74	59.7%
Remaining Pharmacy Payments:		\$6.59	40.3%
Total:		\$16.33	100.0%

## MCO Enrollment

At the end of 2013, there were four active certified managed care organizations. These four MCOs had 114 active contracts with insurers and self-insured employers at some point during fiscal year 2013. In November 2010, a fifth MCO was activated but never began business with workers' compensation insurers or self-insured employers and has subsequently been inactivated.

The percentage of claimants with accepted disabling claims (ADCs) who have been enrolled in MCOs has varied between 36 percent and 46 percent. It had been stable at around 40 percent for the period 2006-2011. During those same five years, SAIF's percentage of ADCs enrolled went down while the share of private insurers and self-insured employers increased. In 2012 SAIF's share of enrolled claims increased, as did self-insured employers. In 2013, the percentage of ADCs enrolled dropped slightly again, perhaps indicating a leveling off of the recent trends.

### Employees with accepted disabling claims enrolled in MCOs, 1998-2013

Year	SAIF	Private insurers	Self-insured employers	Total
1998	76.8%	24.5%	23.2%	39.8%
1999	72.4%	20.9%	21.8%	37.1%
2000	76.3%	20.1%	27.9%	40.1%
2001	70.3%	12.3%	26.8%	35.6%
2002	67.5%	11.7%	27.8%	36.5%
2003	70.3%	8.2%	30.1%	39.1%
2004	69.7%	10.4%	30.7%	40.9%
2005	70.5%	7.8%	32.9%	42.1%
2006	67.0%	5.7%	33.2%	39.6%
2007	65.8%	6.7%	34.0%	39.8%
2008	64.1%	8.4%	33.3%	38.7%
2009	63.3%	8.9%	39.1%	39.5%
2010	62.6%	7.5%	42.6%	39.7%
2011	63.0%	7.7%	42.6%	40.2%
2012	67.5%	7.8%	49.2%	45.7%
2013	67.1%	7.3%	42.6%	44.6%