


**National Academy of Social Insurance
Policy Research Symposium
October 12-13, 2006**



**California Workers' Compensation Reform
&
Access to Medical Care**

Presentation of J. Michael Nolan, CWCI

CWCI: Background

Established in 1964;

Private, nonprofit organization of insurers and self-insured employers representing over 85% of premium dollars;

Dedicated to improving the California workers' compensation system through four primary functions:

- Research
- Education
- Information
- Representation

Website: www.cwci.org

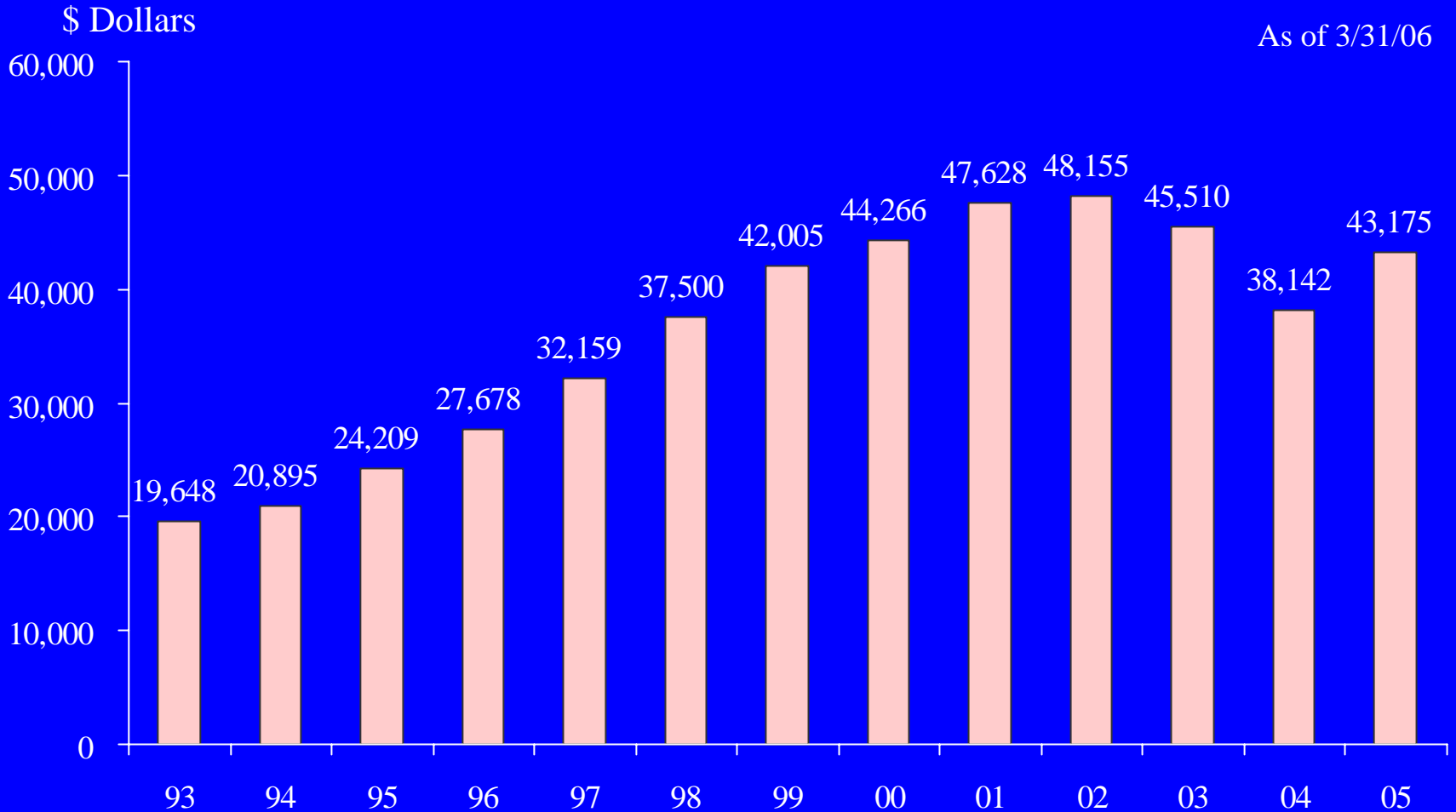
California Post Reform Financial Results – Early Indicators

- Workers' Compensation Insurance Rating Bureau Data
- Bickmore Study
- CWCI Study
- Workers' Compensation Insurance Rating Bureau's "2006 Legislative Cost Monitoring Report"

California Post Reform Experience

Estimated Ultimate Total Loss* per Indemnity Claim

(After Reflecting the Estimated Impact of AB 227, SB 228 and SB 899 on Unpaid Losses)



* Excludes medical-only

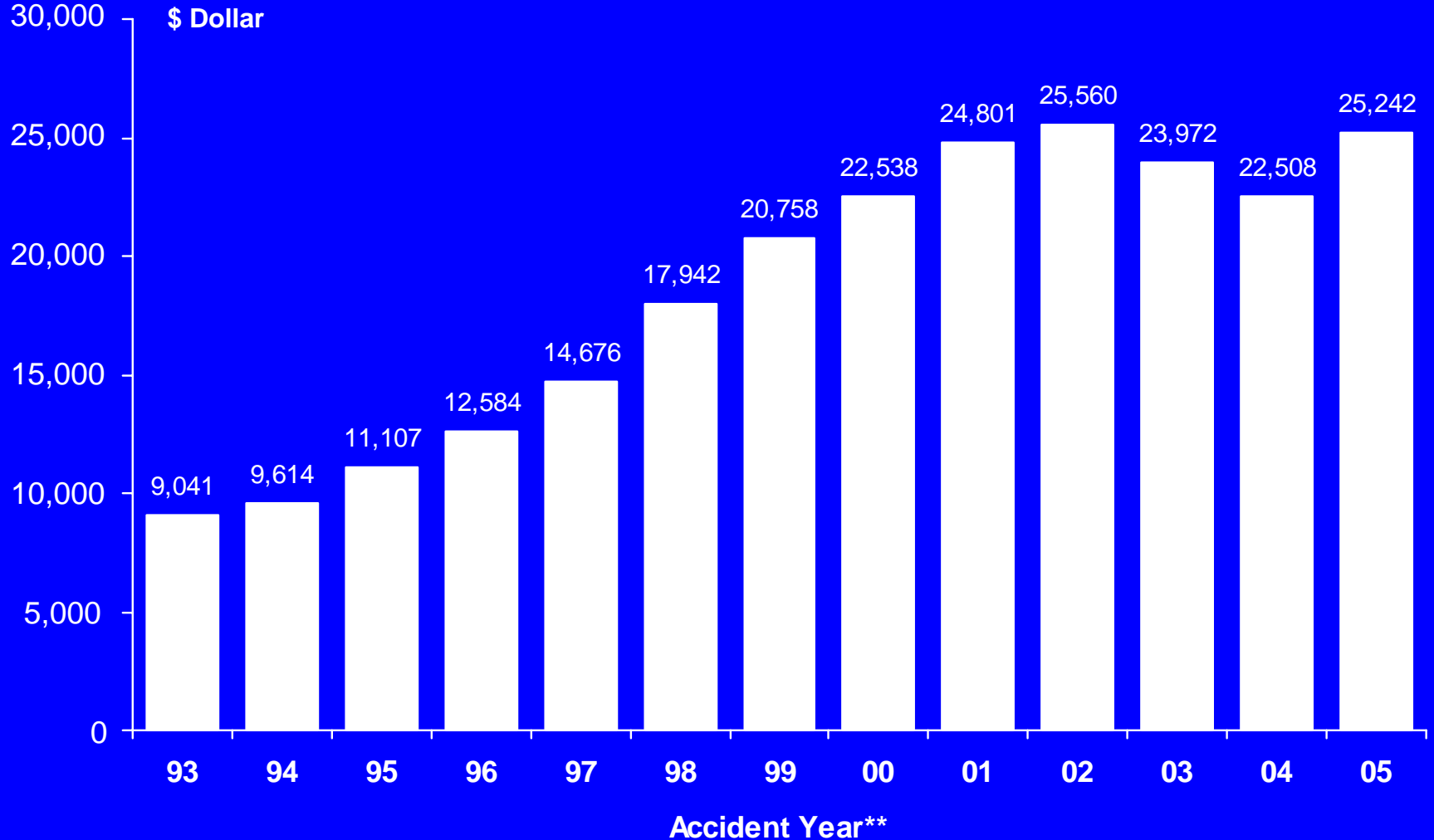
California Post Reform Experience



Estimated Ultimate Medical* Indemnity Claim

(After Reflecting the Estimated Impact of AB226, SB 228 & SB 899 on unpaid Losses)

As of 3/31/06



* Excluding medical-only

California Post Reform Experience

The Bickmore Study – January 2006

- ❖ Estimated mid-range reform savings on 2006 policies
 - \$8.1 Billion compared to 2003 polices
 - \$15 Billion absent reform
- ❖ Saving From: PD (40%) + Evidenced-based medicine (27%)
- ❖ Caveat: Savings quantification difficult due to uncertain future

See http://www.dir.ca.gov/dwc/Study_legislativeReformsCaWCInsuranceRates/Study_legislativeReformsCaWCInsuranceRates.html

California Post Reform Experience

CWCI Early Results -- 2005 Six-Part Study of 2004 Results

- ❖ Part 1. Outpatient Surgery Facility Fees
38.9% reduction in 2004 vs 2001

- ❖ Part 2. Physical Therapy & Chiropractic Cost/Utilization
PT 45.1% reduction in visits at 9 months post injury
Chiro 55.8% reduction in visits at 9 months post injury

- ❖ Part 4. Pharmacy Fees
Only 9.6% reduction in average unit payments due to increased brand name drug prescriptions and unregulated physician “repackaged” drug dispensing

See www.cwci.org

WCIRB September 2006 Evaluation of Post-Reform

Cost by Major Cost Component

	Component as % of Total Loss & LAE (pre-reform)	September 2006 Retrospective Evaluation Based on Post-Reform Experience
Medical Cost Components		
Medical Fee Schedule Changes:		
* Physician Fees	26%	-4%
* Inpatient Fees	6%	-4%
* Outpatient Facility Fees	9%	-39%
* Pharmaceutical Fees	3%	-13%
Medical Utilization Provisions:		
* Physical Medicine Limits	8%	-61% to -77%
* Other Utilization Provisions	47% ⁴	Growth Trend Eliminated; Approx. 5% Reduction in Visit ⁶
Immediate Medical Pay	47% ⁷	Not Yet Quantifiable
Medical Legal	2%	Not Yet Quantifiable

⁴ These provisions were assumed to apply to all medical treatment.

⁶ Based on preliminary post-reform information, the growth in medical utilization for 2 years has been eliminated. The actual reduction in visits per claim (non-physical medicine) through 18 months of 2004 injuries ranges from 2% to 8%, depending on the fee schedule section.

⁷ These provisions were assumed to apply to all medical treatment.

* See wcirbonline.org

Early Returns on Medical Reform

Outcomes on Medical Reforms

- Significant savings from revised fee schedules
- Decreases in medical utilization
- Greater use of physician networks

Debate: Are the Reforms Working or Have They Gone Too Far?

- Premium reductions
- Conflicting anecdotes of physician dissatisfaction, denial of care and declining access to medical care
- Have reforms compromised access to care?

Components of Access to Medical Care

- Insurance
- Choice of provider specialties
- Proximity
- Wait times
 - Appointment
 - Office
 - Referrals

Access to Medical Providers

Relevant Issues in Public Policy Research:

- California Medical Association 2002/2005 surveys
- DWC access study (UCLA)
- Provider dissatisfaction, intention & actual exit from system
- Access issues beyond workers' compensation

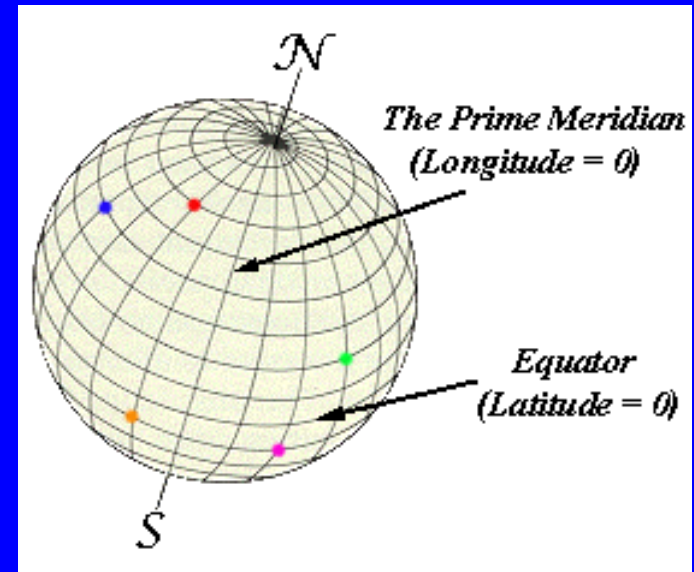
Access to Medical Providers

Data

- Claims with 1993 – 2005 DOI (valued at December 2005)
- Claims receiving medical treatment
- Active providers servicing claims within same time period

Distance

- Address of injured worker
& physician/pharmacy
- Calculate distance to the 3 closest providers



Access to Medical Services

Medical Providers

Average Distance to Choice of 3 Providers

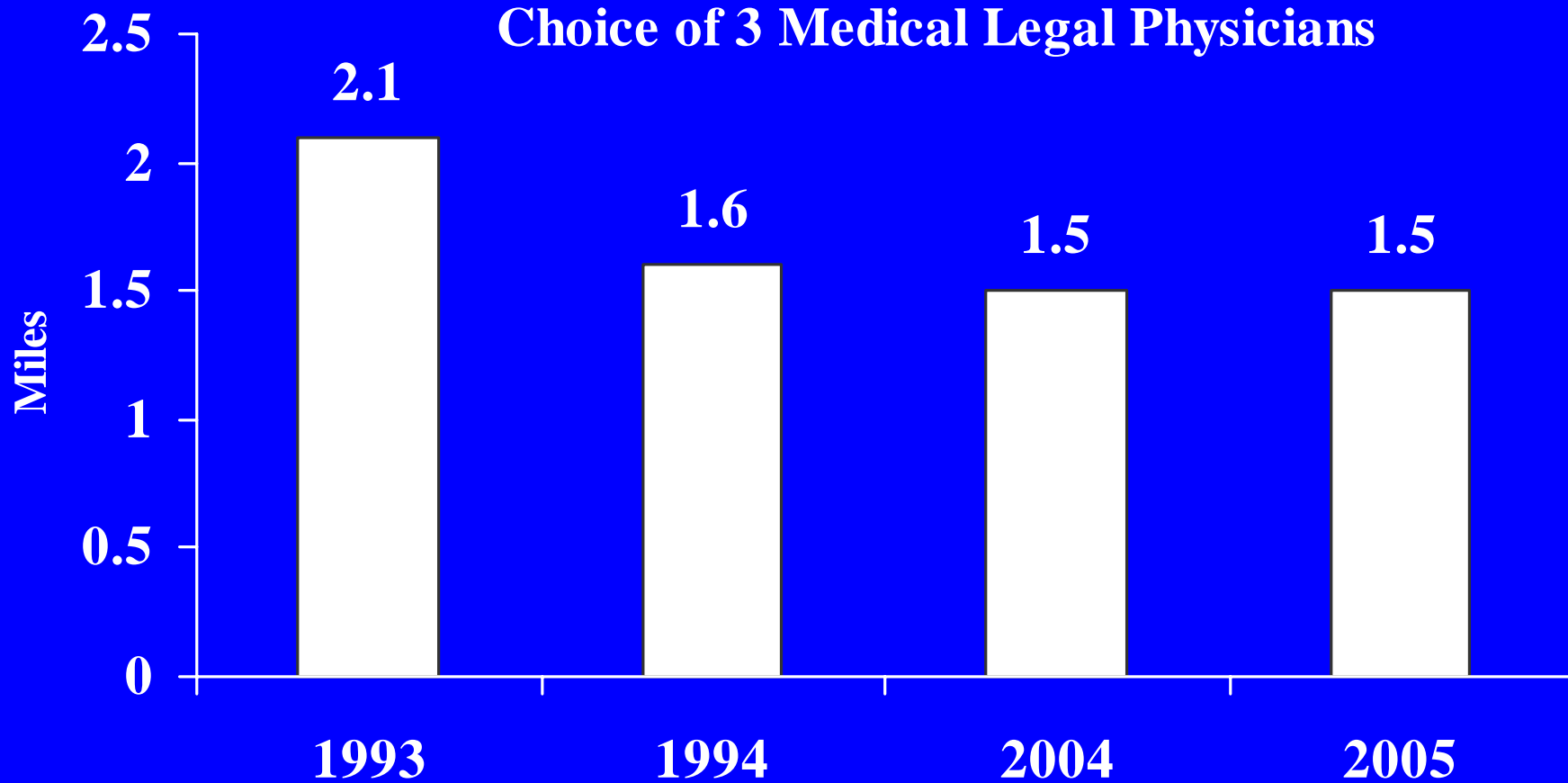
Data & Methods:

- **DWC Access Standards**
 - 3 in 30 miles for medical legal report specialists
 - 3 in 15 miles for primary care
 - 3 in 30 miles for occupational health/specialists
- 1M claims; 65k unique provider TAX IDs
- **Data Limitations**
 - Lack of physician license detail

California Labor Code §9767.5. Medical Provider Network Access Standards
(available at http://www.dir.ca.gov/t8/9767_5.html)

Access to Medical Services

Avg Distance from Employee's Home to Choice of 3 Medical Legal Physicians



Source: CWCI 2006

Access to Medical Services

Primary Care Physicians

Average Distance to Choice of 3 Physicians

Percent of Injured Workers w/in Access Standard

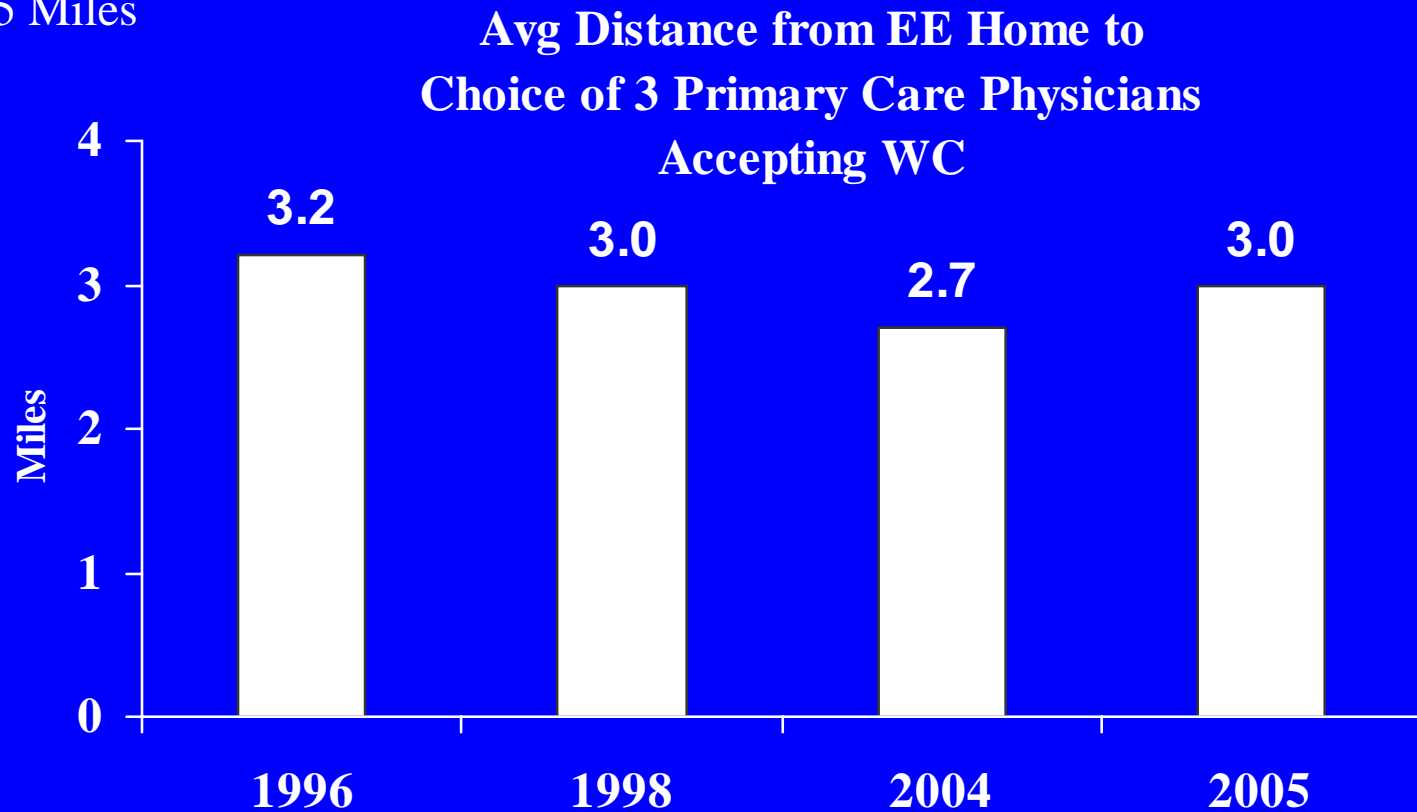
→ 3 providers in 15 Miles

1996: 97%

1997: 97%

2004: 98%

2005: 96%



Source: CWCI 2006

Access to Medical Services

Specialty Care Physicians

Average Distance to Choice of 3 Physicians

Percent of Injured Workers w/in Access Standard

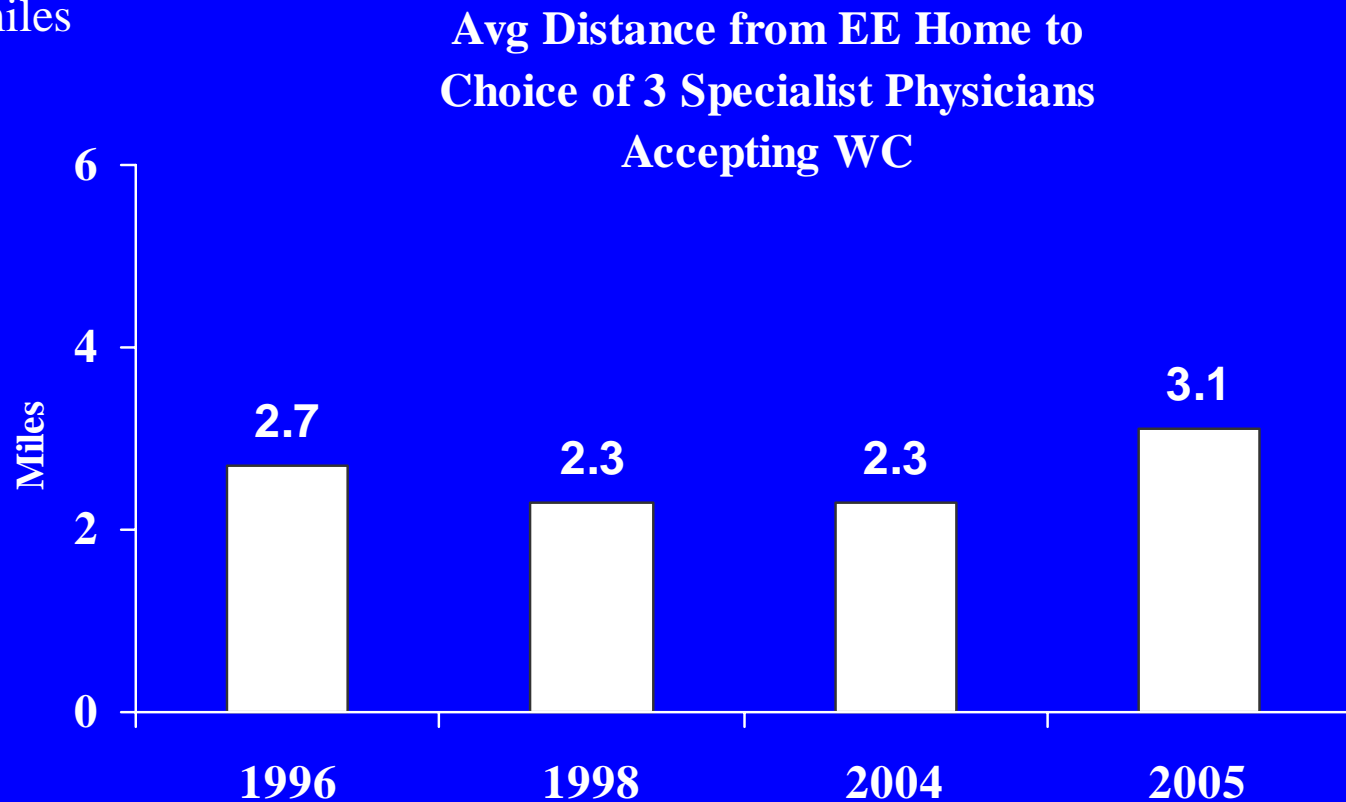
→ 3 providers in 30 miles

1996: 98%

1998: 99%

2004: 99%

2005: 98%



Source: CWCI 2006

Access “Crisis” & Market Forces

- 1,100 MPN applications approved (DWC, March 2006)
- Sizes range from boutique to statewide
(<1k providers) to large (>70k providers)
- All meet DWC access standards
- Professional fee often below fee schedule
- Litigation by physicians to join networks

Conclusion

1. Limitations of access studies
 - Anecdotes
 - Surveys
 - Data

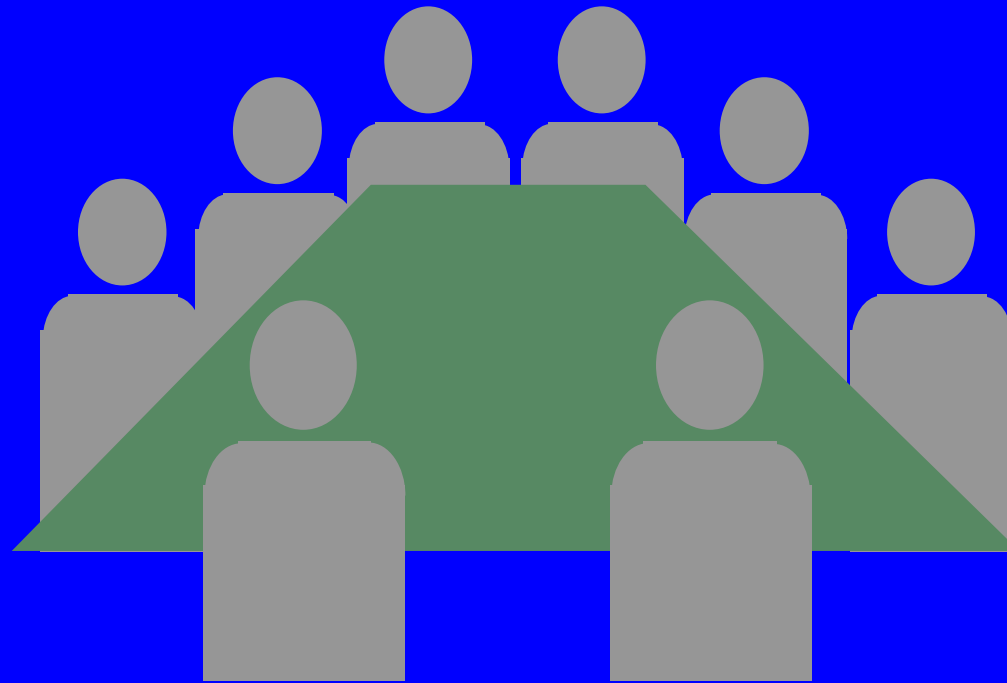
2. Future national and statewide access issues

3. Common unilateral proposals to “fix” workers’ comp access:
 - Raise reimbursement levels
 - Reduce UR/administrative requirements
 - Mandatory availability

4. No clear evidence of access crisis to date
More study is needed

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Discussion...



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California Workers' Compensation Institute

www.cwci.org