



## California Workers' Compensation Institute

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### **CWCI SPOTLIGHT REPORT...**

#### *California Workers' Compensation Independent Medical Review: 1st Quarter 2015 Outcomes*

*By Rena David & Bob Young*

#### **OVERVIEW**

Earlier this year CWCI conducted an in depth study of 2014 IMR Decisions. This report gives a quick review of those results and compares them to the newly available results for the first quarter of 2015.

In September 2012, California lawmakers enacted reform legislation (SB 863) mandating an overhaul of the state's workers' compensation system. A key element of that reform bill called for the adoption of a new Independent Medical Review (IMR) process for resolving medical treatment disputes. IMR provides an injured worker whose requested medical service was modified or denied by a utilization review (UR) physician the opportunity to get a second opinion from an independent physician who reviews the medical records and other evidence submitted, and issues their own decision. The goal of IMR is to assure that California injured workers are afforded the most effective medical care in a timely fashion, and are protected from harmful or unnecessary care. The evidence-based Medical Treatment Utilization Schedule (MTUS) was adopted by the Division of Workers' Compensation (DWC) to provide treating and reviewing providers with recommendations for effective medical care and as a needed check against unnecessary and potentially harmful tests, surgeries, drugs and procedures.

In 2014, Maximus Federal Services, the independent medical review organization contracted by the state to manage the California workers' compensation IMR process, issued a total of 137,781 IMR decision letters. Earlier this year, CWCI conducted an in-depth analysis of those letters and found that 40 percent of them included decisions on multiple service requests, and that altogether they encompassed determinations on a total of 260,889 medical services requested for 76,718 injured workers.<sup>1</sup> In addition to measuring the volume of IMR decisions from 2014, the analysis also quantified the proportion of decisions that upheld the UR physician's modification or denial of the medical service request; examined the timeliness of the IMR process; generated data on the mix of services, reviewer characteristics, attorney involvement, and other case-level attributes associated with the IMR requests; and reviewed the rationales cited by the IMR physicians in making their determinations (MTUS vs. other guidelines, or both).

Among the key findings of the analysis of 2014 decisions:

- After reviewing the patient's records and any additional information provided in support of the request, the independent reviewers agreed with the UR doctor's modification or denial of the service 91 percent of the time.

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<sup>1</sup> David, R., Jones, S., Ramirez, B., Swedlow, A. "Independent Medical Review Outcomes in California Workers' Compensation. CWCI Research Update, April 2015.

- Pharmaceuticals, including compound drugs and opioids, were by far the most common type of treatment submitted for IMR, accounting for 45 percent of the decisions rendered last year, with the UR denial or modification upheld in 92 percent of the prescription drug IMRs. Durable medical equipment, physical therapy, injections and diagnostic tests and measurements rounded out the top 5 types of treatment that were reviewed, with the independent reviewer agreeing that these services were not medically necessary in 88 to 94 percent of the cases.
- A relatively small number of physicians accounted for the majority of the disputed medical services, with the top 10 percent of physicians named in the IMR decision letters (1,332 providers) accounting for 83 percent of the IMR requests.
- Though the volume of IMR determinations in 2014 was much higher than originally predicted, the elapsed time between the submission of the IMR application and the IMR decision declined sharply in the 4<sup>th</sup> quarter of the year, suggesting that the process may be running more efficiently and reached a point where it can handle the high volume of requests.
- The volume and outcomes of IMR varied by region. A disproportionate share of the medical disputes occurred in Los Angeles, which accounted for 36 percent of all IMR decisions, versus 24 percent of California's workers' comp claims, though the IMR uphold rate in Los Angeles was nearly 93 percent -- the highest in the state. On the other hand, IMR volume in the Bay Area accounted for 19 percent of the statewide total, which was in line with the percentage of claims from the region, with the UR decisions upheld 90 percent of the time. The Central Valley, San Diego and the northern and Sierra counties accounted for a relatively low proportion of IMR cases compared to their share of California claims, with uphold rates in those areas also about 90 percent.
- Attorneys were heavily involved in IMR, with nearly two-thirds of the decision letters addressed to an attorney. In addition, the vast majority of letters directed to someone other than the injured worker were sourced to a small number of representatives, with the top 1 percent of representatives (72 individuals) named on 18 percent of all 2014 decision letters, and the top 10 percent of representatives named on 65 percent of the letters.

## **OBJECTIVE OF THIS ANALYSIS**

This analysis provides an update on the earlier report based on data from all final IMR decision letters issued by Maximus in the first quarter of 2015. For this study, the authors reviewed the data from the letters to determine:

- The volume of IMR decisions generated in the first quarter of this year, as well as the number of injured workers, UR events, and medical services associated with those reviews, and the percentage of the medical service requests that had been modified or denied by a UR physician that were subsequently upheld by the IMR physician.
- The month-to-month trends in IMR-eligible applications and determination letters for the 15-month period of January 2014 through March 2015.
- The number, mix and uphold rates of the first quarter 2015 IMR decisions by the type of medical service requested.
- The percent of all IMR determination letters issued in the first quarter of 2015 that were linked to the top 10 percent of high-volume physicians.
- The proportion of all first quarter determination letters and treatment decisions that involved the 10 individual physicians with the highest number of disputed medical service requests.
- The distribution of IMR determinations by region (based on the address data on the IMR decision letter) and those areas that had a disproportionately high or low number of treatment disputes relative to the number of workers' compensation claims that originated in those regions.

## **RESULTS**

For this study, the authors counted the total number of IMR decision letters issued in the first quarter of 2015, then using data from those letters, determined the mix and uphold rates for the medical services that were reviewed, identified the physicians who requested the disputed medical service, and determined the geographic distribution of the IMR cases based on the ZIP code noted in the address of each letter.

During the first quarter of this year, Maximus issued a total of 33,909 IMR determination letters. In reviewing the data, the authors found that these determinations were associated with 31,258 UR events,<sup>2</sup> and claims from a total of 25,449 injured workers. As in the earlier study, many of the IMR applications included requests for multiple medical services, so altogether, the 33,909 letters included decisions on more than 60,000 individual medical services.

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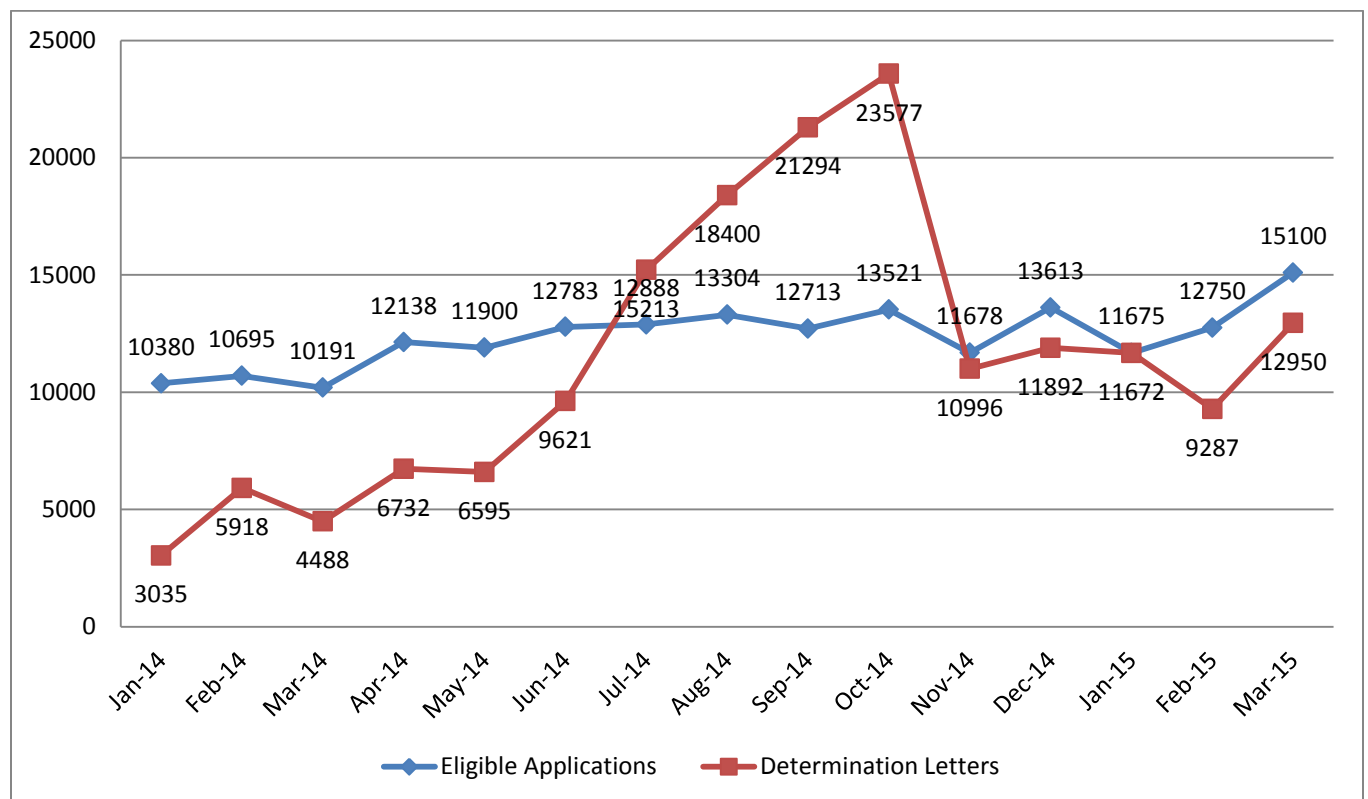
<sup>2</sup> A UR event is defined as a unique combination of the claim number, UR denial date, and medical provider name.

## Volume of IMR Applications and IMR Determinations

Legislators who enacted IMR expected that the volume of applications would diminish following an initial learning curve as physicians, attorneys and others involved in the process would gain an understanding of the types of treatment that would meet the evidence-based medicine standards and be approved through UR and IMR. As Exhibit 1 shows, however, this decline has yet to occur. Since January 2014, there has been a steady stream of IMR applications deemed eligible for review by Maximus, with the monthly totals ranging from a low of 10,191 to a high of 15,100, and an average of 12,510 applications per month over the 15-month span.

On the other hand, the number of determination letters that grew out of IMR requests increased steadily from January through October of 2014 as Maximus worked through the large backlog of requests that occurred after the number of requests generated in the first year far exceeded initial projections. The total number of IMR determination letters climbed from 3,035 in January 2014 to a record 23,577 in October of last year, though DWC says most of the backlogged requests have now been processed.<sup>3</sup> Since last November the number of IMR decision letters issued each month has continued at a fairly steady pace, ranging from 9,287 in February to 12,950 in March, and averaging 11,353 letters per month.

**Exhibit 1: Volume of 2014 – Q1 2015 Eligible IMR Applications and Determination Letters**

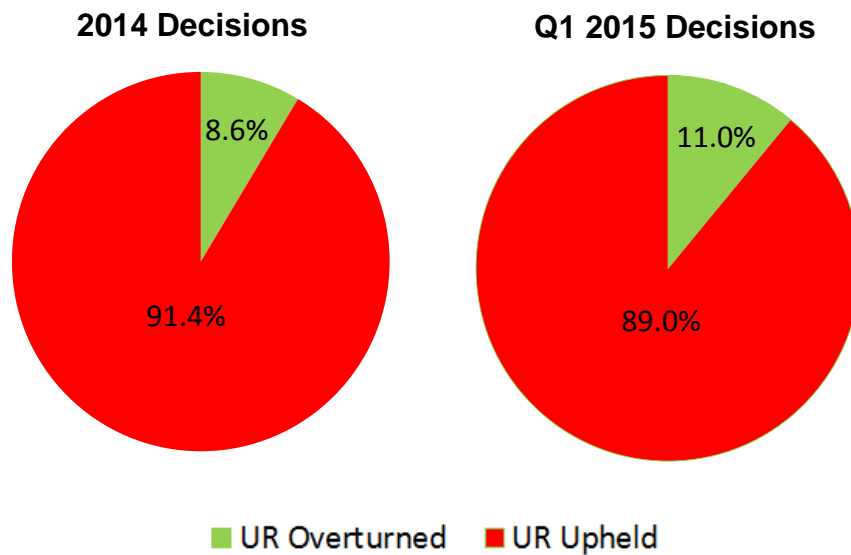


<sup>3</sup> IMR Update 2015: [http://www.dir.ca.gov/dwc/IMR/IMR\\_Updates/IMR\\_Updates.htm](http://www.dir.ca.gov/dwc/IMR/IMR_Updates/IMR_Updates.htm)

## IMR Outcomes

The IMR outcomes data revealed that 89.0 percent of the all IMR decisions in the first quarter of 2015 upheld or agreed with the UR physician's opinion, while 11.0 percent were overturned and approved by the IMR physician. Exhibit 2 shows that those results are similar to the 2014 IMR outcomes, in which 91.4 percent of the IMR decisions upheld the UR physician's modification or denial of treatment, while 8.6 percent overturned the UR decision and found the treatment to be medically necessary.

**Exhibit 2: IMR Outcomes, 2014 vs. Q1 2015 Decisions**



## Volume, Distribution and Uphold Rates by Requested Service

The 2014 IMR data showed that prescription drugs were by far the number one type of medical service submitted for IMR, accounting for nearly 45 percent of all disputed services that went through independent medical review last year. The IMR physicians concurred with the utilization review physician and upheld the UR decisions to modify or deny those requests in almost 92 percent of those determinations.

The mix of disputed services for which IMR determinations were issued showed only minor changes in the first quarter of 2015. Exhibit 3 shows the requested medical services broken out across 18 different service categories. Requests for prescription drugs remained the number one medical service submitted for IMR, increasing to nearly 48 percent of the total in the first three months of this year, with the UR modification or denial upheld by the IMR physician nearly 90 percent of the time. Requests for physical therapy, durable medical equipment, and injections also remained in the top 5 IMR service categories during the first quarter, though surgery requests surpassed diagnostic tests and measurements (such as sleep studies and nerve conduction studies) as the fifth most common type of service submitted for IMR.

### Exhibit 3: Volume, Distribution & Uphold Rates, Q1 2015 IMR Decisions by Service

Service Type	# of Services	% of Services	% Upheld
Prescription Drugs	28,680	47.8%	89.7%
Physical Therapy	5,393	9.0%	92.9%
Durable Medical Equipment	5,278	8.8%	91.1%
Injections	3,478	5.8%	87.4%
Surgery	2,627	4.4%	89.0%
Diag Tests & Measurements	2,442	4.1%	83.6%
Lab & Path	1,904	3.9%	84.4%
MRI/CT/PET Scans	2,348	3.2%	85.6%
Acupuncture	1,290	2.1%	93.6%
Chiropractic	1,087	1.8%	90.9%
Psych	996	1.7%	83.0%
Evaluation & Management	919	1.5%	70.8%
Functional Restoration	644	1.1%	90.4%
Other Radiology	602	1.0%	83.6%
Non-Surgical Procedures	595	1.0%	94.3%
Pain Management	486	0.8%	73.5%
Home Health Care	341	0.6%	95.9%
Other	907	1.5%	88.1%
<b>Total</b>	<b>60,017</b>	<b>100.0%</b>	<b>89.0%</b>

While the overall uphold rate for first quarter IMRs was 89 percent, results varied by type of service. Among the 18 medical service categories, the percentage of UR modifications or denials that were upheld following independent medical review ranged from just under 71 percent for the evaluation and management (E/M) services to 95.9 percent for home health care requests.

## Regional Distribution of IMR Determinations

The authors used the ZIP code from the address listed on each IMR determination letter to identify where in the state the injured worker or their representative was located, and then categorized the results by region, using the same 8 regions used in the prior study. The table below shows the geographic distribution of the first quarter 2015 IMR determination letters, the distribution of open and closed workers' compensation claims in those regions,<sup>4</sup> and the ratio between the two, which indicates whether the volume of IMRs is disproportionately high or low relative to the claim volume in each region.

**Exhibit 4. Regional Distribution of Q1 2015 IMR Determinations**

Region	% of Letters	% of WC Claims*	Ratio
Los Angeles	36%	24%	1.5
Bay Area	20%	19%	1.0
Inland Empire/Orange	16%	18%	0.9
Valleys	15%	20%	0.8
Central Coast	6%	7%	0.9
San Diego	5%	8%	0.7
North Counties	1%	3%	0.3
Sierras	1%	2%	0.4

As in the analysis of the 2014 IMR decisions, 36 percent of the IMR determination letters in the first quarter of this year were addressed to recipients in Los Angeles County, which is 1.5 times the proportion of claims that come from that region. Another 20 percent of the letters were addressed to recipients in the San Francisco Bay Area, which nearly matched the proportion of claims from that region. In contrast, the six other regions of the state accounted for a disproportionately low percentage of the IMR decisions. The biggest disparities were again noted in sparsely populated rural areas of the state, with the Sierras accounting for 2 percent of all claims but only 1 percent of the IMR decisions, and the Northern Counties representing 3 percent of all claims, but only 1 percent of the IMR decisions.

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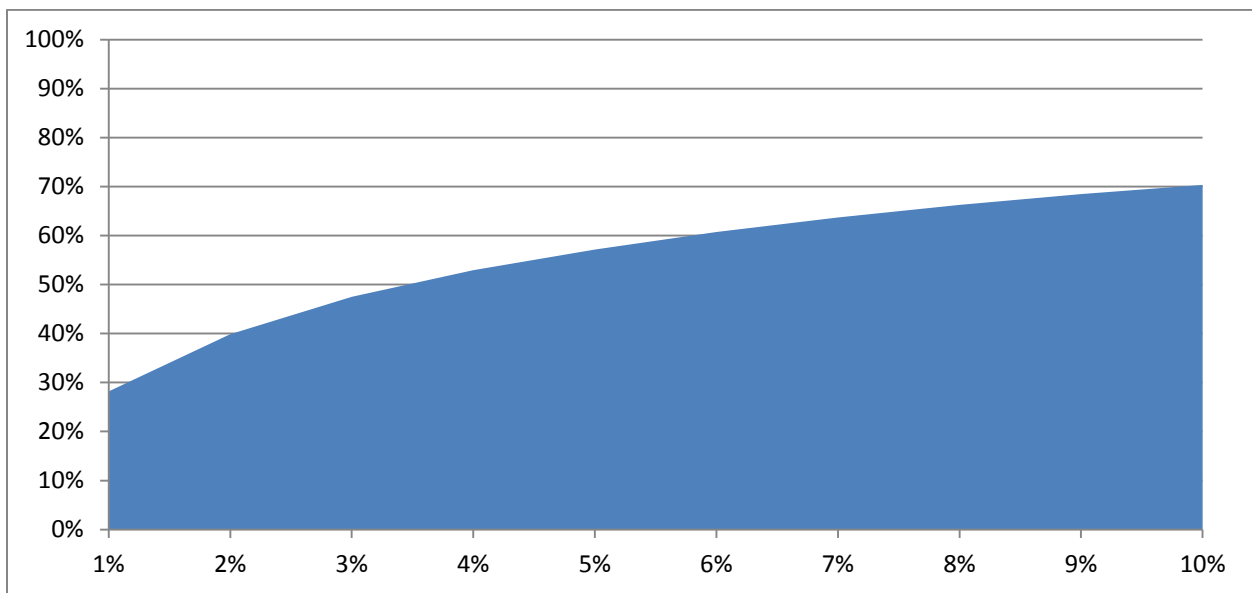
<sup>4</sup> The authors derived the geographic distribution for California workers' compensation claims using data from CWCI's Industry Claims Database, which contains detailed information, including employee and employer characteristics, medical service information, benefit and other administrative cost detail on more than 4 million California workers' compensation claims.

## Concentration of Medical Providers Involved in Medical Service Disputes

The IMR determination letters include the name of the individual physician who requested the disputed medical service. After reconciling variations in the spelling of the names, the authors tallied about 5,200 unique physician names in the IMR decision letters from the first quarter of 2015. As in the prior study, the latest results show that the vast majority of medical services that result in IMR disputes are requested by a relatively small number of physicians.

Exhibit 5 shows that out of the nearly 5,200 physicians associated with IMR disputes in the first three months of this year, the 10 percent (516 physicians) with the highest volume of disputed requests were named in 70 percent of the IMR decision letters, while the top 1 percent (52 physicians) accounted for 28 percent of the disputed requests that went through IMR.

**Exhibit 5. Percent of Q1 2015 IMR Decisions Associated with Top 10% of High-Volume Physicians**



Although most medical disputes are associated with a small number of providers, the latest figures show that the high-volume physicians did account for a smaller share of the medical disputes in the first quarter of 2015 than in 2014, when the top 10 percent of physicians were associated with 83 percent of the IMR decision letters, and the top 1 percent accounted for 44 percent of the letters. Furthermore, Exhibit 6 shows that in the first quarter of this year the top 10 individual providers (almost all of whom were also on 2014's top 10 list) accounted for 10.1 percent of the IMR decision letters, and 11.8 percent of the medical service decisions. This compares to 11 percent of the decision letters and 15 percent of the disputed service requests in 2014.

**Exhibit 6. Percent of Q1 2015 IMR Decisions, Requested Services, Uphold Rates  
Top 10 Individual Providers**

Provider	% of Letters	% of Services	% Upheld
Provider 1	1.9%	1.9%	87.4%
Provider 2	1.2%	1.8%	93.1%
Provider 3	1.1%	1.1%	83.3%
Provider 4	1.0%	1.6%	90.0%
Provider 5	0.9%	0.9%	85.3%
Provider 6	0.9%	0.7%	82.8%
Provider 7	0.8%	1.1%	85.3%
Provider 8	0.8%	0.7%	82.2%
Provider 9	0.7%	1.2%	98.5%
Provider 10	0.7%	0.8%	88.0%
Top 10 Providers	10.1%	11.8%	88.5%

## CONCLUSION

This study shows that the volume of IMR decisions in the first quarter of 2015 continued at about the same pace as in 2014, with Maximus processing nearly 34,000 IMR letters in the first three months of the year, issuing decisions on about 60,000 disputed medical services. If the number of IMR determinations continues at this pace through the end of this year, the total volume for 2015 would approach 136,000 IMR letters resolving 240,000 medical service disputes. Even though there has been no let up in the volume of IMR applications submitted to the state, DWC reports there is no longer a huge backlog of cases awaiting final determination,<sup>5</sup> which suggests that Maximus may now be in a better position to process these requests within the statutory deadlines.

As in 2014, the data from the first quarter of 2015 show that a small number of providers account for a disproportionate share of the disputed medical service requests. In 2014, the top 10 percent of all medical providers with the highest volume of disputed requests were named in 83 percent of the IMR decision letters, while the top 1 percent was associated with 44 percent of all disputed service requests that went through IMR. That concentration diminished in the first quarter of this year, as this study found that the top 10 percent of providers accounted for 70 percent of the disputed services, and the top 1 percent accounted for 28 percent, though the latest results do show that a very high proportion of the disputed medical service requests continue to be generated by a relatively small cadre of physicians.

Another factor that clearly affects IMR volume is geography, as 36 percent of the first quarter IMR decisions were addressed to recipients in Los Angeles County, 1.5 times the proportion of claims that come from that region. The new data also show that requests for pharmaceuticals continued to top the list of services submitted for independent medical review, accounting for 48 percent of the IMR determinations in the first quarter of this year, up from about 45 percent in 2014. These requests, together with requests for physical therapy, durable medical equipment, injections and diagnostic tests and measurements, accounted for 3 out of every 4 IMR decisions issued during the first three months of this year. At the same time, 4.4 percent of the first quarter IMR determinations involved requests for surgery, compared to 4.7 percent in 2014. The percentage of surgical services upheld by independent medical review physicians was remarkably consistent; 88.5 percent in 2014 vs. 89 percent in the first quarter of this year.

In summary, the IMR results from the first quarter of this year again show that after reviewing the patients' records and additional information provided in support of requested treatment, IMR physicians continued to agree with the UR doctors' treatment modifications or denials nearly 90 percent of the time. This is a strong indication that when determining the medical necessity of requested medical services, both payers and reviewers have been consistent in applying the MTUS and the other evidenced-based medical guidelines and studies. It is this type of consistency that is essential to assuring quality care and avoiding potentially harmful and unnecessary treatment.

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<sup>5</sup> The DWC IMR Update posted at [http://www.dir.ca.gov/dwc/IMR/IMR\\_Updates/IMR\\_Updates.htm](http://www.dir.ca.gov/dwc/IMR/IMR_Updates/IMR_Updates.htm) notes that there were 26,712 open IMR requests as of July 1, 2015, down from 42,658 as of January 1, 2015.

## California Workers' Compensation Institute

The California Workers' Compensation Institute, incorporated in 1964, is a private, nonprofit organization of insurers and self-insured employers conducting and communicating research and analyses to improve the California workers' compensation system. Institute members include insurers that collectively write more than 70 percent of California workers' compensation direct written premium, as well as many of the largest public and private self-insured employers in the state. Additional information about CWCI research and activities is available on the Institute's web site (<http://www.cwci.org>).

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