

Recommendations on Improving Montana's Benefit Structure

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Ann Clayton
Ann Clayton and Associates

Recommendations Assume The Following Objectives For System Improvement

- ▶ Improve benefit predictability, equity and adequacy without decreasing efficiency;
- ▶ Lower premiums for employers

Source: *CompScope™: Benchmarks 8th Edition, The Databook*, Workers' Compensation Research Institute, Jan 2008

System Assumptions Based on Best Available Information:

- ▶ Premium rates overall in Montana were second highest in the nation as of 2008 (Oregon Premium Rate Ranking Study)
- ▶ Significant cost drivers are:
 - ▶ Medical costs;
 - ▶ Higher than average frequency of injuries per 100,000 workers
 - ▶ Temporary total disability duration greater than many states
 - ▶ Higher than average PTD benefits paid
 - ▶ Allows compensability for injuries unrelated to work activities
 - ▶ Inability to close claims
 - ▶ Inability to settle medical benefits into the future
 - ▶ Cost of living escalator payment process increases premium rates
 - ▶ Inability for employers/insurers to recover significantly from third parties liable for workers' injuries

System Conclusions Based on Best Available Information:

- ▶ Montana's benefit system is fairly easy to understand and the structure is sound, but it could be more predictable, equitable and adequate.
- ▶ Care should be taken to not decrease efficiency or access to medical care.
- ▶ The end result of revisions should also decrease rates for employers.

Strategies in Place and Additional Recommendations:

▶ Contain medical costs but protect access:

- ▶ Medical fee schedules revised; additional revisions probably necessary;
- ▶ Enact utilization and treatment guidelines
- ▶ Enact provisions that requires the employer/insurer to pay the attorney fees (rather than the medical providers) when the workers prevails in a medical fee dispute
- ▶ Allow future medicals to be settled but have mechanism to ensure worker is protected

▶ Reduce frequency of injuries:

- ▶ Eliminate compensability for non-work related activities
- ▶ WorkSafetMT

Reduce TTD duration and Increase RTW/SAW:

- ▶ End temporary benefits at maximum healing (MMI)
- ▶ Begin payment of Impairment benefits or PPD with modifiers based on rtw at full wage or offer of suitable employment within 14 days after notice of MMI and rating
- ▶ Enact review by rtw specialist immediately after injury to facilitate rtw in modified position or identify barriers to appropriate rtw
- ▶ Consider additional preferred worker, assisted re-employment and/or support community based efforts for new employment
- ▶ Educate physicians on research regarding outcomes of “healing on the job”

Strategies in Place and Additional Recommendations:

- ▶ Decrease above average payments for PTD:
 - ▶ Frequency seems to be falling – continue to monitor trend;
 - ▶ Incurred amounts for PTD should begin to decline now that constitutional challenge of retirement provision is resolved (Saterlee) – continue to monitor
 - ▶ Reduce friction between PPD and PTD by raising PPD rate for workers who are not back to work at full wage at MMI to a wage they can more easily live on while return to work efforts continue
 - ▶ Continue efforts to move rtw discussions and plans earlier in the course of a workers' claim
 - ▶ Allow for the settlements of indemnity claims when both parties are willing
 - ▶ Consider an administrative alternative to having the employer and insurer pay the cost of living escalators for PTD benefits as a method to reduce rates but still provide the same level of benefits

Strategies in Place and Additional Recommendations:

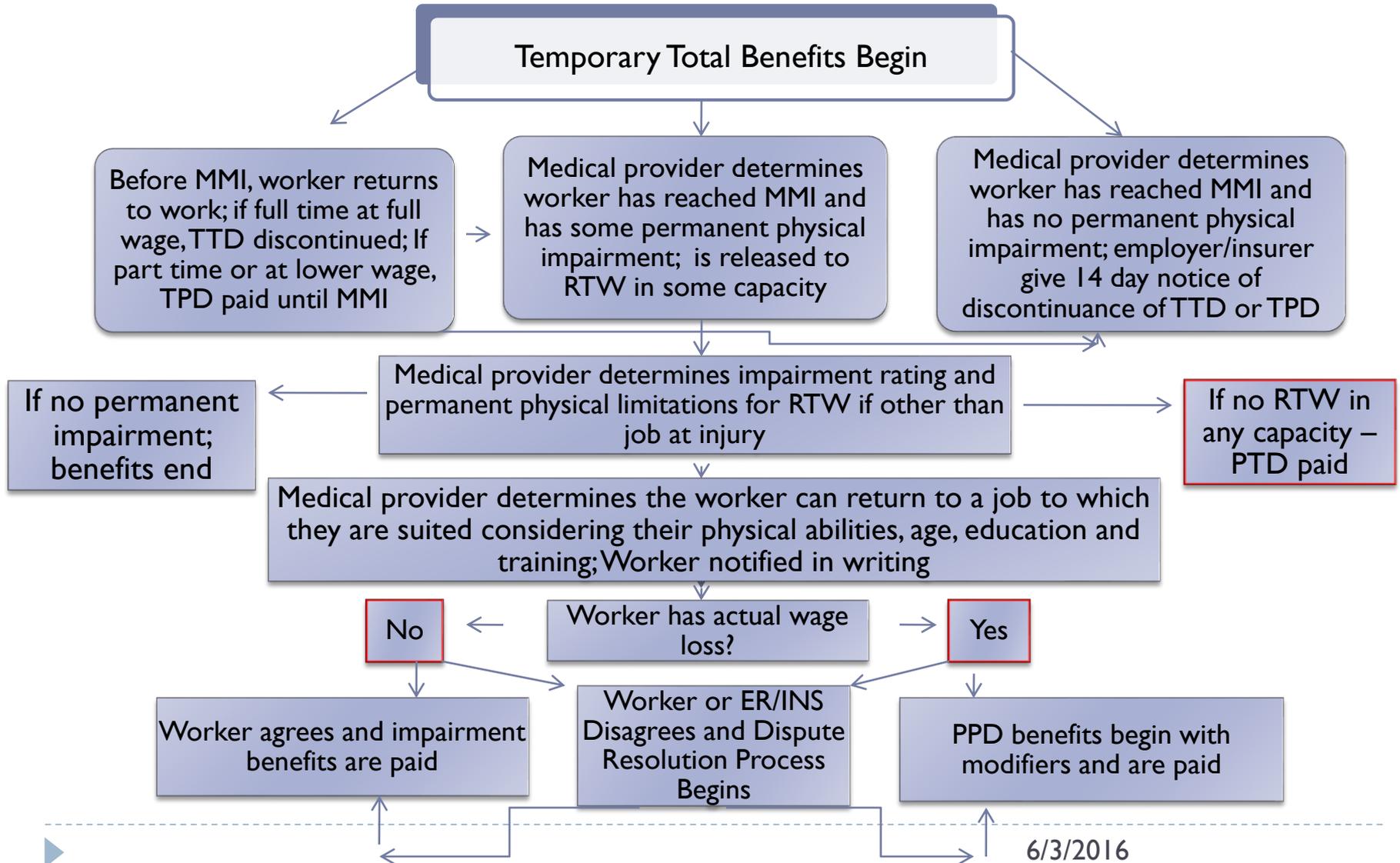
- ▶ Increase the adequacy of benefits for those that need them the most (those who are off work longer than 4 weeks and those that have permanent physical limitations and have not returned to work at MMI) by:
 - ▶ Instituting a retroactive payment of the waiting period for those workers who are temporary totally disabled for 28 days or longer; and
 - ▶ Increasing the maximum benefit for PPD to 75% of the SAWW (from the current 50% of the SAWW) for those workers who have not returned to work by MMI.
 - ▶ Pay for these benefit enhancements by statutorily adopting the 6th Edition AMA guides and increasing the waiting period to 7 days from the current 4 days.

Strategies in Place and Additional Recommendations:

- ▶ Increase horizontal equity by revising the compensation rates for TTD and PTD to a system like Washington's that recognizes the number of dependents in injured worker has at the time of injury ; design this to be revenue neutral
- ▶ Increase vertical equity by implementing a retroactive payment of the 7 day waiting period after 28 days of disability and by increasing the PPD maximum for those workers who are not back to work (or have not refused a suitable job offer) by 14 days after MMI
- ▶ Improve predictability of system costs with clear claim closure criteria and by allowing indemnity and medical costs to be settled with the agreement of both parties and some protection for workers
- ▶ Decrease a rtw disincentive by revising the TPD rate to 80% of the difference between the wage at injury and the actual wages earned
- ▶ Be aware that Montana's benefit costs will be an estimated 1.4% higher than those of most other states due to your constitutional limitation on third party recoveries

How Would These Changes Affect How the Montana System Works?

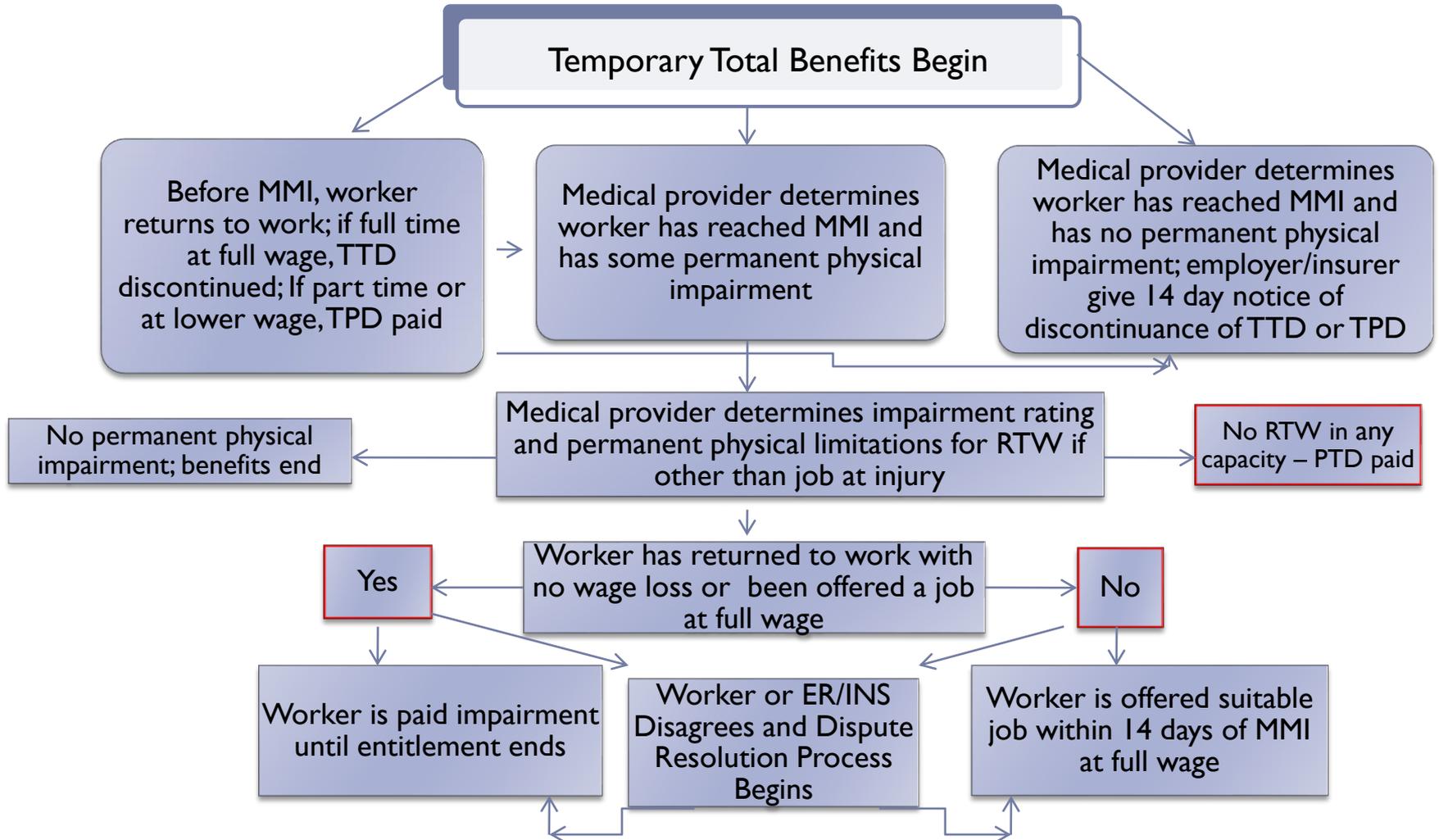
Current System Flow



6/3/2016

How Would These Changes Affect How the Montana System Works?

Proposed System



What Would This Mean for System Objectives?

Recommendation	Impact on Costs	Predictability	Adequacy	Horizontal Equity	Vertical Equity
Enact utilization and treatment guidelines	↓	↑	No impact	No impact	No impact
Revise attorney fees for medical disputes	↑	Designed to reduce negative impact of treatment guidelines on access to care			
Allow future medicals to be settled but have mechanism to ensure worker is protected	↓	↑	No impact	No impact	No impact
Eliminate compensability for non-work related activities	↓	↑	No impact	No impact	No impact
Revise TTD and PTD rates to reflect impact of dependents	Design to be revenue neutral	Minor impact	↑	↑	↑
End temporary benefits at maximum healing (MMI)	↓	↑	No impact	No impact	No impact
Begin payment of Impairment benefits or PPD with modifiers based on rtw at full wage or offer of suitable employment within 14 days after notice of MMI and rating	↑	↑	↑	↑	↑
Enact review by rtw specialist immediately after injury to facilitate rtw in modified position or identify barriers to appropriate rtw	↑	↑	↑	↑	↑
Consider additional preferred worker, assisted re-employment and/or support community based efforts for new employment	Handle thru WorkSafeMT	Handle thru WorkSafeMT	Handle thru WorkSafeMT	Handle thru WorkSafeMT	Handle thru WorkSafeMT
Educate physicians on research regarding outcomes of “healing on the job”	Handle thru WorkSafeMT	Handle thru WorkSafeMT	Handle thru WorkSafeMT	Handle thru WorkSafeMT	Handle thru WorkSafeMT

What Would This Mean for System Objectives?

Recommendation	Impact on Costs	Predictability	Adequacy	Horizontal Equity	Vertical Equity
Reduce friction between PPD and PTD by raising PPD rate for workers who are not back to work at full wage at MMI	↑	No change anticipated	↑	↑	↑
Allow for the settlements of indemnity claims when both parties are willing	↓	↑	No change anticipated	No change anticipated	No change anticipated
Consider an administrative alternative to having the employer and insurer pay the cost of living escalators for PTD benefits	↓	No change anticipated	No change anticipated	No change anticipated	No change anticipated
Institute a retroactive payment of the waiting period for those workers who are temporary totally disabled for 28 days or longer	↑	Will take a few years to return to current predictability	↑	↑	↑
Increasing the maximum benefit for PPD to 75% of the SAWW (from the current 50% of the SAWW) for those workers who have not returned to work by MMI.	↑	Will take a few years to return to current predictability	↑	↑	↑
Statutorily adopting the 6 th Edition AMA guides	↓	↑	?	No change anticipated	No change anticipated
Increasing the waiting period to 7 days from the current 4 days.	↓	No change anticipated	↓	No change anticipated	No change anticipated
Bottom line benefit costs will have to be about 1.4% lower than those of other states due to limitation on third party recoveries	All cost impacts will need to be quantified once final				