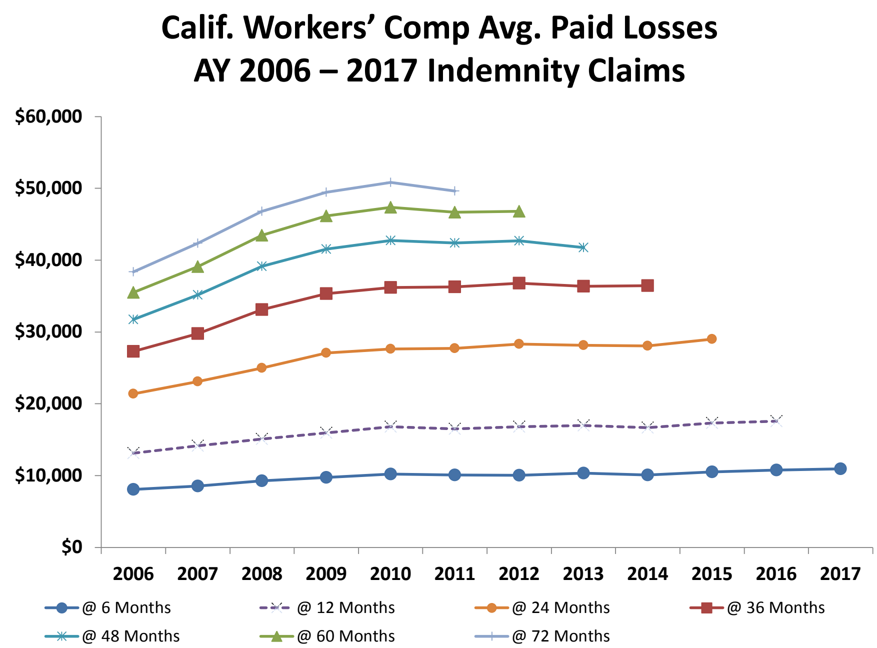
California Workers' Compensation Institute
BULLETIN
No. 18-16 November 16, 2018

1333 Broadway Suite 510, Oakland CA 94612
(510) 251-9470

Average loss payment trends at 36, 48, 60, and 72 months post injury on older California workers' compensation indemnity claims continue to level out or decline, but the latest payment data on newer indemnity claims show average losses at 6, 12, and 24 months post injury are starting to slowly trend up.

Claims monitoring data from CWCI's Industry Research Information System (IRIS) database track average California workers' comp medical, indemnity, and medical cost containment (MCC) payments on accident year (AY) 2006 - 2017 lost-time claims at different levels of development. The Institute's latest update provides data on amounts paid on those claims through December 2017 for medical treatment, drugs and durable medical equipment (DME), med-legal services, and medical cost containment, as well as indemnity payments, including temporary disability, permanent disability, supplemental job displacement benefits, and death benefits.



Data on AY 2015, 2016, and 2017 claims show recent upticks in average losses paid within the first two years, primarily fueled by rising indemnity payments, as average paid medical at 6, 12, and 24 months post injury showed only modest increases or none at all. For example, the latest results show that since AY 2014, average indemnity paid on a lost-time claim rose 12.9 percent at 6 months post-injury, 10.5 percent at 12 months, and 6.8 percent at 24 months. In contrast, average paid medical losses on these claims increased 3.9 percent at the 6-month benchmark, 0.6 percent at 12 months post injury, and registered virtually no change at 24 months post injury. The paid loss trend for more mature indemnity claims shows that total loss payments at 72 months post injury climbed steadily from $38,362 in AY 2006 to $50,827 in AY 2010 (+32.5 percent), but then fell 2.4 percent to $49,613 for AY 2011 claims, the combined effect of a 2.7 percent decline in average paid medical and a 2.1 percent drop in average paid indemnity. AY 2010 was also the peak year for average paid losses at 60 and 48 months post-injury, with the 60-month data showing that after climbing to $47,359 for AY 2010 indemnity claims, total paid losses leveled out, averaging $46,679 in AY 2011 and $46,806 in AY 2012; while the 48-month results show average loss payments peaked at $42,745 in AY 2010, then dipped slightly to $42,397 in AY 2011, $42,680 in AY 2012 and $41,751 in AY 2013.

In addition to providing updates on total medical loss and indemnity payments, the latest IRIS claims monitoring data also breaks down and tracks changes in the average amounts paid for four medical loss components: medical treatment (which includes physician and non-physician fees, hospital and ambulatory surgery center fees, lab and pathology fees, medical transportation, etc.); prescription drugs and durable medical equipment (DME); medical-legal services; and medical cost containment (MCC), which includes utilization review, bill review, medical provider network access fees, independent bill review, and independent medical review.

Among the findings revealed by the breakdown of the medical loss components on indemnity claims:

► Although average medical loss payments at 24 months were flat between AY 2014 and AY 2015, there was a shift in the distribution of the medical dollars, as medical treatment increased from 69.6 percent to 71.9 percent of total paid medical; pharmacy/DME fell from 8.7 percent to 6.7 percent; MCC fell from 14.8 percent to 14.4 percent; and med-legal expenses held steady at 6.9 percent.

► More developed data show that since peaking in AY 2010, average amounts paid for medical treatment on AY 2011 through AY 2014 claims at 36, 48, 60, and 72 months post injury continue to trend down. Less developed data on newer claims, however, show average 6-month medical treatment payments edged up 5.6 percent from AY 2014 to AY 2017, while average 12-month medical treatment payments rose 3.6 percent between AY 2014 and AY 2015, but then declined 1.9 percent in AY 2016. Since AY 2006, long-term growth in the average amounts paid for medical treatment at the 7 different levels of development has ranged from a low of 21.0 percent at 48 months post injury to a high of 29.4 percent at 6 months.

► The average paid per claim for drugs and DME at 6 months post injury fell 6.5 percent between AY 2016 and AY 2017, continuing a steady decline from the peak level noted in AY 2013, but at 12 months post injury the average for AY 2016 fell less than 1 percent from AY 2015, though it was still 32.4 percent below the AY 2012 peak. In contrast, at 24, 36, and 48 months post injury, average pharmaceutical/DME payments showed double-digit decreases between the two most recent accident years, falling 22.7 percent, 15.4 percent, and 17.7 percent respectively. Meanwhile, the latest data on more mature claims show average pharmaceutical/DME payments at 60 months rose 4.7 percent between AY 2011 and AY 2012, and 3.3 percent at 72 months between AY 2010 and AY 2011. Long-term development data show that since AY 2006, average amounts paid for pharmaceuticals and DME at the 7 levels of development increased between 35.2 percent at 24 months and 104.0 percent at 60 months.

► Med-legal payments grow most rapidly as claims age, with data since AY 2006 showing they consistently represented 3 to 4 percent of first-year medical loss payments, but increased to more than 8 percent of the paid medical dollars at 60 months post-injury and beyond. Average amounts paid for med-legal services reflect both the number and the types of med-legal reports used. (CWCI research from 2016 showed a change in the mix of med-legal reports used, with less expensive supplemental reports accounting for a larger percentage of the reports, but the total number of reports per claim increasing). Regional data show med-legal payments as a percent of total paid medical are highest in Los Angeles County and lowest in San Diego. For example, the latest data show med-legal payments on AY 2012 indemnity claims at 60 months post injury accounted for 8.2 percent of medical loss payments statewide versus 10.1 percent in Los Angeles County and 7.3 percent in San Diego.

► The introduction of Medical Provider Networks, mandatory Utilization Review, and Independent Medical Review led to steady increases in average MCC payments from AY 2006 to AY 2013, but average amounts paid for MCC began to stabilize in 2014. The most recent data show first-year MCC payments on AY 2016 claims were nearly identical to those on AY 2015 claims (-0.1 percent), while MCC paid on AY 2015 claims at 24 months post injury and on AY 2014 claims at 36-months registered year-to-year declines of 2.2 percent and 6.8 percent respectively. MCC expenses often incur early in the life of a claim, so as the claim ages, MCC represents a diminishing share of the total medical paid on indemnity claims. The latest results show MCC accounted for 16.5 percent of first-year medical payments on AY 2016 claims; 13.2 percent of total paid medical on AY 2014 claims at 36 months; and 11.1 percent of total medical paid on AY 2011 claims at 72 months post injury.

CWCI continually updates and analyzes California workers' comp loss experience using data compiled from its member insurers and self-insured employers that contribute to its IRIS database, which contains data on nearly 6.1 million claims from AY 2000 through AY 2017. The next update will include claims and payment data through June 2018. CWCI members who would like to access the latest data and graphics can log on to www.cwci.org and click the Interactive Research Tools button from the dropdown menu under the Research tab at the top of the home page. A brief video tutorial is also posted to guide members on how to use the application.

BY/