
Testimony before Texas Senate Select Interim Committee on Workers' Compensation

April 29, 2004



About WCRI

- Independent, not-for-profit research organization, established 1983
- Has diverse membership support
- Studies are peer-reviewed
- Resource for public officials and stakeholders
 - Published well over 100 studies on WC
 - Content-rich website: www.wcrinet.org



WCRI Approach

- Mission: "Be a catalyst for improving WC systems by providing the public with high-quality, credible information on important public policy issues."
- Studies focus on delivery system
- Not make recommendations nor take positions on issues



WCRI's Benchmarking Tools

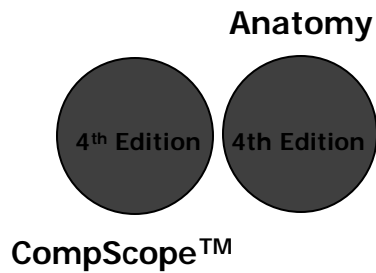
CompScope™



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



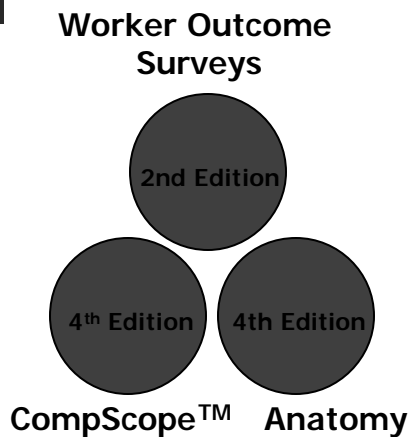
WCRI's Benchmarking Tools



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



WCRI's Benchmarking Tools



- Access to health care
- Recovery of health and functioning
- Return to work
 - Yes or no
 - Speed
 - Sustainability
 - Earning recovery
- Satisfaction with health care



Lessons from Recent WCRI Studies

- Benchmarks for Texas, 4th Editions
 - CompScope™
 - Anatomy of medical costs & utilization
- Worker outcomes in Texas
- Fee schedule benchmarks
- Impact of networks
- Comparison of chiropractic and physician-directed physical medicine care



DBE: Powerful Database and Strategic Asset for Texas

- Robust sample
 - 13 million claims
 - 24 - 60% of claims in each state
 - Accident years 1994 - 2001, as of 2002
 - States represent > 60% of U.S. WC benefits
- Representative
 - Voluntary and residual market
 - Self-insured employers
 - State funds



A Key Value Proposition for Workers' Compensation Systems

- Costs to employers should be directly related to the outcomes received by injured workers
 - States with higher costs should deliver better outcomes to workers
 - Increases in employers' costs should produce improved outcomes for workers
- "Unnecessary costs" – those that do not improve outcomes to injured workers
- Focus of public policy actions – reduce "unnecessary" costs paid by employers

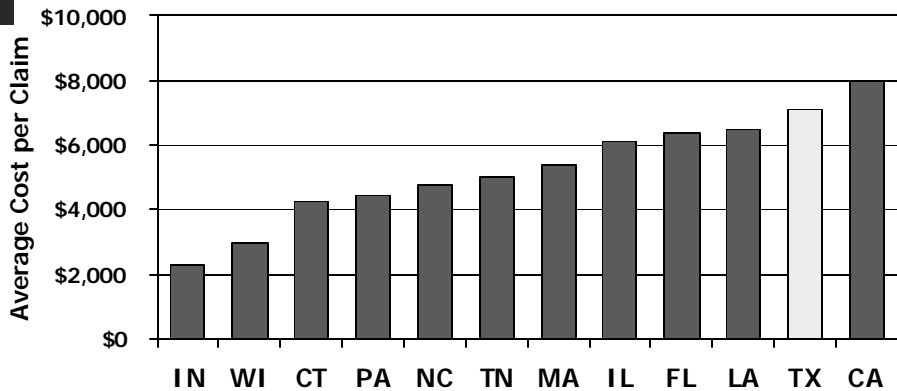


Findings from Three Benchmark Studies for Texas

- Texas employers pay among the highest cost per claim among 12 large states
- Sustained rapid growth in cost per claim
- Major cost drivers are:
 - Medical cost per claim and poor return to work outcomes
- Texas workers achieve poor outcomes on most measures among 4 states studied



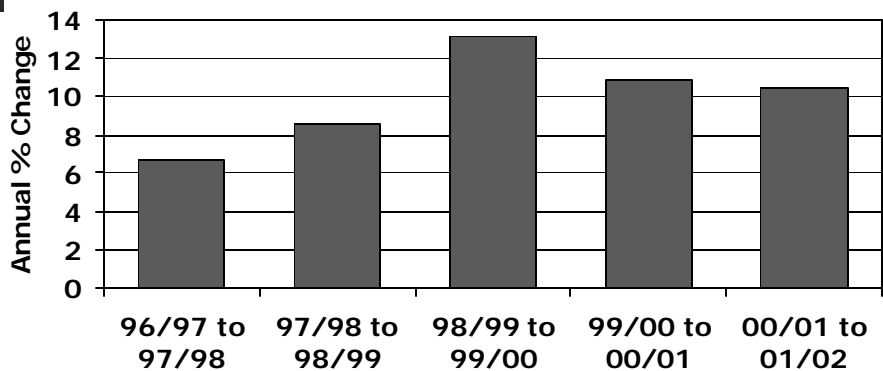
Texas Cost per Claim among Highest



1999/2002 Claims, Adjusted for Injury
and Industry Mix and Wages



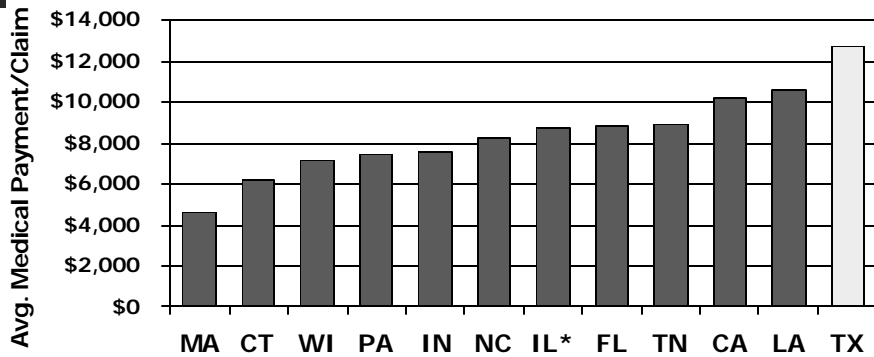
3rd Year of Double-Digit Growth in Cost per Claim in Texas



Percentage Change in Average Cost per Claim
at 12 Months' Experience, Not Case-Mix Adjusted



TX Medical Payments per Claim Much Higher Than Median State

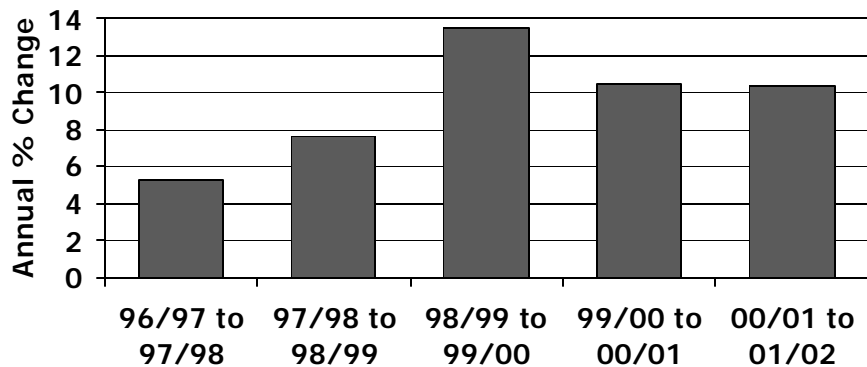


1999/2002 Claims with > 7 Days Lost Time,
Adjusted for Injury and Industry Mix

* Balance Billing Allowed



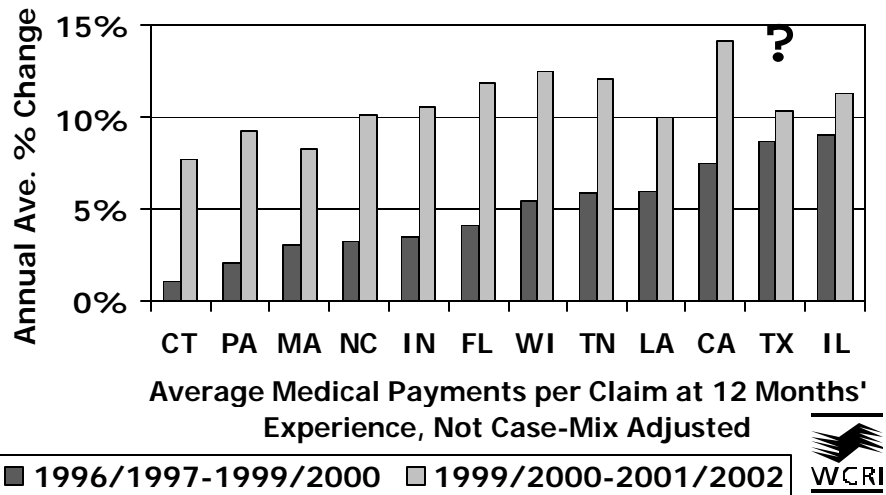
Continued Double-Digit Growth in Medical Payments per Claim in TX



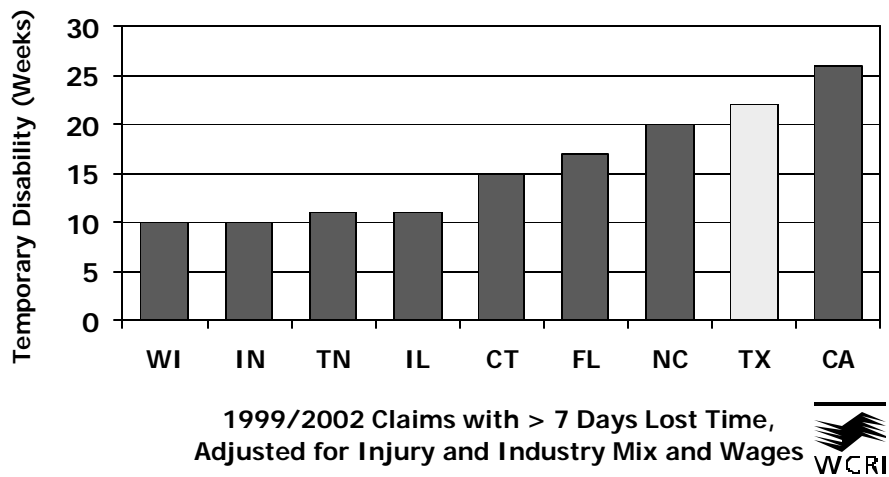
Percentage Change in Average Medical Payments per
Claim at 12 Months' Experience, Not Case-Mix Adjusted



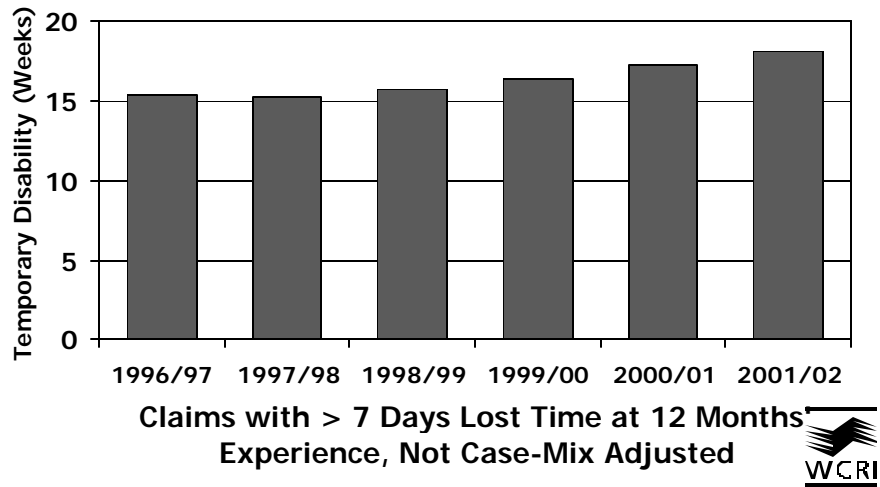
Texas Is Relatively Unique: Sustained Rapid Growth in Medical Costs/Claim



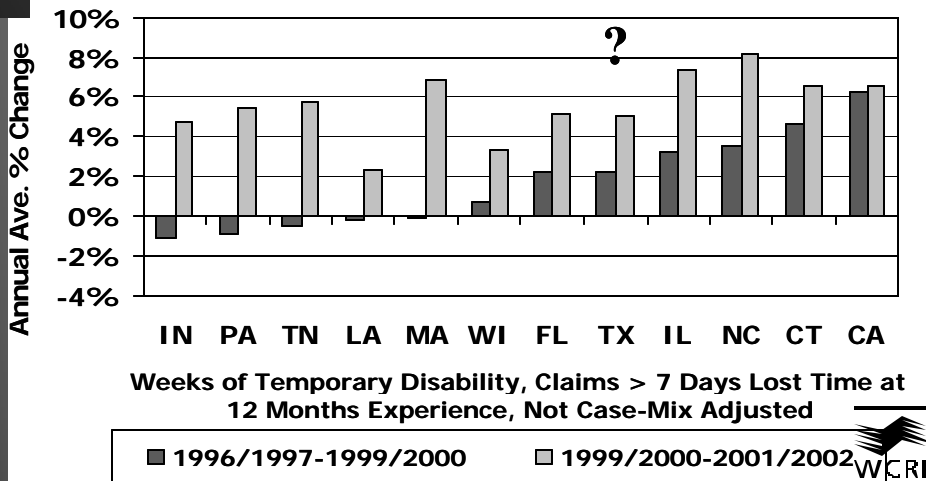
Texas Duration of Temporary Disability among the Highest



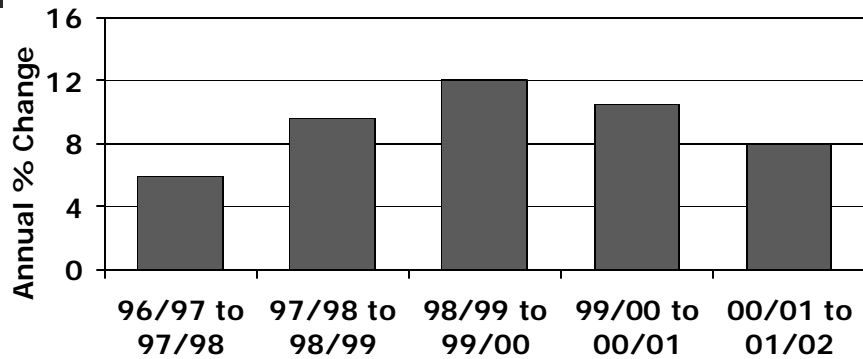
Duration of Temporary Disability Grew in Texas Since 1998/1999



Duration of Disability Grew in Most States after 1999



Continued Rapid Growth in Indemnity Benefits per Claim



Percentage Change in Average Indemnity Benefits per Claim at 12 Months' Experience, Not Case-Mix Adjusted



Frequency of PPD/Lump-Sum Claims Grew Steadily in Texas

Year	% Claims with PPD or Lump Sum Payments
1996/1997	33.3
1997/1998	34.1
1998/1999	35.2
1999/2000	36.6
2000/2001	36.4
2001/2002	37.7



Drivers of Medical Costs in Texas

- Utilization, utilization, utilization
 - By non-hospital providers
 - Especially by chiropractors



Average Prices Are Lower and Utilization Higher Than Typical State

	<u>TX</u>	<u>12-State Median</u>	<u>% Diff</u>
Average payment/claim	\$9,314	\$6,736	+38%
# services/visit	3.9	3.4	+15%
# visits/claim	33.2	20.2	+64%
Average price/service	\$75	\$109	-31%

2001/2002 Claims with > 7 Days Lost Time
(Injury/Industry Mix Adjusted)



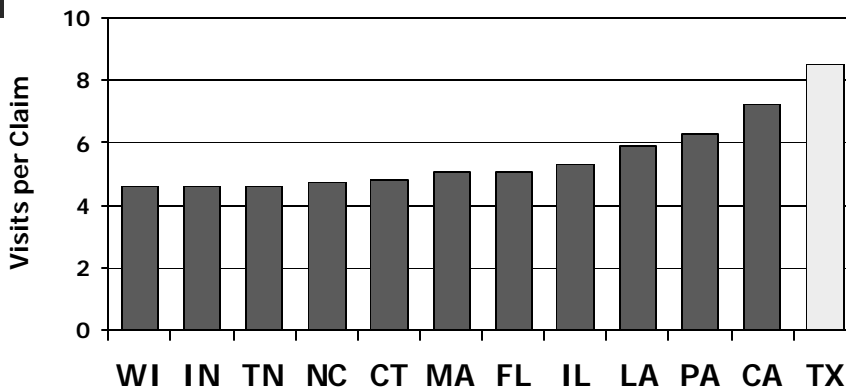
More Visits/Claim to Physicians & Chiropractors, for Similar Claims

	Visits per Claim		
	<u>TX</u>	<u>12-State Median</u>	<u>Difference</u>
Physician	12.0	8.9	↑ 35%
Chiropractor	38.4	19.8	↑ 94%
PT/OT	15.4	14.6	↑ 5%

2001/2002 Claims with > 7 Days Lost Time
(Injury/Industry Mix Adjusted)



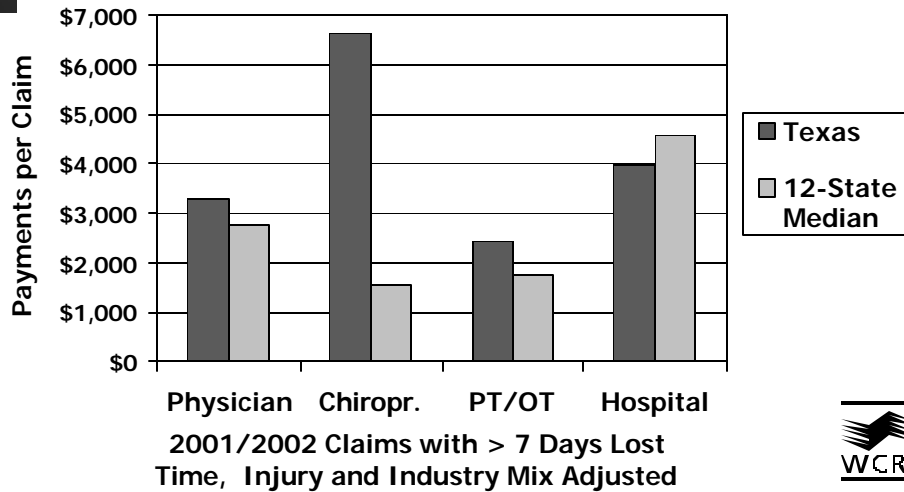
Texas Physicians Treated with More Office Visits/Claim, for Similar Claims



2001/2002 Claims with > 7 Days Lost Time
Injury and Industry Mix Adjusted



Texas Chiropractors Received Much Higher Payments/Claim Than in the Typical State

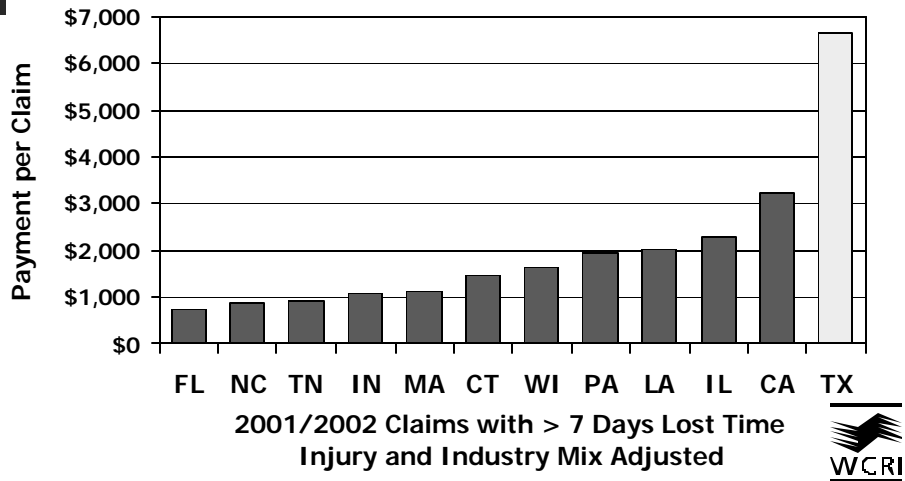


Compared to Chiropractors in Other States, Texas Chiropractors ...

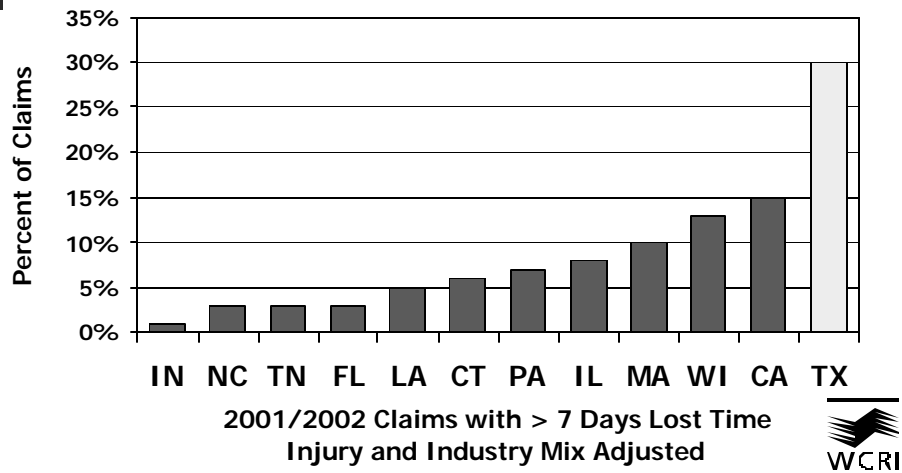
- Treated in 30% of claims – 5-10% typical
- Received revenue/claim that is 4 times higher
- Treated with average of 38 visits – 18-21 visits is typical
- Received average prices that are 50% higher
- Also, % of WC medical dollar paid to Texas chiropractors grew since 1996 from 7% to 20%



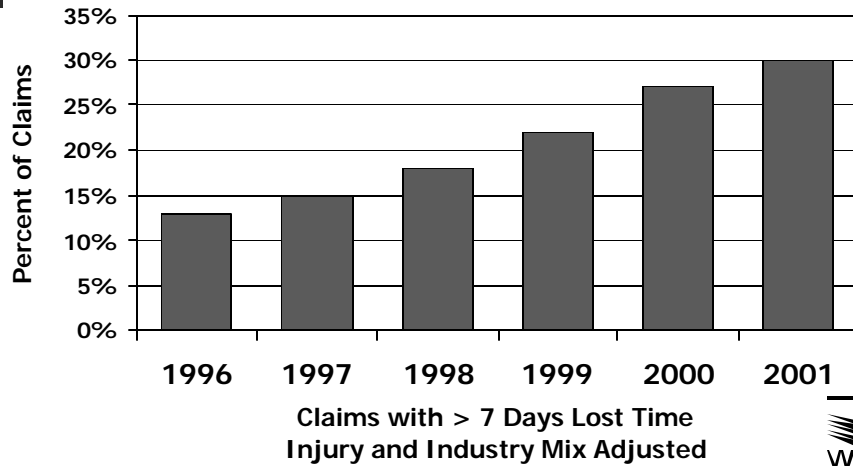
TX Chiropractors Received Much Higher Payment/Claim vs. Chiropr. in Typical State



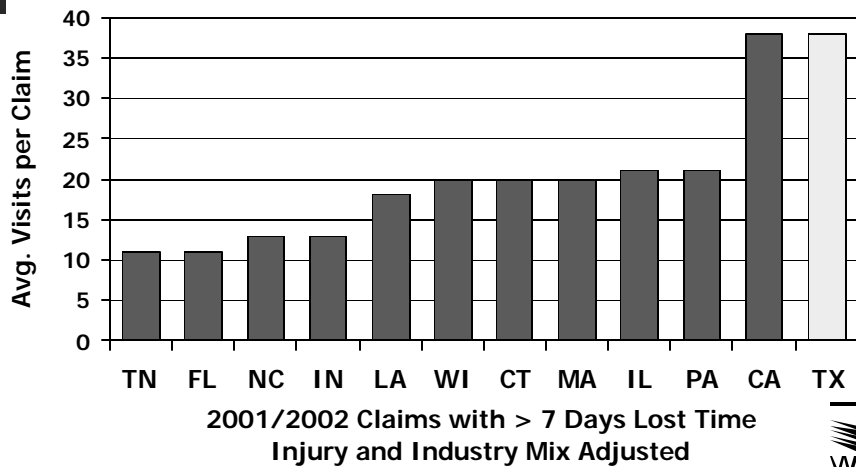
TX Chiropractors Treated in More Claims Than Chiropractors in Typical State



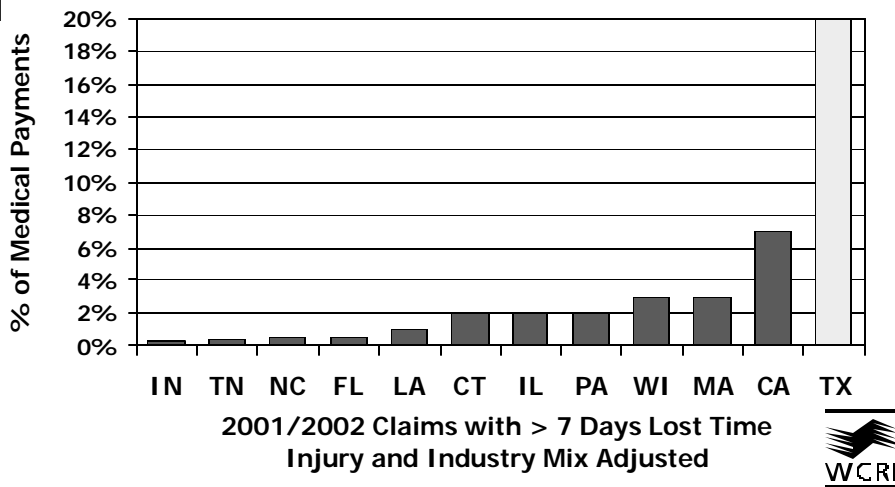
% of Claims Involving Texas Chiropractors Doubled Since 1996



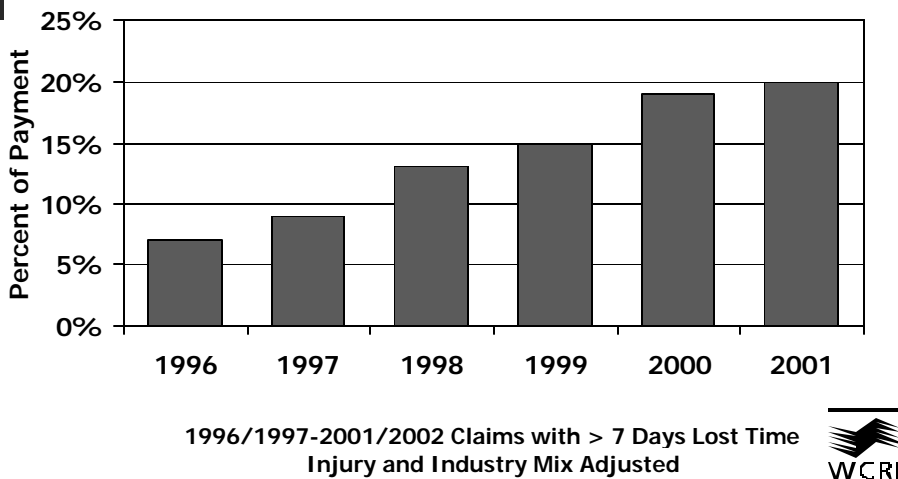
TX Chiropractors: More Visits/Claim Than Chiropractors in Other States



Texas Chiropractors Receive 20% of Total Medical Payments – 1-3% Is Typical



Share of Medical Payments to Chiropractors Grew from 7% to 20%



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Major Findings for Texas

- TX workers report similar injury severity
- TX workers report similar or poorer outcomes than in MA and PA
 - Poorer recovery of physical health
 - Higher percent did not have substantial and sustainable RTW
 - Workers report similar or less access to care
 - Workers report similar or less satisfaction with care

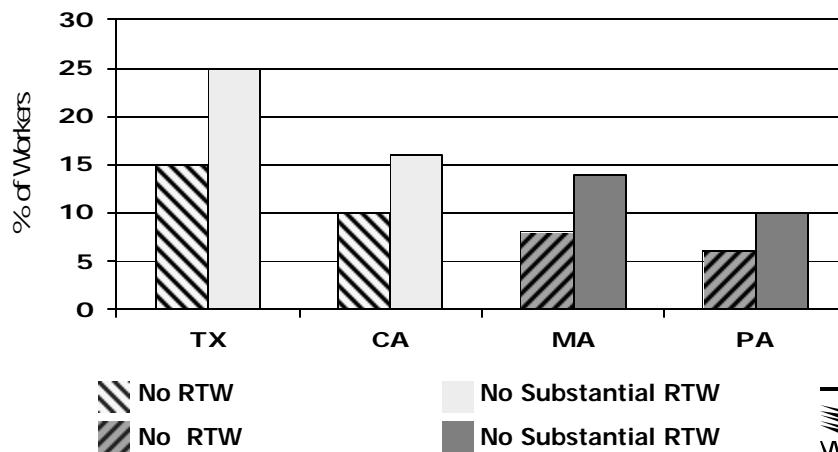


Four States Co-sponsored

- Texas – Research & Oversight Council
 - California – State WC Agency
 - Pennsylvania – State WC Agency
 - Massachusetts – State WC Agency
- Expect to add 4-8 more states in 2004



More TX Workers Do NOT Have Substantial RTW Than CA/MA/PA

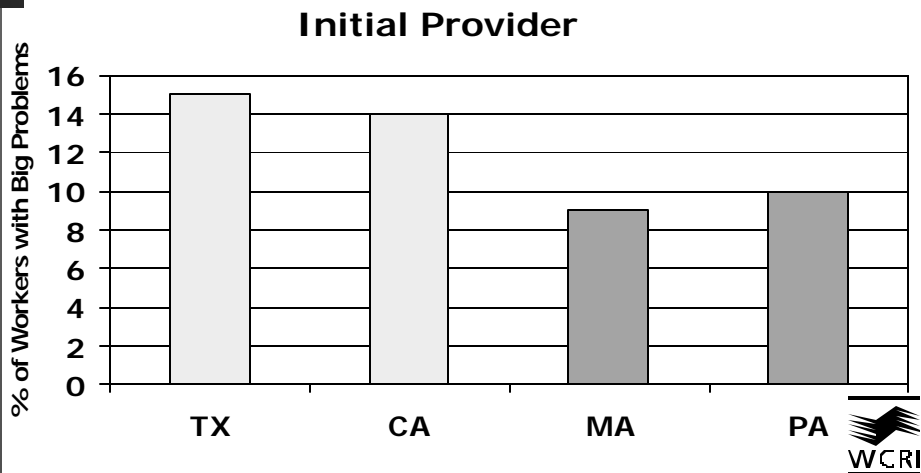


Factors Shaping Substantial RTW

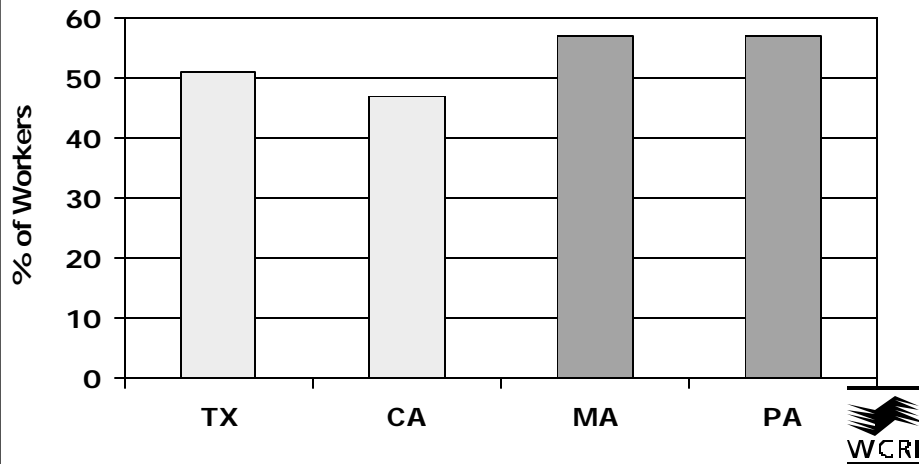
- Not perceived physical severity of injury
- Two keys to substantial RTW
 - Physical recovery
 - Workers with pre-injury attributes indicating “disadvantage in labor market”
 - Low education, low wage, low tenure, interviewed in Spanish



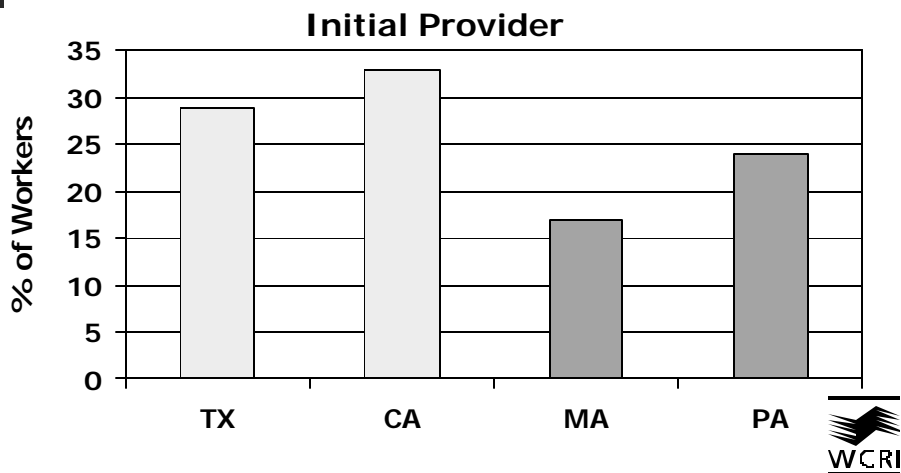
TX Workers More Likely to Report “Big Problems” with Access to Desired Services



TX Workers Less Likely to Report "Very Satisfied" with Overall Care



TX Workers More Likely to Report Wanting to Change Providers Due to Dissatisfaction



Reflections on Key Value Proposition for Texas WC System

- Costs to employers should be directly related to the outcomes received by injured workers
 - States with higher costs should deliver better outcomes to workers
 - Increases in employers' costs should produce improved outcomes for workers
- Despite higher medical costs/claim in Texas
 - Workers report similar injury severity
 - Workers report similar or poorer outcomes



Lessons from Recent WCRI Studies

- Benchmarks for Texas, 4th Editions
 - CompScope™
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 - ➔ Fee schedule benchmarks
- Impact of networks
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WCRI WC Fee Schedule Study

- Compare fee schedules to state Medicare and across states
- Based on 2001 fee schedules
- Today: also compare 2001 and 2004 Texas fee schedule



Outline

- Virtue of new Texas approach
- What is the "right" fee schedule level?

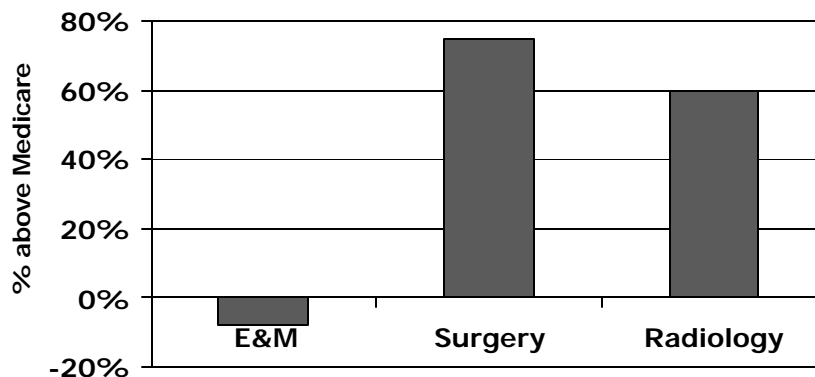


Virtue of New Approach

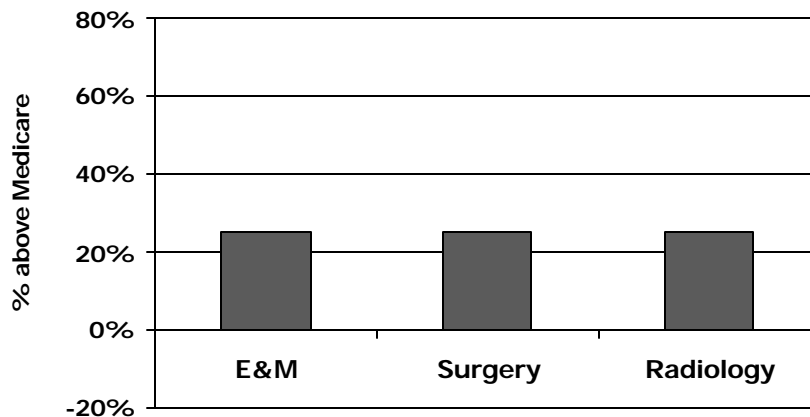
- New approach:
 - Pays all providers in proportion to expense and effort
 - Ensured by RBRVS & single conversion factor
 - Creates neutral utilization incentives
- Old approach:
 - Created incentives for more invasive and specialty care



Old Approach Creates Incentives for Invasive and Specialty Care



New Approach Creates Neutral Incentives for Utilization

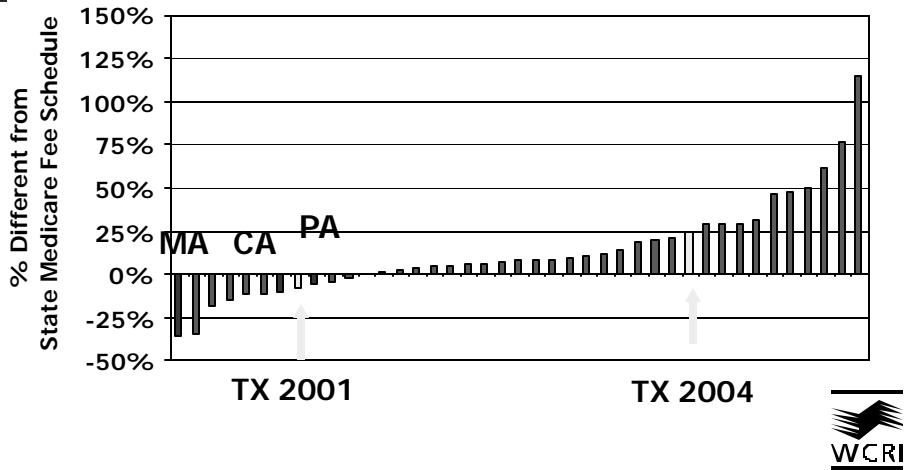


What Is "Right" Fee Schedule Level?

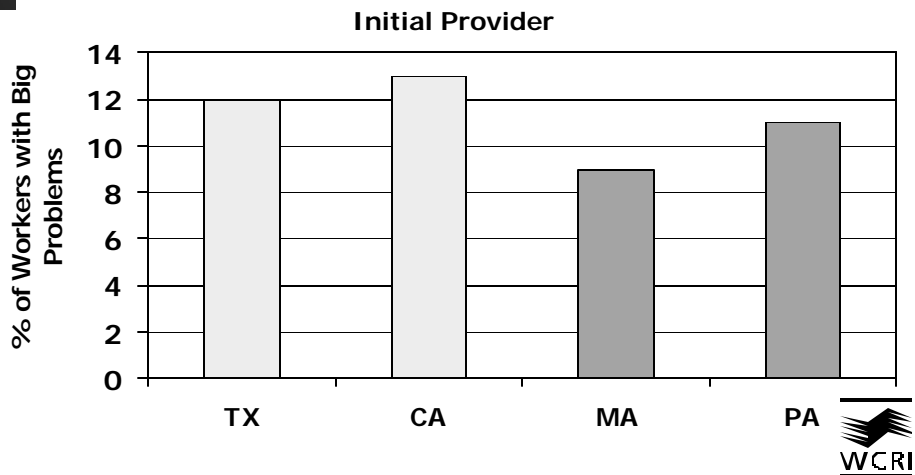
- Fees set at lowest rate consistent with access to timely, quality care
- How identify this level?
 - Compare to other major Texas payors
 - WC may require premium for some services
- Limited evidence on impact on access
- New fee schedule should improve access to primary care; debate is about specialty care



WC Evaluation & Mgmt. Fees (2001) -10 below to 25% above Medicare



Despite Higher Fee Schedule, More TX Workers Report "Big Problems" in Access to Provider than MA



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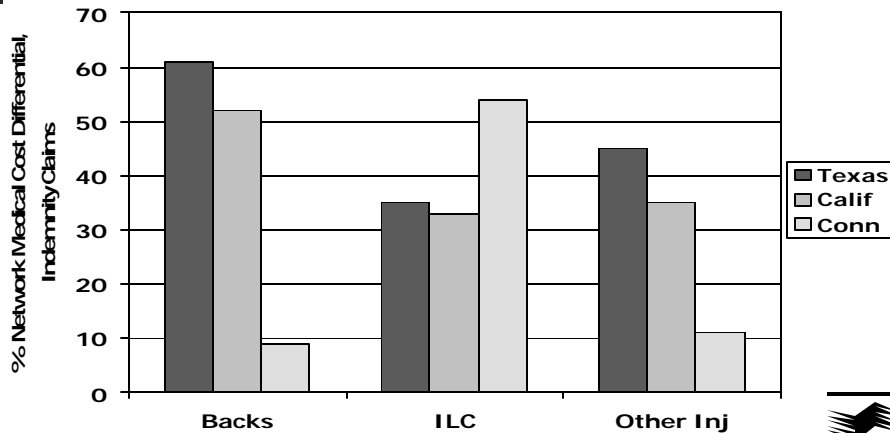


Networks of Providers: Findings of Studies by WCRI and Others

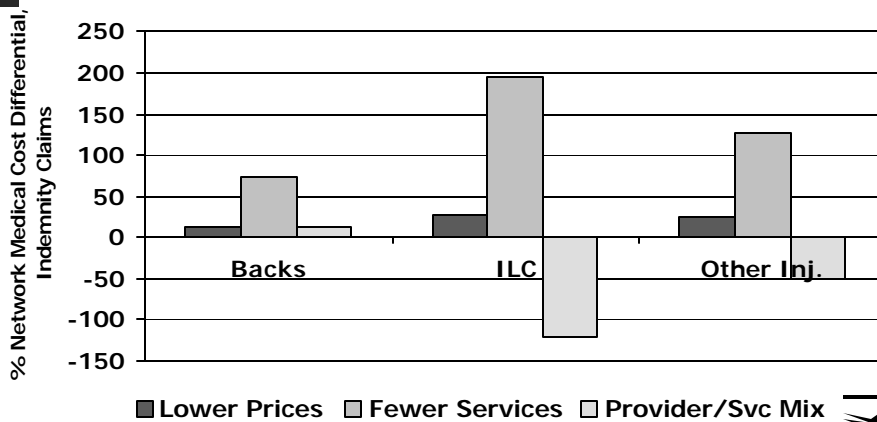
- Function
 - Price discounts
 - Utilization: provider credentialing, treatment guides
- Networks lower medical costs
 - Evidence from FL, WA, OR, CA, CT, TX
- Other network impacts
 - No difference in health [WA]
 - Lower satisfaction with care [FL, OR, WA]
 - Shorter duration of disability [CA, CT, TX, WA]



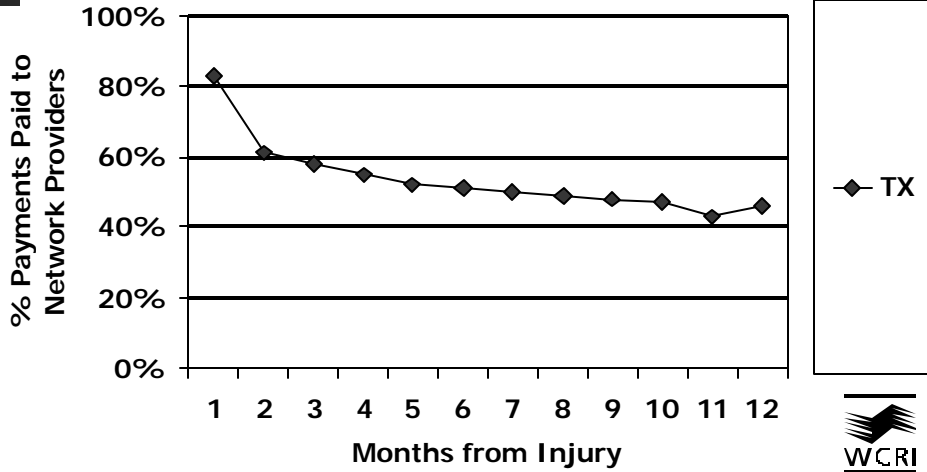
WCRI Network Study: Medical Costs Lower in Network Cases



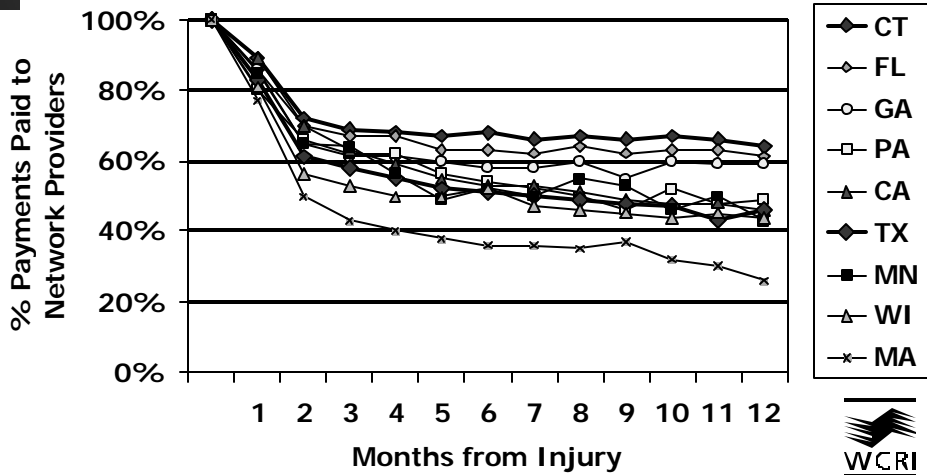
Network Differential Driven by Lower Utilization



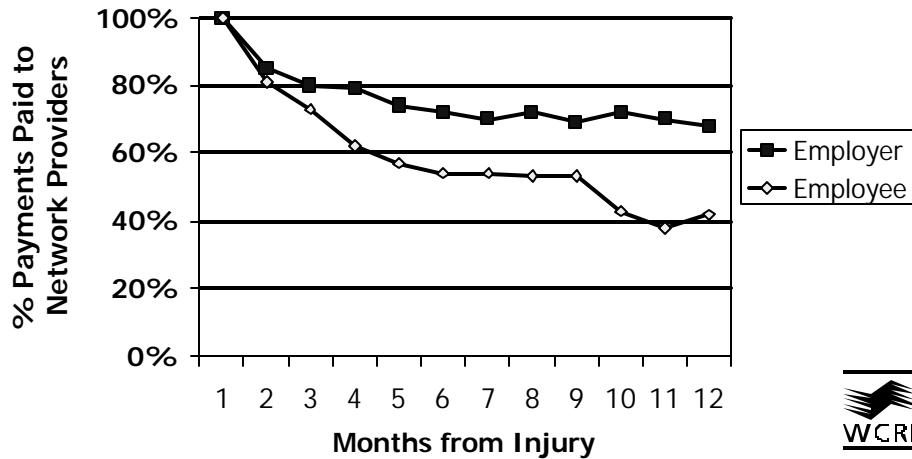
Network Penetration by State



Network Penetration by State



Employer Control of Change Increases Network Impact



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Cases Analyzed - Back SSP

- Defined as back sprains, strains, and non-specific pain of spine, including
 - Back strains and sprains
 - Non-specified back disorders
 - Non-allopathic lesions
- Include cases with appropriate primary ICD9s
- Exclude cases with discs, surgery, and complicating conditions

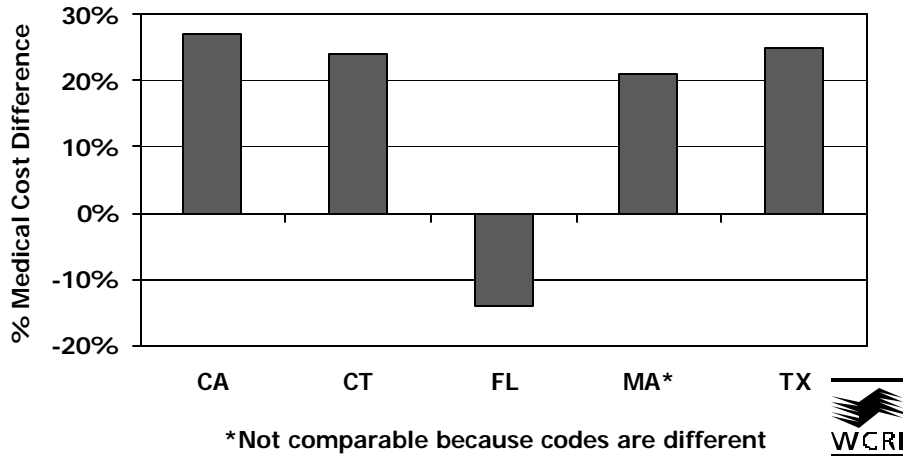


Back SSP Cases Included in Study

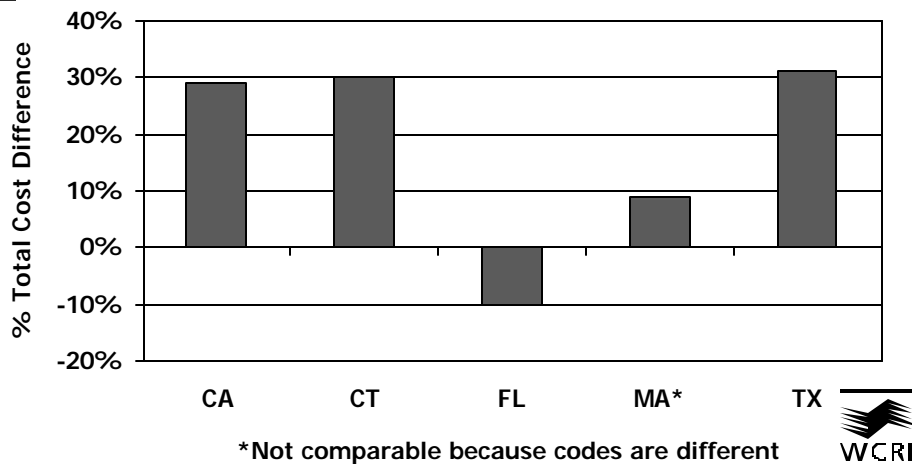
- Relatively homogeneous cases
- 52,000 open/closed claims
 - From 5 large insurers/TPAs
 - 5 states (CA,CT,FL,MA,TX) w/guidelines
 - 1997 injuries with treatment through 6/1999
- Comparison
 - Cases treated only by chiropractors
 - Cases treated only by physician who directed to physical medicine services
- "Medical costs" include ALL medical costs



Chiropractor Cases Cost More Than MD Cases to Get Same Outcome



Chiropractor Cases Cost More Than MD Cases to Get Same Outcome



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