



Sedgwick CMS

# Workers' Compensation National Reform: Affecting and Implementing Jurisdictional Changes



# Overview

**National Issues**

**State Reviews**

**Implications**

**What's Next?**

# National Initiatives



# HR 635



## **Medicare and Medicaid SCHIP Reporting Extension Act of 2007, Section 111**

# National Initiatives



Sedgwick CMS

## **Brown v. Cassens Transport**

**PPO Discounting**

**Networks**

**Utilization Review**

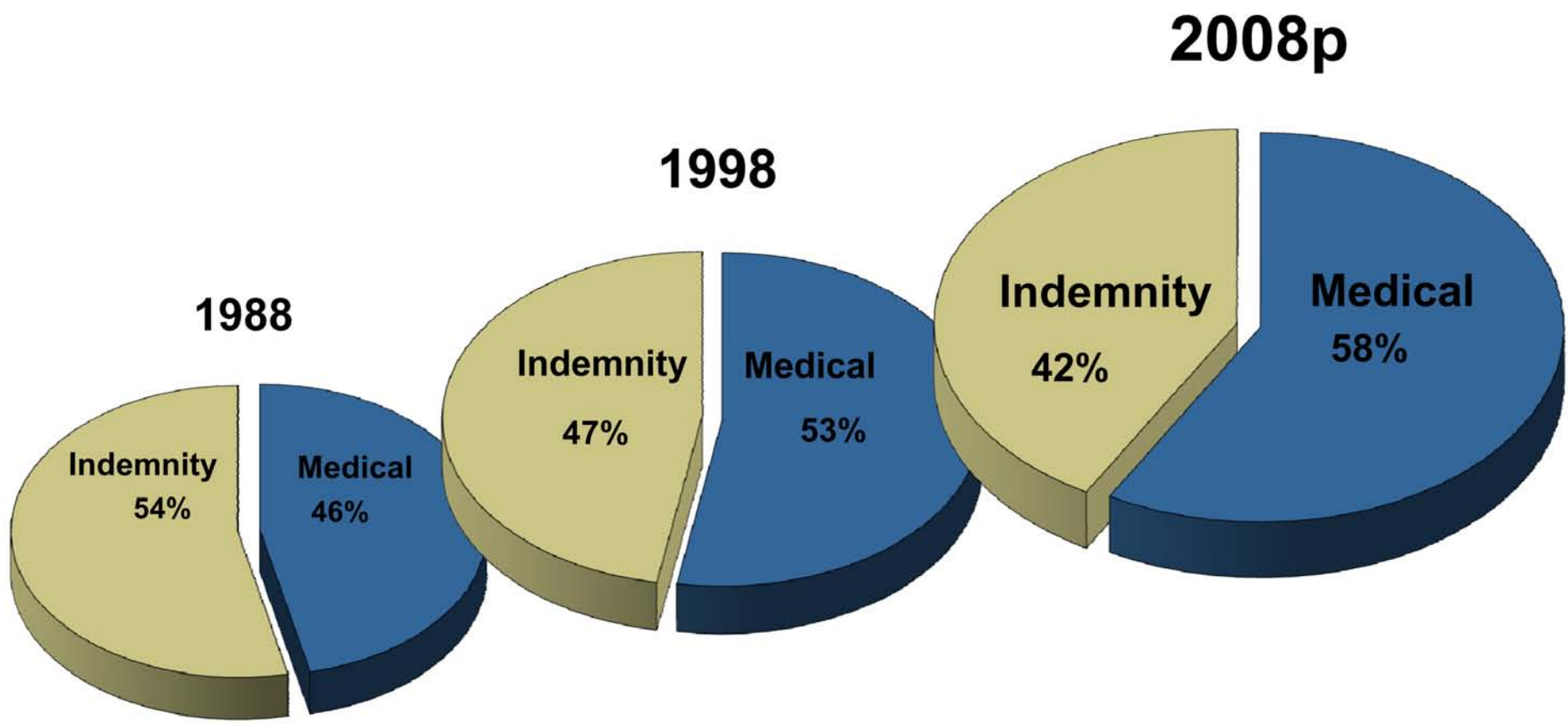
**Provider Contracting**

**Rising Costs**

# Workers' Comp Medical Losses Are More Than Half of Total Losses

## Accident Year

- 2008p: Preliminary based on data valued as of 12/31/2008
- 1988, 1998: Based on data through 12/31/2007, developed to ultimate
- Based on the states where NCCI provides ratemaking services, including state funds
- Excludes high deductible policies



# Medical Claim Costs Increased During Prior Recessions

## Accident/Calendar Year

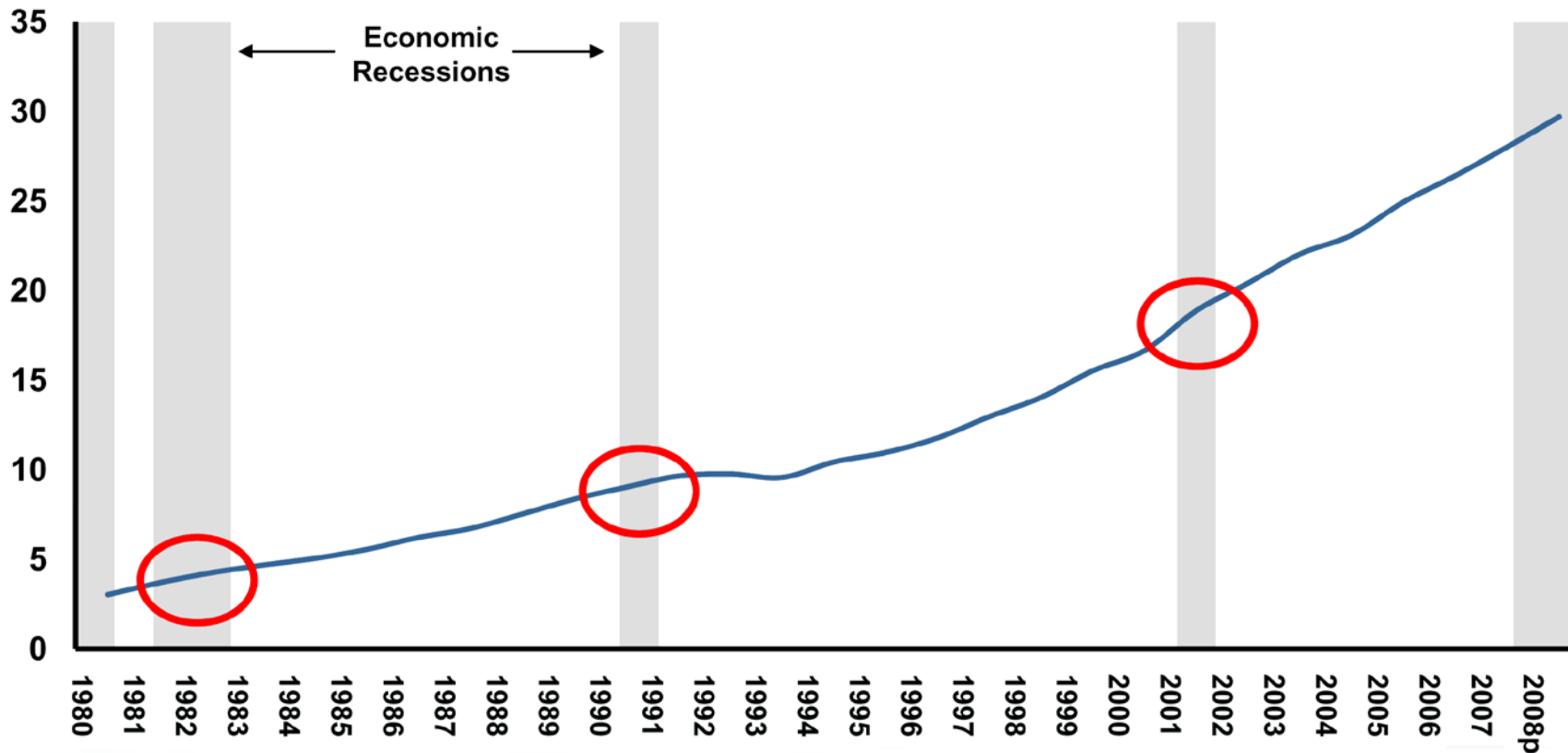
- 2008p: Preliminary based on data valued as of 12/31/2008
- 1991–2007: Based on data through 12/31/2007, developed to ultimate
- Based on the states where NCCI provides ratemaking services, including state funds
- Excludes high deductible policies



Sedgwick CMS

## Total Medical Claims

Medical Claim Cost (\$000s)



# Bell Weather States



**California**



**Florida**



**Illinois**



**New York**

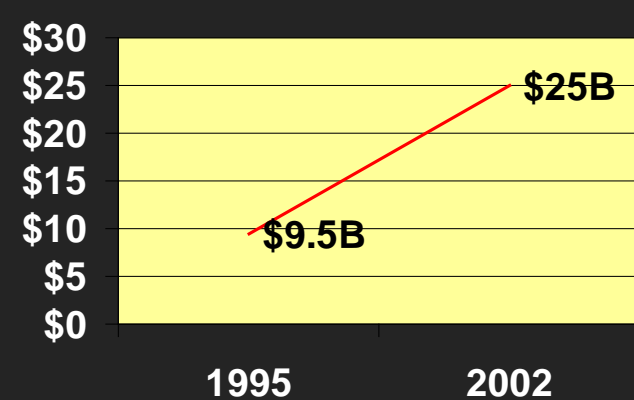


**Texas**

# California - Where We Were?

- Subjective permanent disability
- No control over medical treatment
  - PTP presumption of correctness
  - Multiple surgeries
  - Over utilization
- Fee schedule issues
  - Pharmacy
  - Outpatient surgeries
- SIP audit issues

*Costs climbed from*



**Legislative and  
Regulatory Changes**

**AB 749**

**AB 227/SB 228**

**SB 899**

**SIP Regulations**

# AB 749

- Increase in benefit rates
- Repeal of primary treating physician presumption of correctness for injuries after 1/1/03
- Settlement of vocational rehabilitation
- Medical confidentiality

- Repeal of primary treating physician presumption of correctness for all injuries
- Fee schedules
- Treatment caps
- Utilization review
- Supplemental job displacement voucher

- Medical provider network
- Treatment caps
  - Extended to occupational therapy
- QME process
- Immediate medical payment
- Temporary disability cap
- Permanent disability
- Apportionment
- Return to work

- 3-year rule codified
- Utilization review
- Fee schedules
- Dueling medical reports
- Present value
- Apportionment

# Florida: Key Changes 2003

## Senate Bill 50A

- Compensability threshold
- Permanent total
- Medical care
- Attorneys' fees
- Fee schedule
- Physician changes

# Florida: Impact of Changes

- Indemnity
- Medical
- Frequency of defense attorney involvement
- Emma Murray v. Mariner Health/ACE USA.
  - NCCI proposed rate increase
  - House Bill 903

# Illinois: Key Changes

- Medical fee schedule
- Utilization review

# Illinois: Impact of Key Change

- Unintended Consequences
  - Utilization of UR
  - Increase in costs

# New York: Key Changes

S.3322/A.6163

- Increase in benefit rates
- Cap on PPD benefits
- Medical fee schedules
- Diagnostic testing networks
- Pre-authorization
- Special disability fund
- Settlement offers

# New York: Impact of Key Changes

- Insurance commissioner ordered reduction in rates
- Implementation delays
- Varying effective dates
- Preauthorization threshold issues
- Stakeholder awareness

# Texas: Key Changes

## HB 7

- Health care networks
- Elimination of DWCC, functions transferred to DWC within TDI
- Removal of Approved Doctor List (ADL)
- Fee schedule
- Peer review licensure
- E-billing
- Limit use of required medical exam

# Texas: Impact of Key Change

- Fee schedule
- Networks
- Disability Management

# What's Next?

- Is the pendulum changing?
- What is the answer to rising costs?
- What is effective cost containment?

# What Should Employers Do?

- Legislative Activism
  - Understand what's happening early
  - Establish coalition
  - Evaluation considerations
  - Determine important issues
  - Define communication protocol
  - Participate in the process
  - Provide data and examples



Sedgwick CMS

# Questions

