



An In-Depth Look at Workers' Compensation Medical Costs in Minnesota

Minnesota Workers' Compensation Advisory Council
March 12, 2014



Today's Outline

- About WCRI
- Highlights from WCRI research relevant to Minnesota workers' compensation medical costs
 - Trends
 - Interstate comparisons
- Longer-term opioid use
- Physician dispensing

About WCRI

- Independent, not-for-profit research organization
- Mission: to be a catalyst for constructive improvements in workers' compensation systems
- Diverse membership support (including Sentry)
- Focus on benefit delivery system, not insurance market
- Studies are peer-reviewed
- Do not make recommendations or take positions
- Resource for public officials and stakeholders
 - Over 400 WC studies published

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WCRI Provides States With A Broad Scope Of Benchmarking Studies



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Scope Of CompScope™ Multistate Benchmarks

CompScope™ Medical

- Medical costs
- Medical prices
- Utilization of services
- By provider type
- By service type

CompScope™

- Benefit amounts
- Timeliness
- Medical costs
- Disability duration
- Defense attorney involvement
- Vocational rehabilitation use
- Benefit delivery expenses

Data And Methods In This Study

- Data reasonably representative of state experience
 - 51% of Minnesota claims; 36–69% across all 16 states
- Meaningful interstate comparisons
 - Definitions harmonized across states and data sources
 - Adjusted for differences in injury/industry mix
 - Adjusted for differences in waiting periods (claims with > 7 days of lost time)
- Trends shown are unadjusted numbers
- Analysis focuses on cases with different maturities (12, 24, and 36 months of experience) to capture phenomena that occur earlier and later in a claim
- See the *Technical Appendix* for more detail

Key Findings For MN From CompScope™ Medical Benchmarks, 14th Edition

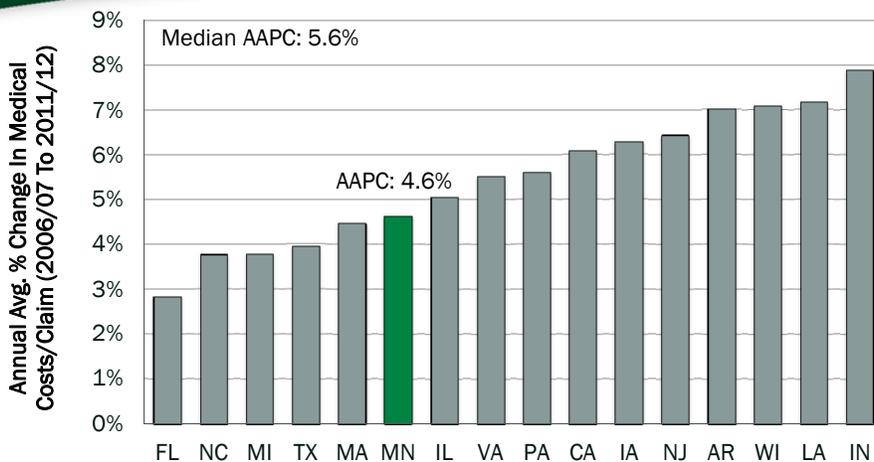
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Growth In Minnesota Medical Payments Generally Typical During 2006 To 2011



Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Faster Growth In Payments For Hospital Inpatient Episodes During 2006 To 2011

Medical Cost Components (AAPC 2006/07 to 2011/12)	Minnesota	Median State
Nonhospital Payments/Claim	4.5%	5.4%
Prices Paid	1.1%	1.8%
Utilization	1.6%	2.5%
Hospital Outpatient Payments/Claim	5.9%	6.0%
Payments/Service	3.9%	5.9%
Services/Claim	1.9%	0.7%
Hospital Payments/Inpatient Episode	7.8%	6.7%
Inpatient Surgical Episodes	9.5%	7.4%
Inpatient Nonsurgical Episodes	5.9%	6.4%

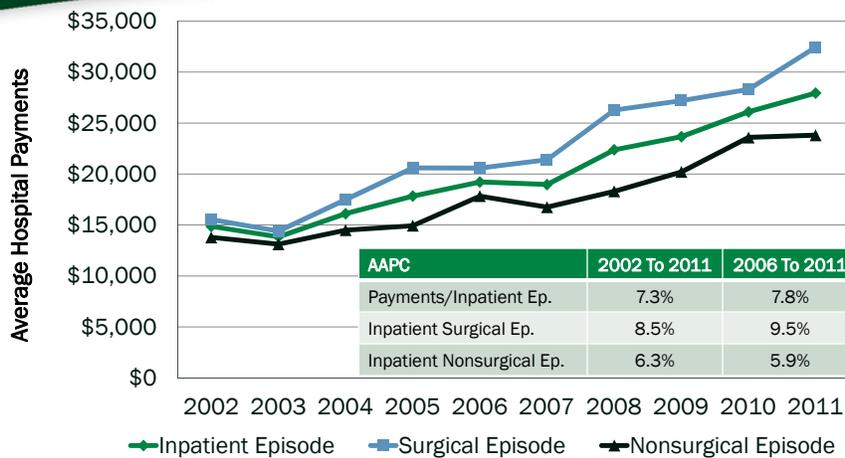
Claims With > 7 Days Of Lost Time, Not Adjusted For Injury/Industry Mix

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Rapid Increases In MN Hospital Inpatient Payments: Not A Recent Phenomenon



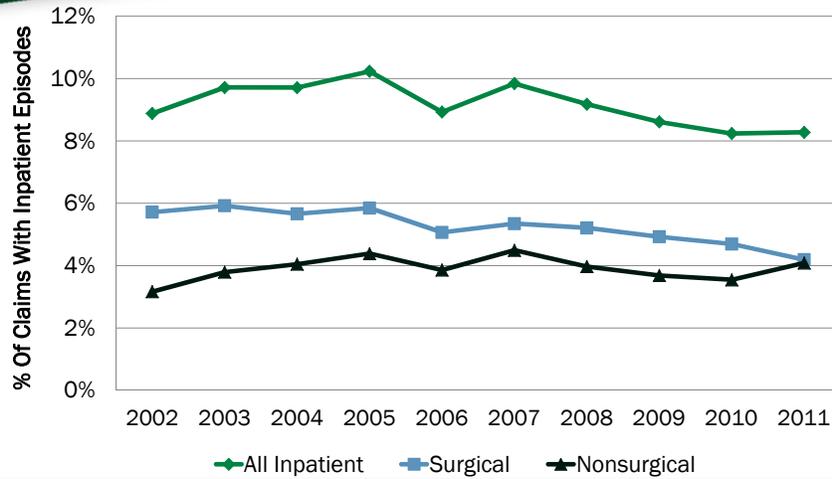
Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Longer-Term Decline In % Of MN Claims With Inpatient Episodes, Esp. Surgical



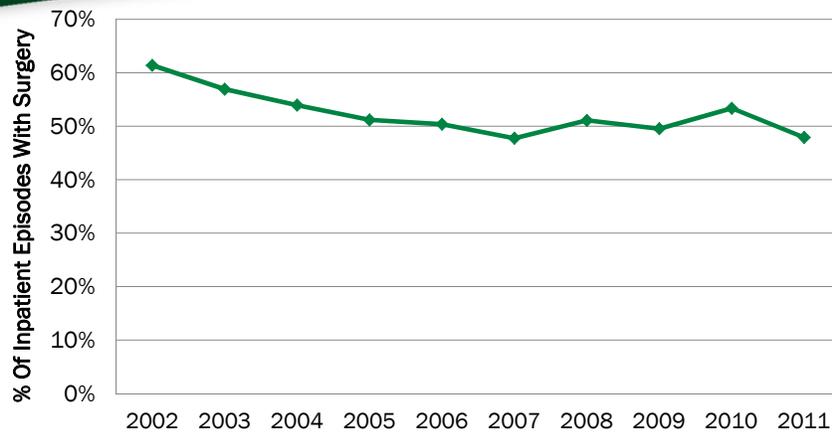
Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Decline In % Of Inpatient Episodes With Surgery In Minnesota



Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Shift From Inpatient To Outpatient Surgery For MN Disc Conditions

Change In Measures For Disc Conditions: 2006/07 To 2011/12

% With Inpatient Care	-15 ppt
% With Surgery	-9 ppt
% With Inpatient Surgery	-32 ppt
% With Outpatient Surgery	32 ppt
	AAPC
Total Payments/Episode - Inpatient Surgery	8.8%
Total Payments/Episode - Outpatient Surgery	5.2%
Total Hosp. Payments/Episode - Inpatient Surgery	11.1%
Total Hosp. Payment/Episode - Outpatient Surgery	9.3%

Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Key Findings For MN From CompScope™ Medical Benchmarks, 14th Edition

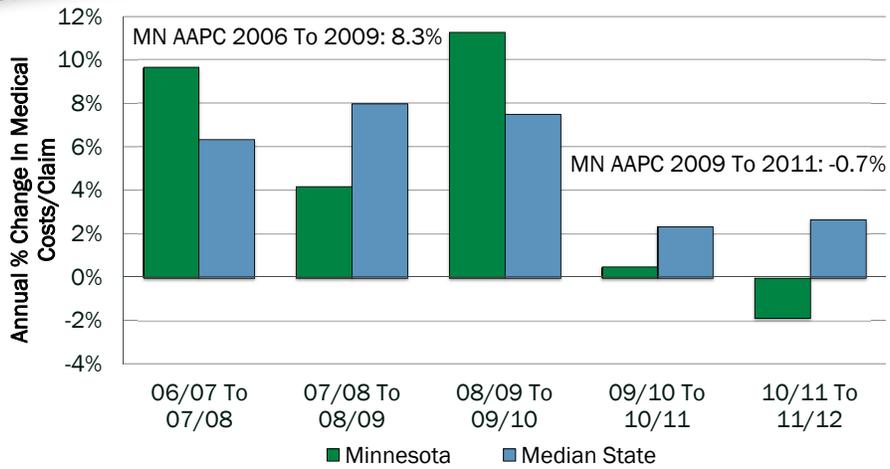
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Little Change In Minnesota Medical Payments Since 2009



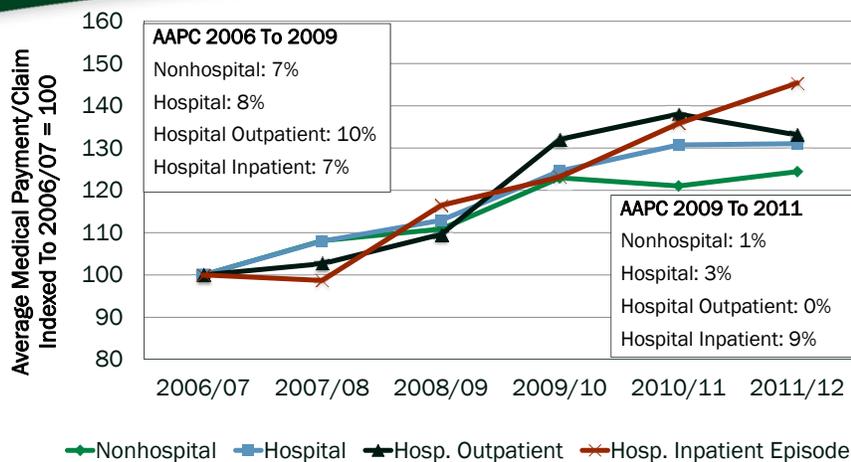
Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Little Recent Change In Nonhospital And Hospital Payments; Inpatient Increased



Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Little Change In Most Medical Cost Components Since 2009, Except Inpatient

Annual Change In Medical Cost Components (AAPC)	2006/07 To 2009/10	2009/10 To 2011/12
Nonhospital Payments/Claim	7.1%	0.6%
Prices Paid	2.3%	-0.7%
Utilization	3.1%	-0.6%
Hospital Outpatient Payments/Claim	9.7%	0.4%
Payments/Service	7.6%	-1.4%
Services/Claim	2.0%	1.9%
Hospital Payments/Inpatient Episode	7.2%	8.7%

Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Key Findings For MN From CompScope™ Medical Benchmarks, 14th Edition

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Slower Growth Since 2009 In Payments Per Claim For Most Hospital Outpatient Services

Hospital Outpatient Services	Annual Average Change In Medical Payments Per Claim	
	2006/07 To 2009/10	2009/10 To 2011/12
Treatment/Operating/Recovery	15%	2%
Minor Radiology	11%	-3%
Clinic/Evaluation & Management	4%	3%
Physical Medicine	8%	3%
Major Radiology	3%	0%

Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Payments/Service Key Driver Of Slower Growth In Hospital Outpatient Payments

Hospital Outpatient Services	Payments/Service (AAPC)		Services/Claim (AAPC)	
	06/07 To 09/10	09/10 To 11/12	06/07 To 09/10	09/10 To 11/12
Treat./Oper./Rec.	15%	2%	0%	0%
Minor Radiology	7%	-1%	4%	-2%
Clinic/Eval. & Mgmt.	3%	4%	1%	-1%
Physical Medicine	6%	1%	2%	3%
Major Radiology	0%	1%	3%	-1%

Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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MN Reimbursement Approach: Changes In Payments Per Service Tied To Charges

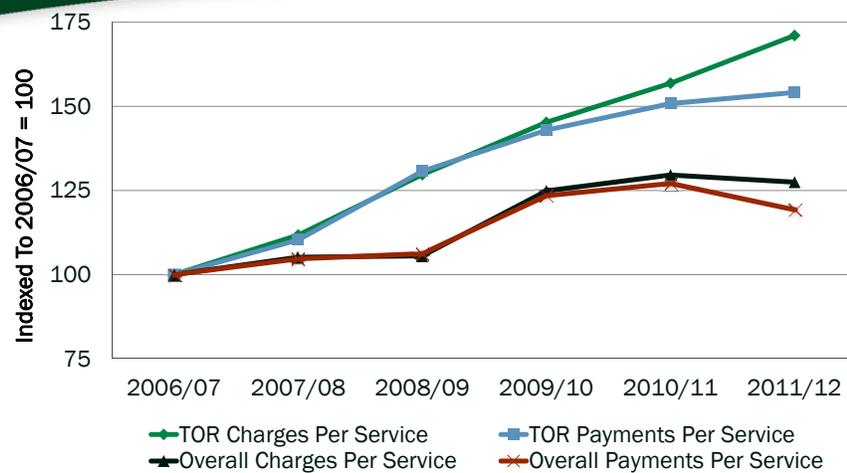
- If more than 100 beds, reimbursement is limited to the lowest of:
 - Maximum fee that applies to any service included in relative value fee schedule (typically labs, X rays, physical/occupational therapy)
 - 85% of usual and customary charge
 - 85% of the prevailing charge
 - The facility's actual charge
- If fewer than 100 beds, reimbursed at 100% of usual and customary unless judge decides fee is excessive

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Hospital Outpatient Payments/Service Generally Tracked Growth In Charges...



Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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...Due Primarily To Slower Growth In Payments/Service Relative To Charges

Hospital Outpatient Services			
	2006/07 To 2009/10 (AAPC)	2009/10 To 2010/11 (% change)	2010/11 To 2011/12 (% change)
Change In Overall Charges/Service	7.7%	3.7%	-1.4%
Change In Overall Payments/Service	7.3%	2.7%	-6.0%
Change In TOR Charges/Service	13.3%	8.0%	9.0%
Change In TOR Payments/Service	12.7%	5.5%	2.2%

Hospital Outpatient Services, Claims With > 7 Days Of Lost Time, Not Adjusted For Injury/Industry Mix

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Possible Reasons For Recent Decrease In MN Outpatient Paid-To-Charge Ratios

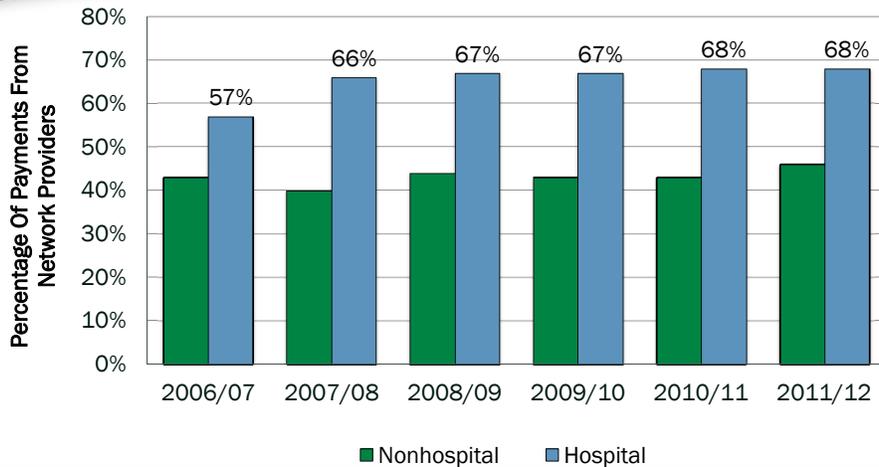
- Increase in use of networks among hospital providers
 - Potential for discounts in payments relative to charges for payors using network
- More aggressive use of bill review services, including greater reliance on prevailing charge criteria to set maximum fees for large hospitals
- Increased use of Minnesota Department of Labor and Industry administrative processes for resolving disputes about medical fees

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Increase Since 2006 In Percentage Of Network Payments For Hospital Providers



Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

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Key Findings For MN From CompScope™ Medical Benchmarks, 14th Edition

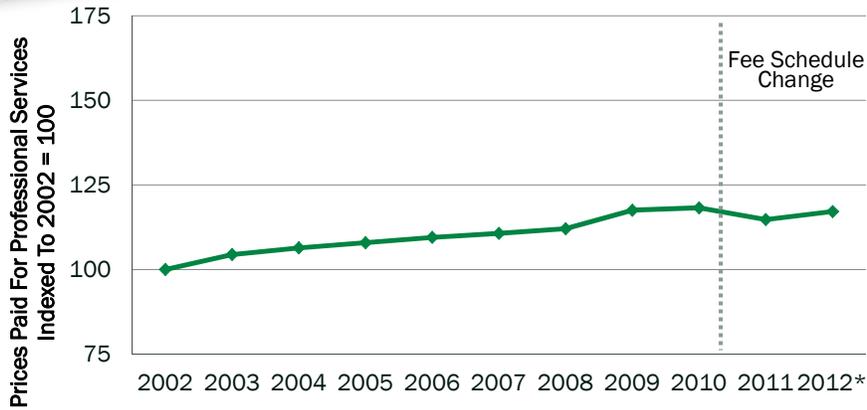
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Overall Nonhospital Prices Stable After 2010 Fee Schedule Changes



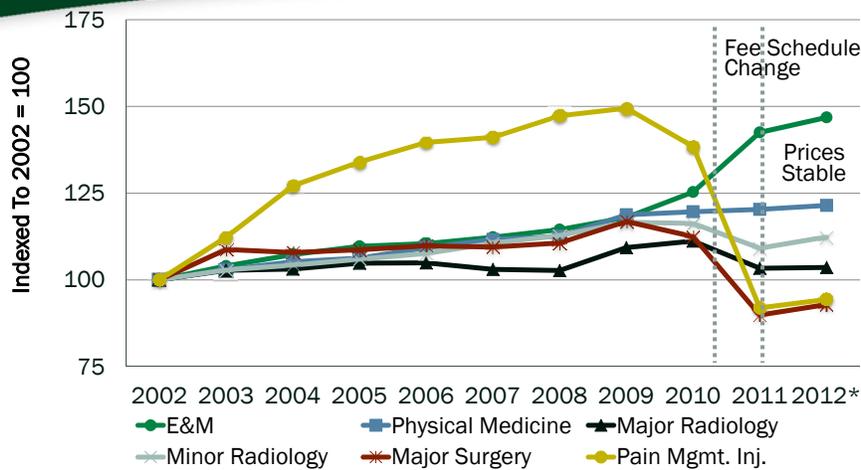
* Data shown for 2012 are based on data through June 2012.

MN 2010 Fee Schedule Change Effective 10/1/10: Use 2009 Medicare RVUs To Replace 1998 RVUs; Decrease Conversion Factors To Hold Total Payments Constant. Source: WCRI Medical Price Index For WC, Fifth Edition (2013)
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Prices For Specific Services Stable After One-Time Fee Schedule Adjustments



* Data shown for 2012 are based on data through June 2012.

MN 2010 Fee Schedule Change: Use 2009 Medicare RVUs To Replace 1998 RVUs; Decrease Conversion Factors To Hold Total Payments Constant. Source: WCRI Medical Price Index For WC, Fifth Edition (2013)
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Key Findings For MN From CompScope™ Medical Benchmarks, 14th Edition

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Overall Utilization In Minnesota Generally Stable Since 2009

Change In Utilization	2006 /07 To 2009/10	2009/10 To 2010/11	2010/11 To 2011/12
Overall	3%	-3%	2%
Evaluation & Mgmt.	3%	-1%	0%
Major Radiology	0%	-1%	1%
Minor Radiology	2%	-2%	5%
Neuro. Testing	1%	-6%	-1%
Pain Mgmt. Injections	-3%	-2%	-3%
Physical Medicine	2%	-3%	-1%
Major Surgery	3%	-3%	7%

Claims With > 7 Days Of Lost Time, Not Adjusted For Injury/Industry Mix

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Key Findings For MN From CompScope™ Medical Benchmarks, 14th Edition

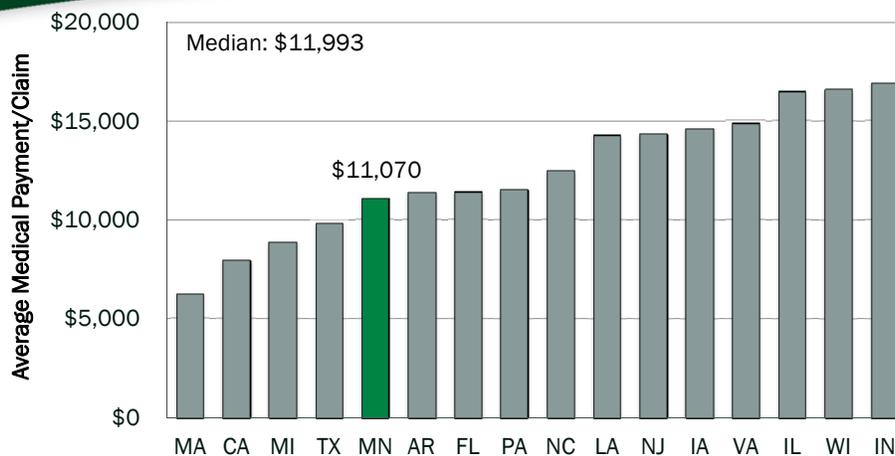
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Minnesota Medical Payments Per Claim Typical Of 16 Study States



2011/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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Nonhospital Medical Payments Per Claim Lower; Typical For Hospitals

Payments Per Claim By Provider	MN	Median State	% Diff.	Diff.
Nonhospital	\$5,511	\$6,440	-14%	Lower
Hospital	\$9,019	\$9,238	-2%	Typical
Hospital Outpatient	\$5,294	\$5,252	1%	Typical
Hospital Payment Per Inpatient Episode (2010/12)	\$29,359	\$29,043	1%	Typical

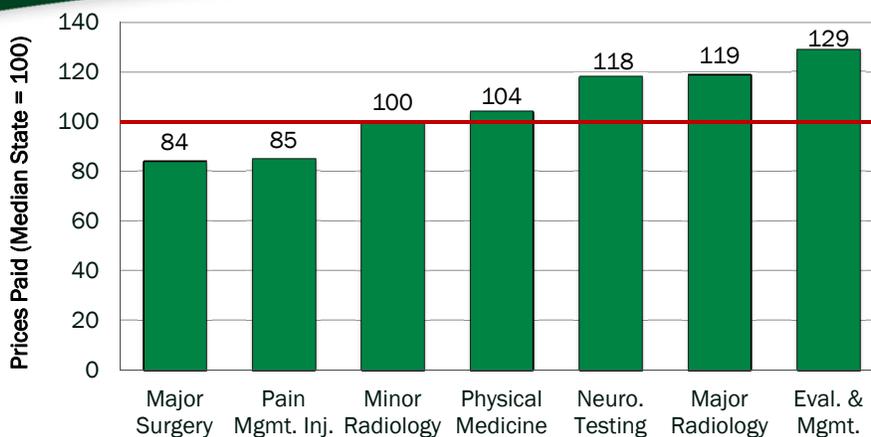
2011/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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Prices Paid Typical To Higher For Many Nonhospital Services, Esp. Office Visits



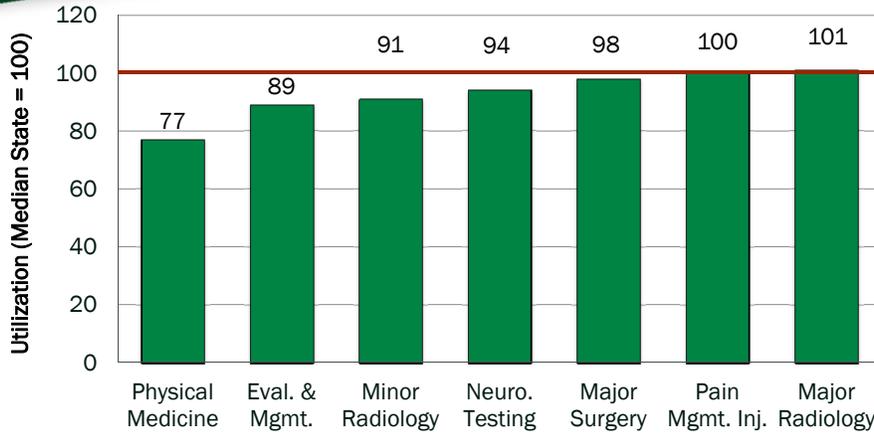
Price Indices For Selected Nonhospital Services Rendered in 2011
Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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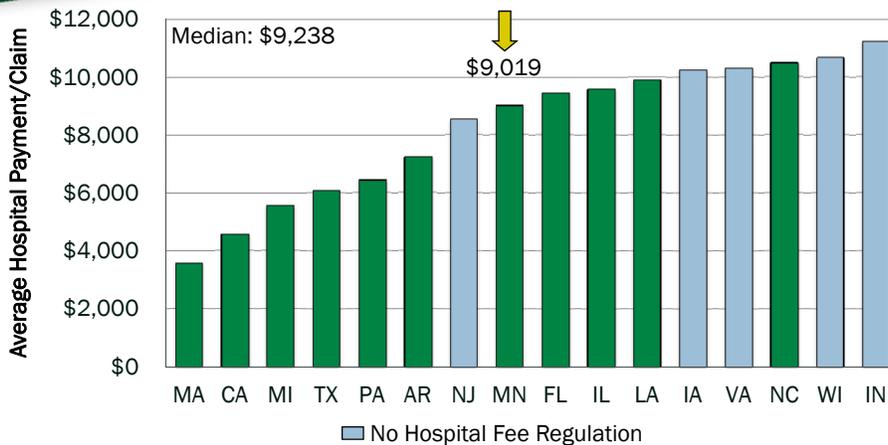
MN Utilization Typical; Except Lower For Physical Medicine And Office Visits



Utilization Indices For Selected Nonhospital Services, 2011/12
2011/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix
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Minnesota Hospital Payments Per Claim Typical Of 16 Study States



2011/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix
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Larger-Than-Typical Share Of Medical Payments To Hospital Providers



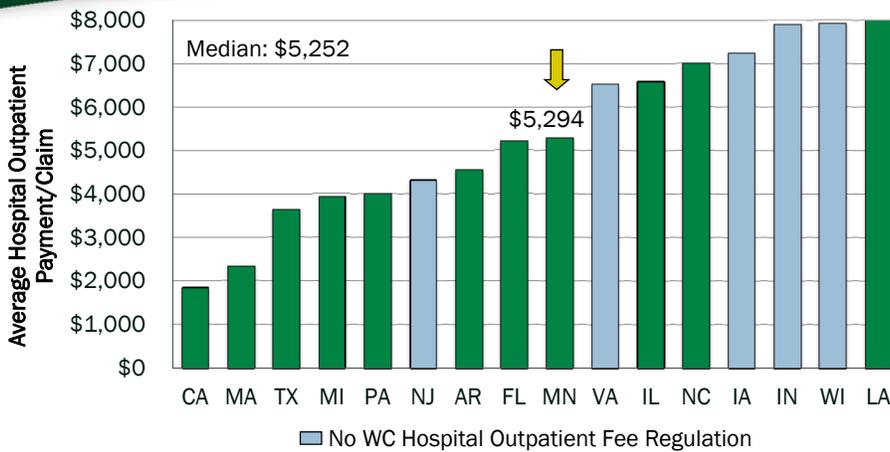
2011/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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MN Hospital Outpatient Payments Per Claim Typical Of 16 Study States



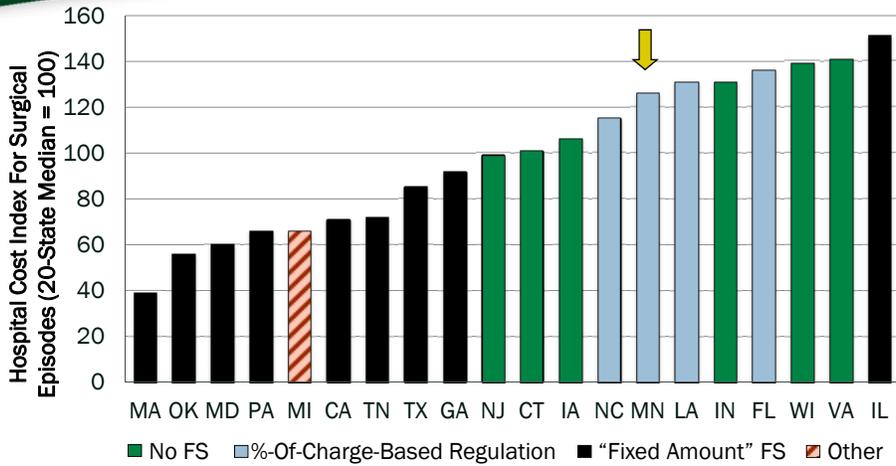
2011/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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States With No FS Or % Charges (Like MN): Higher Outpatient Costs/Surgical Episode



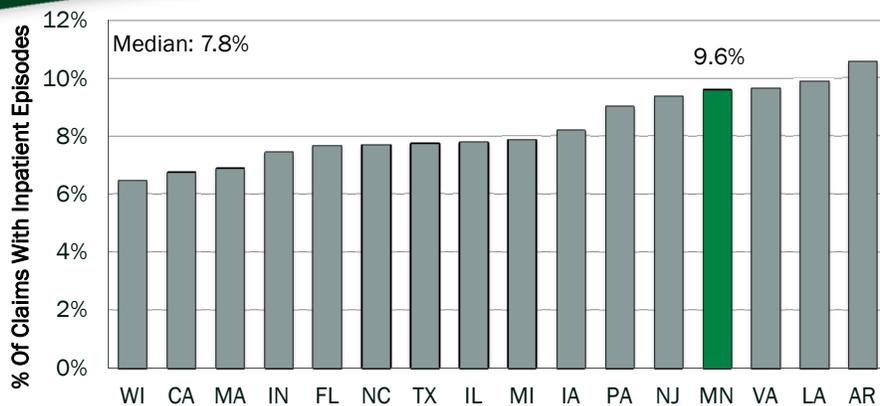
Hospital Outpatient Surgical Episodes, 2010
Source: *Hospital Outpatient Cost Index For Workers' Compensation, 2nd Edition (2013)*

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Minnesota Had A Higher Percentage Of Claims With Inpatient Episodes



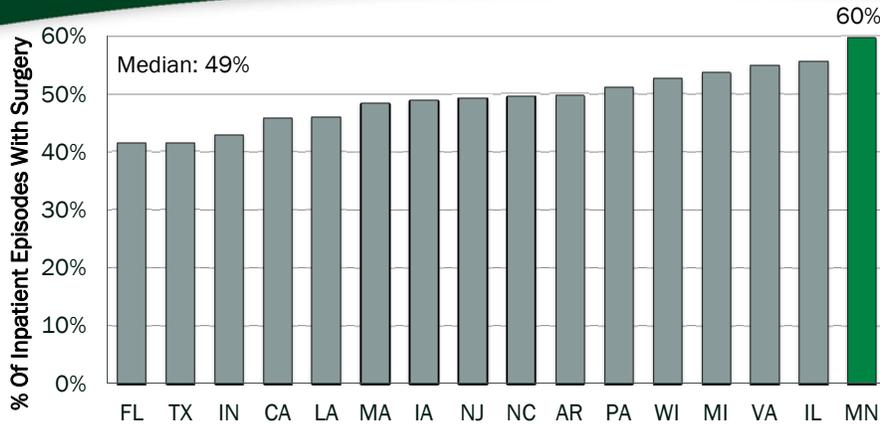
2010/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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Minnesota Among States With Higher % Of Inpatient Episodes With Surgery



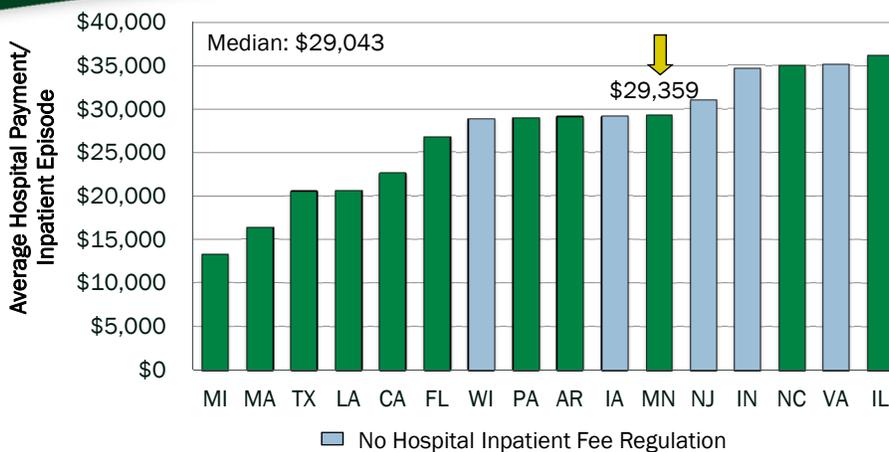
2010/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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MN Hospital Payments Per Inpatient Episode Typical Of 16 Study States



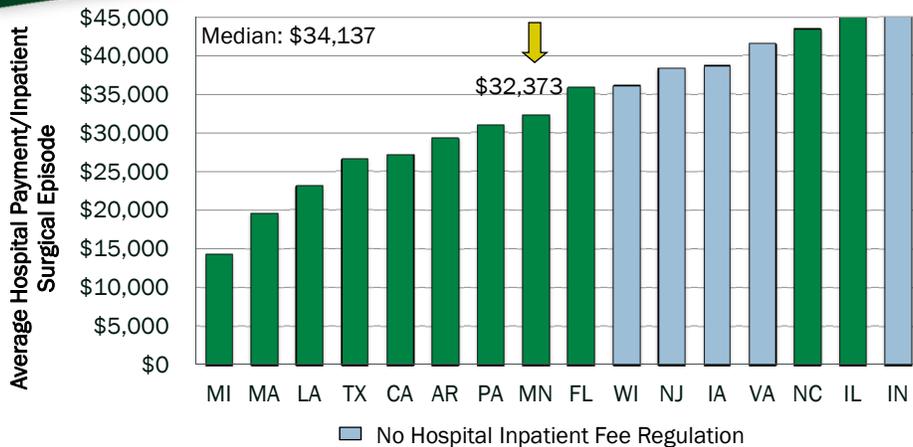
2010/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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MN Hospital Payments Per Inpatient Surgical Episode Typical



2010/12 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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Other Key Findings For Minnesota

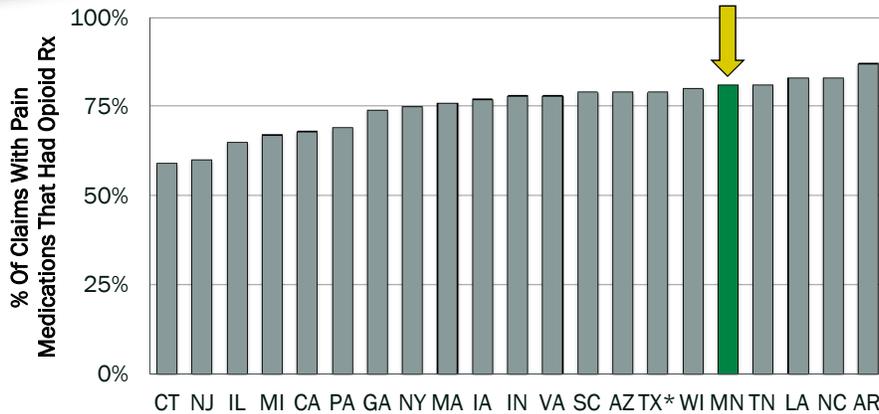
- Minnesota had lower prevalence of longer-term opioid use among injured workers
- Generally low frequency of recommended urine drug testing, psychological evaluation, and psychological treatment/reports across states, including Minnesota
- Prevalence of physician dispensing in Minnesota lower than typical compared with other study states
 - Due to statutory provisions

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Most Injured Workers With Pain Medications Received Opioids



* Texas Closed Formulary Went Into Effect On September 1, 2011, Which Was Expected To Reduce Use And Longer-Term Use Of Opioids

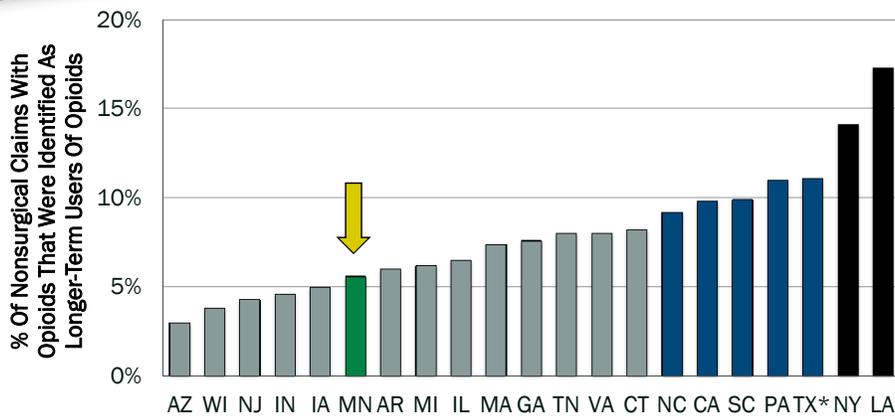
Nonsurgical Claims With > 7 Days Of Lost Time, Injuries From October 2008 To September 2009, Prescriptions Filled Through March 2011. Source: *Longer-Term Use of Opioids* (2012)

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Longer-Term Use Of Opioids Less Prevalent In Minnesota



* Texas Closed Formulary Went Into Effect On September 1, 2011, Which Was Expected To Reduce Use And Longer-Term Use Of Opioids

Nonsurgical Claims With > 7 Days Of Lost Time, Injuries From October 2008 To September 2009, Narcotic Prescriptions Filled Through March 2011. Source: *Longer-Term Use of Opioids* (2012)

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Frequency Of Drug Testing Was Low, Even After Considerable Increases

% Of Claims With Longer-Term Use Of Opioids That Received Urine Drug Testing	21-State Median	MN
2007/2009	14%	5%
2009/2011	24%	15%

Nonsurgical Claims With > 7 Days Of Lost Time That Were Identified As Longer-Term Users Of Opioids, Injury Years 2007 & 2009, Average 24-Month Snapshots. Source: *Longer-Term Use of Opioids* (2012)

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Psychological Evaluations And Treatment Performed Infrequently

% Of Claims With Longer-Term Use Of Opioids That Received...	21-State Median	MN
Psychological Evaluations		
2009/2011	7%	7%
Psychological Treatment		
2009/2011	4%	4%

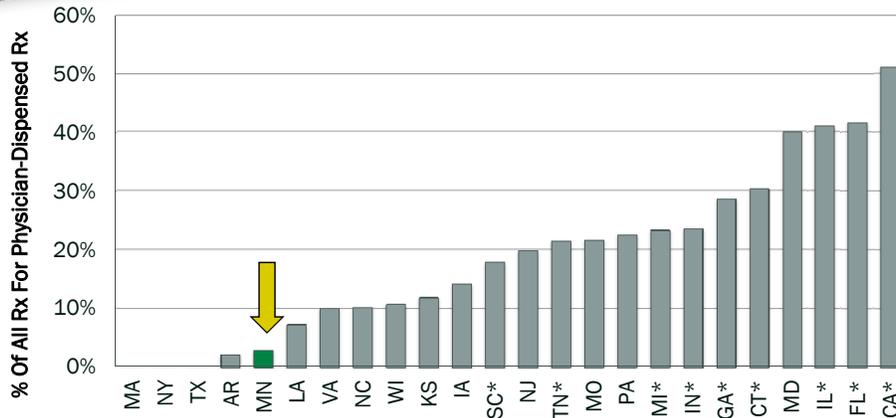
Nonsurgical Claims With > 7 Days Of Lost Time That Were Identified As Longer-Term Users Of Opioids, Injury Year 2009, Prescriptions Filled Through March 2011, Average 24-Month Snapshots. Source: *Longer-Term Use of Opioids* (2012)

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Much Lower Percentage Of Prescriptions Were Dispensed By Physicians In MN



* States With Reforms Aimed At Reducing Prices Paid For Physician-Dispensed Rx

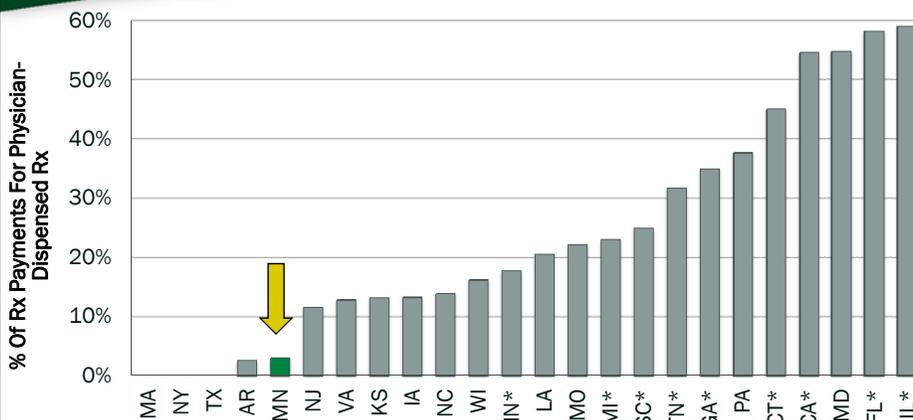
In MA, NY, & TX, Physician Dispensing Not Allowed In General; Prescriptions For 2011/12 Claims With > 7 Days Of Lost Time. Source: *The Prevalence And Costs Of Physician-Dispensed Drugs (2013)*

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Minnesota Among Lowest Of Study States In Physicians' Share Of Rx Costs



* States With Reforms Aimed At Reducing Prices Paid For Physician-Dispensed Rx

In MA, NY, & TX, Physician Dispensing Not Allowed In General; Prescriptions For 2011/12 Claims With > 7 Days Of Lost Time. Source: *The Prevalence And Costs Of Physician-Dispensed Drugs (2013)*

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Other WCRI Studies Of Interest For Minnesota

- Benchmarks for Minnesota, CompScope™ 14th Edition (2013)
- Medical Benchmarks for Minnesota, CompScope™ 13th Edition (2013)
- WCRI Medical Price Index, Fifth Edition (2013)
- Hospital Outpatient Cost Index for WC (2013)
- The Prevalence and Costs of Physician-Dispensed Drugs (2013)
- Workers' Compensation MCC: National Inventory, 2013 (2013)
- Longer-Term Use of Opioids (2012)
- Designing WC Medical Fee Schedules (2012)
- Workers' Compensation Laws (2012)
- Interstate Variations in Use of Narcotics (2011)
- Prescription Benchmarks, 2nd Edition: Trends and Interstate Comparisons (2011)
- National Inventory of WC Fee Schedules for Hospitals and Ambulatory Surgical Centers (2010)

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