


Trends In Costs Of Workers' Compensation Claims

CAS Casualty Loss Reserve Seminar
September 11, 2017

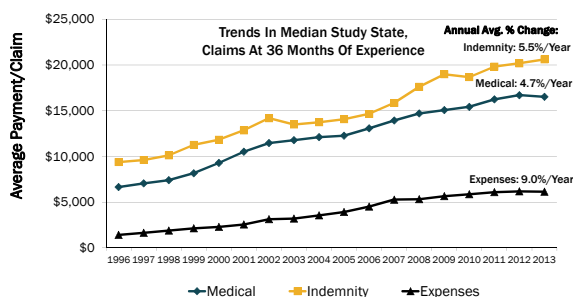


Key Findings On Trends In WC Costs Per Claim From WCRI Benchmarking Studies

- Since 2008, slower growth in payments per claim for all cost components, compared with 1996–2008
- Factors in slower growth in medical payments/claim
 - Less use of hospital care in WC, as in general health care
 - WC prices paid for professional services grew slower than the Medical Consumer Price Index (CPI-M), especially in states with fee schedules
- Slower growth in indemnity benefits/claim: recession and recovery may be factor
 - Average weekly wage (AWW) of injured workers increased little
 - Increase in duration of temporary disability in some states
- Slower growth in key components of allocated expenses

Key: WC: Workers' Compensation © WCRI 2017 2

Growth In All Claim Cost Components; Similar Rate For Indemnity And Medical, Faster For Expenses



Trends In Median Study State, Claims At 36 Months Of Experience

Annual Avg. % Change:
Indemnity: 5.5%/Year
Medical: 4.7%/Year
Expenses: 9.0%/Year

Claims With > 7 Days Of Lost Time At 36 Months Of Experience, Not Adjusted For Injury/Industry Mix And Wages
Source: CompScope™ Benchmarks, various editions
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Major Findings

- Frequency and amount of opioids per claim decreased in most states between 2010/12 and 2013/15
- More than 2 out of 3 injured workers with pain medications received opioids in majority of states
- Amount of opioids per claim continued to be higher in LA, PA; also higher in NY despite large decrease
- Opioids were frequently dispensed together with other sedating drugs

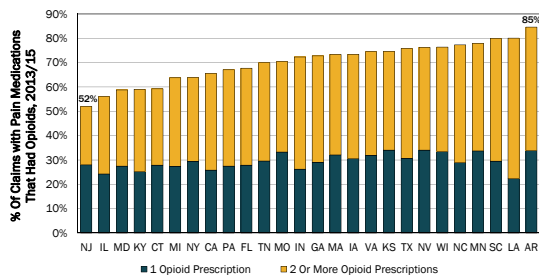
2013/15: Nonsurgical Claims With > 7 Days Of Lost Time, Injuries Occurring From October 1, 2012, To September 30, 2013, Prescriptions Filled Through March 31, 2015. Similar notation is used for 2010/12.

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At Least 2 In 3 Injured Workers With Pain Medications Received Opioids In Most States



2013/15: Nonsurgical Claims With > 7 Days Of Lost Time, Injuries Occurring From October 1, 2012, To September 30, 2013, Prescriptions Filled Through March 31, 2015

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Opioid Drugs Commonly Prescribed To Injured Workers, Paid Under Workers' Compensation

| % Of Pain Medication Rx That Were For ... | Federal Schedule | Median State | 26-State Range |
|---|------------------|--------------|----------------|
| Hydrocodone-APAP (Vicodin®) | II* | 29% | 9%-45% |
| Tramadol (Ultram®) | IV | 15% | 9%-25% |
| Oxycodone (Percocet®, OxyContin®) | II | 9% | 1%-30% |
| All Other Opioids (Morphine, Fentanyl, Buprenorphine, etc.) | II & III | 3% | 2%-6% |
| Non-Opioid Pain Medications | - | 42% | 32%-57% |

* The Drug Enforcement Agency rescheduled hydrocodone-combination products from Schedule III to Schedule II, effective October 2014.

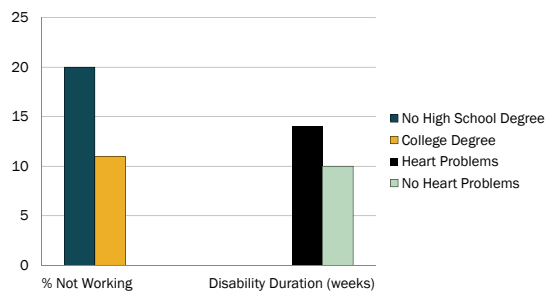
Nonsurgical Claims With > 7 Days Of Lost Time, Injuries Occurring From October 1, 2012, To September 30, 2013, Prescriptions Filled Through March 31, 2015

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Today's Focus: What Cases May Cost More And What Cases May Cost Less?



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Outline Of This Presentation

- Main predictors of worker outcomes
 - Education
 - Fear of being fired
 - Comorbidities
 - English language proficiency
 - Other factors

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About This Study

- Multi-year surveys collecting data on factors not usually available in claims' data

| Interviews In | Interviewed Workers In | Publication |
|---------------|---|--|
| 2013 | 8 states (IN, MA, MI, MN, NC, PA, VA, and WI) | Jun 2014 publication examining key predictors of worker outcomes |
| 2014 | Added 4 more states (AR, CT, IA, and TN) | Jan 2015 publication examining key predictors of worker outcomes |
| 2015 | Added 3 more states (FL, GA, and KY) | May 2016 publication comparing worker outcomes across 15 states |
| 2016 | New interviews from 6 states interviewed in 2013 (IN, MA, MI, NC, VA, and WI) | Jun 2017 publication comparing worker outcomes across 15 states |

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Worker Outcomes Measured

- Speed and sustainability of return to work
- Recovery of physical health and function
- Earnings recovery
- Access to care
- Satisfaction with care

Why Study Predictors Of Worker Outcomes?

- Identify claims with potential for worse or better outcomes
- Target policy interventions
- Special accommodations to speed up return to work
- Improve treatment and coordination of care
- Improve communication workers receive after an injury

Potential Predictors Examined

- Worker characteristics
- Employment characteristics
- Injury characteristics
- Location characteristics
- Selected comorbidities
- Smoking history

Some Predictors Are Not Standard Information Used/Collected In Claims Data

- Age, gender, marital status
- **Education**
- **English proficiency**
- Nature of injury
- Severity of injury
- **Prior work injury**
- **Certain comorbid medical conditions**
- Job tenure
- **Hourly or salaried**
- Part-time
- Industry
- Wage levels
- Firm size
- **Trust in the workplace**
- **Metropolitan area**
- **Local unemployment rate**

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Data And Methods

- Telephone interviews
 - Injured in 2010 and 2011 and interviewed in 2013 and 2014
 - Had more than 7 days of lost time
- Analyze response bias
- Estimate effect of each factor using statistical methods
 - Isolate effect of each factor from the others

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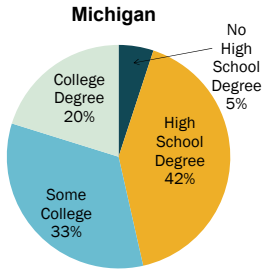
- **Main predictors of worker outcomes**
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Nearly Half Of Injured Workers In MI Had No Education Beyond High School



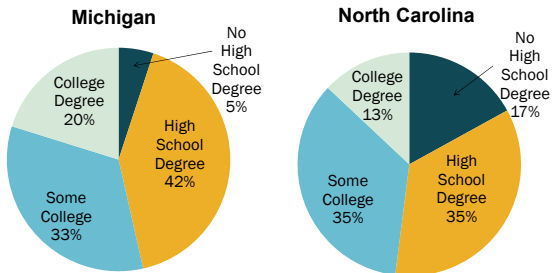
Michigan Workers With More Than 7 Days Of Lost Time Injured In 2010 And Interviewed In 2013

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Level Of Education Varied Greatly Across States



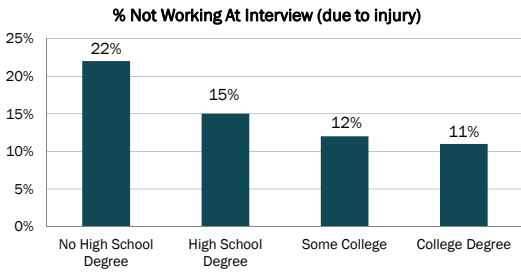
Michigan And North Carolina Workers With More Than 7 Days Of Lost Time Injured In 2010 And Interviewed In 2013

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Workers With Less Than High School Education Had Poorer Return To Work



2010-2011 Injuries & 2013-2014 Interviews In 12 States; Workers With More Than 7 Days Of Lost Time; Case-Mix Adjusted

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Identifying Return-To-Work Outcomes “Due To The Injury”

- Objective: Identify outcomes due to the injury at the time of the interview
- Examples of other intervening postinjury causes
 - Auto, home, & sports accidents
 - Subsequent illness—heart attack
 - Child or elder parent care
 - Return to school
- We ask the worker if the outcome is due to the injury
- How candid are the workers in the survey?

Workers Seemed Candid About Whether Or Not Working Due To Injury

| Age Group | % Not Working At Interview | % Not Working At Interview (Due To The Injury) | % Not Working At Interview (Not Due To The Injury) |
|-------------|----------------------------|--|--|
| 15-24 | 18% | 0% | 18% |
| 25-44 | 16% | 9% | 8% |
| 45-54 | 23% | 14% | 8% |
| 55 And Over | 47% | 19% | 28% |

Michigan Workers With More Than 7 Days Of Lost Time Injured In 2010 And Interviewed In 2013

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About The “Fear Of Firing” Predictor

- Survey question: When injured, were you afraid of being fired or laid off?

| Response | % Of Workers |
|-------------------|--------------|
| Strongly Disagree | 53% |
| Somewhat Disagree | 10% |
| Somewhat Agree | 15% |
| Strongly Agree | 23% |

Those who strongly agreed were most likely to have worse outcomes

Michigan Workers With More Than 7 Days Of Lost Time Injured In 2010 And Interviewed In 2013

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Those Strongly Concerned About Being Fired Had Worse Outcomes

| Outcome | Strongly Or Somewhat Disagreed (not fearful) | Strongly Agreed (fearful of being fired) |
|---|--|--|
| Recovery Of Physical Health And Function (higher score is better) | 21 | 15* |
| RTW: Not Working At Interview (%) | 10% | 23%* |
| Duration Of Disability (weeks) | 9 | 13* |
| Earning “A Lot Less” At Interview (%) | 3% | 16%* |
| Satisfaction: % Reporting “Very Dissatisfied” With Care | 9% | 21%* |

* Statistically Significant

2010–2011 Injuries & 2013–2014 Interviews In 12 States; Workers With More Than 7 Days Of Lost Time; Case-Mix Adjusted. RTW: Return To Work

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What Does It Mean?

- Literal interpretation
 - Worker rightly feared layoff: firm was shrinking
 - Worker rightly feared firing: poor relationship
 - Worker wrongly feared firing: pessimist by nature
- Broader interpretation—response is a metaphor
 - Correlated with many important intangible attributes of the worker and employer that affect worker outcomes (and employer costs)

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Those Who Strongly Agreed Were More Likely To Seek Help From Attorneys

| Workers' Responses To The Following Statement: "I Was Concerned That I Would Be Fired Or Laid Off" After An Injury | % Of Cases Where Worker Had Attorney |
|--|--------------------------------------|
| Disagree | 3% |
| Somewhat Agree | 10% |
| Strongly Agree | 22% |

2006 Injuries, 2009 Interviews In Michigan; Workers With More Than 7 Days Of Lost Time
Source: *Avoiding Litigation: What Can Employers, Insurers, And State Workers' Compensation Agencies Do?* (2010)

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Hypertension Was The Most Common Comorbidity Reported (1 In 3 Workers)

| Treated For In Past Year | % Of Workers In Survey |
|--------------------------|------------------------|
| Hypertension | 27% |
| Diabetes | 8% |
| Heart Conditions | 5% |

Michigan Workers With More Than 7 Days Of Lost Time Injured In 2010 And Interviewed In 2013

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Workers With Comorbid Conditions Have Poorer Labor Market Outcomes

| Treated For In Past Year | % Not Working At Interview (due to injury) | | |
|--------------------------|--|--|--|
| Diabetes | 16% | | |
| Hypertension | 16%* | | |
| Heart Problems | 18%* | | |
| No Comorbidity | 13% | | |

* Statistically Significant

2010-2011 Injuries & 2013-2014 Interviews in 12 States; Workers With More Than 7 Days Of Lost Time; Case-Mix Adjusted

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Workers With Comorbid Conditions Have Poorer Labor Market Outcomes

| Treated For In Past Year | % Not Working At Interview (due to injury) | % Reporting Earning "A Lot Less" (due to injury) | Duration Of Disability (weeks) |
|--------------------------|--|--|--------------------------------|
| Diabetes | 16% | 12%* | 10 |
| Hypertension | 16%* | 7% | 11* |
| Heart Problems | 18%* | 12% | 12* |
| No Comorbidity | 13% | 7% | 10 |

* Statistically Significant

2010-2011 Injuries & 2013-2014 Interviews in 12 States; Workers With More Than 7 Days Of Lost Time; Case-Mix Adjusted

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Interviewed In Spanish Report Difficulty Navigating The Health Care System

| Outcome | Interviewed In Spanish (4%) | Interviewed In English (96%) |
|---|-----------------------------|------------------------------|
| Not Working At Interview | 11% | 14% |
| % Reporting "Big Problems" Getting Desired Care | 24%* | 14% |
| % Reporting "Very Dissatisfied" With Care | 21%* | 13% |

* Statistically Significant

2010-2011 Injuries & 2013-2014 Interviews In 12 States; Workers With More Than 7 Days Of Lost Time; Case-Mix Adjusted

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List Of Potential Predictors Analyzed

- Age, gender, marital status
- Education
- English proficiency
- Nature of injury
- Severity of injury
- Prior work injury
- Certain comorbid medical conditions
- Job tenure
- Hourly or salaried
- Part-time
- Industry
- Wage levels
- Firm size
- Trust in the workplace
- Metropolitan area
- Local unemployment rate

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Thank You!

- For comments/questions about the findings:

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