



MONTANA LAW ONLY FILING

HB 334 Effective 7/1/2011

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April 27, 2011

Summary

- The following sections will have an immediate, quantifiable impact

Section	Description	Indemnity	Medical	Total
9	Permanent Partial Disability Awards	-5.2%	-	-1.7%
10 & 29	Terminating and Reopening Medical Benefits	-	-18.1%	-12.1%
10	Medical Fee Schedule Freeze	-	-3.4%	-2.3%
13	Introduction of Retroactive Period	+1.6%	-	+0.5%
24 - 26	Choice of Treating Physician	-7.8%	-8.8%	-8.5%
Overall Cost Impact		-11.2%	-27.8%	-22.4%
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Application to New, Renewal and All Outstanding

If Policy Effective Date is	Then																																				
July 2010 and Prior	No Action Needed																																				
Outstanding Policies Effective Between 8/1/2010 and 6/30/2011	Use Table Below to Adjust Premium																																				
	<table border="1"> <thead> <tr> <th>(1) Effective Month</th> <th>(2) Unexpired Policy Portion as of 7/1/2011</th> <th>(3) = -22.4% x (2) / 12 Premium Adjustment</th> </tr> </thead> <tbody> <tr><td>August, 2010</td><td>1 month</td><td>-1.9%</td></tr> <tr><td>September, 2010</td><td>2 months</td><td>-3.7%</td></tr> <tr><td>October, 2010</td><td>3 months</td><td>-5.6%</td></tr> <tr><td>November, 2010</td><td>4 months</td><td>-7.5%</td></tr> <tr><td>December, 2010</td><td>5 months</td><td>-9.3%</td></tr> <tr><td>January, 2011</td><td>6 months</td><td>-11.2%</td></tr> <tr><td>February, 2011</td><td>7 months</td><td>-13.1%</td></tr> <tr><td>March, 2011</td><td>8 months</td><td>-14.9%</td></tr> <tr><td>April, 2011</td><td>9 months</td><td>-16.8%</td></tr> <tr><td>May, 2011</td><td>10 months</td><td>-18.7%</td></tr> <tr><td>June, 2011</td><td>11 months</td><td>-20.5%</td></tr> </tbody> </table>	(1) Effective Month	(2) Unexpired Policy Portion as of 7/1/2011	(3) = -22.4% x (2) / 12 Premium Adjustment	August, 2010	1 month	-1.9%	September, 2010	2 months	-3.7%	October, 2010	3 months	-5.6%	November, 2010	4 months	-7.5%	December, 2010	5 months	-9.3%	January, 2011	6 months	-11.2%	February, 2011	7 months	-13.1%	March, 2011	8 months	-14.9%	April, 2011	9 months	-16.8%	May, 2011	10 months	-18.7%	June, 2011	11 months	-20.5%
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New and Renewal On or After 7/1/2011	Use values in law only filing																																				

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Other Sections

- ⦿ The following sections either have no immediate or significant cost impact or the cost impact cannot be explicitly determined

Section(s)	Description
1-3	Definitions
4-7, 12, 27-28	Administrative
8	Definition of Course and Scope
10	Utilization and Treatment Guidelines
11	Require Use of Sixth Edition of the AMA Guides to the Evaluation of Impairment
14	Settlements
15-23, 30	Stay at Work / Return to Work Program
31-35	Application and effective dates

- ⦿ Any impact on system costs from all these sections will be realized in future loss experience and reflected in subsequent Montana loss cost filings.

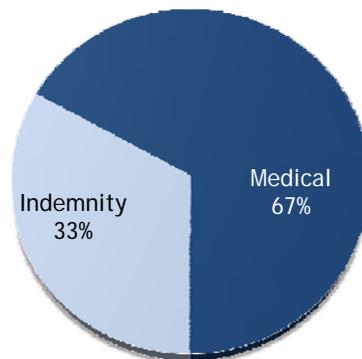
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Summary - Historical Perspective

Enacted HB 334 Section	Provision	As First Introduced		HB 334.01 and Other Version(s)		HB 334.02 Enacted Point Est.	Reasons for Differences
		Low	High	Low	High		
9	PP Awards	-7.5%	-3.4%	-2.7%	-1.3%	-7.7%	1. Assumed lower utilization for duration 2. Refined identification of class 1 impairment 3. Indemnity/Medical split changed 4. Language was different than enacted
	PP Duration	+0.8%	+1.0%	+0.8%	+1.0%		
10, 29	Terminating & Reopening Medical	-23.3%	-14.4%	-18.2%	-3.8%	-12.7%	1. Changed assumptions regarding reopening period 2. Updated data 3. Indemnity/Medical split changed 4. Language was different than enacted
13	Retroactive Period	+0.3%	+0.4%			+0.5%	1. Montana specific healing period is used 2. Indemnity/Medical split changed
24-262	Choice of Treating Physician	-14.3%	-4.4%			-8.5%	1. Gave specific consideration to Montana characteristics 2. Indemnity/Medical split changed

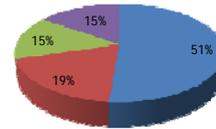
Montana Indemnity/Medical Costs Expected for July 1, 2011



Section 9: Permanent Partial Awards

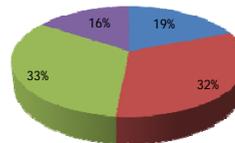
- Eliminates Class 1 permanent partial awards unless there is actual wage loss
- Establishes 6th Edition of AMA Guides as basis for the determination of impairment
- Increases from 375 to 400 the number of weeks used to apply the percentage of impairment or disability to in calculating the award

PPD Claims by Impairment Class



■ No Wage Loss & Class 1 Impairment
 ■ Wage Loss & Class 1 Impairment
 ■ Wage Loss & Class 2 or higher Impairment
 ■ No Wage Loss & Class 2 or higher Impairment

PPD Losses by Impairment Class



Source: Montana DLI, closed claims, AY 2003-2007

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Section 9: Permanent Partial Awards

Row	Description	Amount	Comments
(1)	Impact on PPD Due to Elimination of Awards for Injuries with Class 1 and No Wage Loss	-19.1%	Percentage of loss for class 1 claims with no wage loss (ERD data for accident years 2003-07 and NCCI mapping by body part to AMA 6 th Edition class)
(2)	Direct Impact on PPD due to Increase in PPD Weeks	+6.7%	= (400/375) - 1
(3)	Utilization Factor for the Increase in PPD Weeks	10.0%	Based on actuarial judgment
(4)	Impact Due to Increase in PPD Weeks with Utilization	+7.4%	Percentage increase in duration with utilization = (2) x [1.0 + (3)]
(5)	Impact on Permanent Partial Awards	-13.1%	[1.0+(1)] x [1.0+(4)] - 1.0
(6)	Permanent Partial Awards as a % of PPD Indemnity Loss	56.0%	Detailed Claims Information data, accident years 2003-07
(7)	Impact on PPD Indemnity Loss	-7.4%	= (5) x (6)
(8)	PPD Indemnity Loss as a % of Total Indemnity Loss	69.7%	Statistical plan data, 24 month policy period ending 12/31/2007
(9)	Indemnity Impact	-5.2%	= (7) x (8)
(10)	Indemnity as a % of Total Loss	33.0%	Financial data for policy years 2006-08, trended to 7/1/2011
(11)	Impact on Montana WC System Costs	-1.7%	= (9)x(10)

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Sections 10 and 29: Terminating and Reopening Medical Benefits

(1) Policy Year	(2) % Medical PPD Unpaid After 5 Years	(3) Prosthetics Unpaid After 5 Years	(4) Estimated Other Reopened	(5) = -(2)+(3)+(4) Estimated PPD Medical Savings	(6) PPD Medical as % Total Medical	(7) = (5) x (6) Estimated Medical Savings
2004	45.5%	7.3%	6.5%	-31.7%	65.7%	-20.8%
2005	45.7%	7.8%	7.0%	-30.9%	61.3%	-18.9%
2006	45.5%	7.8%	6.9%	-30.8%	61.9%	-19.1%
2007	45.6%	9.4%	8.4%	-27.8%	51.0%	-14.2%
2008	45.6%	8.2%	7.3%	-30.1%	58.8%	-17.7%

	% Losses	Impact
Total Medical (Average Policy Years 2004-08)	67.0%	-18.1%
Total Indemnity	33.0%	-
<i>Impact on Montana WC System Costs</i>		<i>-12.1%</i>

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Section 10: Medical Fee Schedule Freeze

- Reverts facility and non-facility fee schedules to values effective 12/31/2010
 - Inpatient fee schedule became effective 10/1/2010 - no impact
- Freezes these values through 6/30/2013

	% of Losses	Impact
Physician	24.9%	-8.5%
Hospital Outpatient	9.8%	-1.5%
Hospital Inpatient	9.3%	-
Ambulatory Surgical Centers	3.4%	-1.2%
Other Medical	19.6%	-
Total Medical	67.0%	-3.4%
Total Indemnity	33.0%	-
<i>Impact on Montana WC System Costs</i>		<i>-2.3%</i>

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Section 13:

Introduction of Retroactive Period

- ⦿ Introduces a 21-day retroactive period - injured worker is paid for the first 4 days of incapacity if total incapacity extends to 21 days or beyond
- ⦿ Increases benefits paid and provides behavioral incentives for longer duration for TTD claims with less than 21 days of incapacity

	% of Losses	Impact
Fatal and Permanent Total Disability	6.4%	-
Permanent Partial Disability	23.0%	+1.5%
Temporary Total Disability	3.6%	+5.0%
Total Indemnity	33.0%	+1.6%
Total Medical	67.0%	-
<i>Impact on Montana WC System Costs</i>		<i>+0.5%</i>

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Sections 24-26:

Choice of Treating Physician

- ⦿ Treating physician to be designated by the employer
- ⦿ Employer-directed health care
- ⦿ Reduce the impacts to take into consideration
 - Managed Care Organizations
 - Effectiveness of medical fee schedules
 - Utilization guidelines
 - Usage

	Indemnity	Medical	Total
Based on 2 Models from WCRI Study	-11.1%	-14.6%	
Reduction Due to State Specific Considerations	30.0%	40.0%	
Impact After Reductions	-7.8%	-8.8%	
% of Losses	33.0%	67.0%	
<i>Impact on Montana WC System Costs</i>	<i>-2.6%</i>	<i>-5.9%</i>	<i>-8.5%</i>

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Questions ...

