



National
Council on
Compensation
Insurance, Inc.

MONTANA LMAC 7/30/2010 REFORM PROPOSAL

NCCI Analysis

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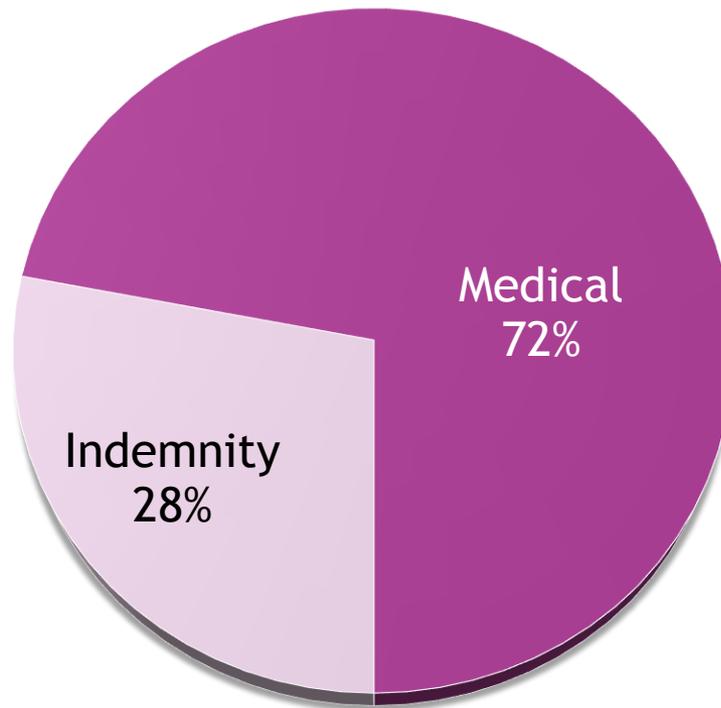
Summary

- The following sections would be expected to have an immediate, quantifiable impact

Section(s)	Description	\$ Impact	% Impact
1-13	Stay At Work Return to Work	-\$6M to -\$1M	-1.3% to -0.3%
16, 21, 25	Termination of Temporary Total Benefits	-\$5M to -\$1M	-1.1% to -0.3%
22-24	Attorney Fees	+\$1M to +\$2M	+0.2% to +0.5%
27	Permanent Partial Disability Awards	+\$4M to +\$19M	+0.9% to +4.2%
32	Introduction of Retroactive Period	+\$1M to +\$2M	+0.3% to +0.5%
	<i>Overall Cost Impact</i>	<i>-\$5M to +\$21M</i>	<i>-1.0% to +4.6%</i>

- Medical fee schedules are adopted by rule. NCCI will estimate the cost impact of changes to the schedules when the rules become available, subject to data availability.
- Other provisions may have either an unknown impact or no significant impact.
- Cost impact for provisions effective in 2013 has not been estimated

Distribution of Montana Indemnity/Medical Costs Expected for 2011



Sections 1-13:

Stay at Work / Return to Work

- Current percentage of lost-time claims with Vocational Rehabilitation (VR) benefits 25% to 30%
- Estimated percentage of claims with SAW/RTW benefits 10% to 17%

	Low	High
Change in VR costs	-66%	-31%
Percent of VR Benefits to Total Indemnity Benefits	7.0%	4.0%
Impact to Indemnity Benefits	-4.6%	-1.2%
Percent of Indemnity Benefits to Total Benefits	28.0%	28.0%
<i>Impact on Montana WC system costs</i>	<i>-1.3%</i>	<i>-0.3%</i>

Sections 16, 21, 25:

Termination of Temporary Total Benefits

- Terminate TTD benefits 21 days after maximum medical improvement (MMI), but not before permanent partial impairment rating has been issued
- Range of average termination assumed from 21 days to 6 weeks after MMI

	Low	High
Impact on TTD claims	-4.2%	-13.9%
TTD % of Indemnity Benefits	10.9%	
Indemnity % of Total Benefits	28.0%	
<i>Impact on Montana WC system costs</i>	<i>-0.1%</i>	<i>-0.4%</i>

	Low	High
Impact on PPD claims	-1.0%	-3.4%
PPD % of Indemnity Benefits	69.7%	
Indemnity % of Total Benefits	28.0%	
<i>Impact on Montana WC system costs</i>	<i>-0.2%</i>	<i>-0.7%</i>

- **System savings from sections affecting termination of TTD benefits would be between 0.3% and 1.1%.**

Sections 22-24:

Attorney Fees

- ◉ Require attorney fees be additionally paid for denial or termination of medical benefits that are subsequently deemed compensable
- ◉ Estimates based on 50% (low) and 100% (high) of recent experience for attorney fees

	Low	High
Average claimant attorney fees FY 2005-07	\$726,796	\$1,453,592
<i>Impact on Montana WC system costs</i>	+0.2%	+0.5%

Section 27:

Permanent Partial Impairment & Disability Awards

- Changes conditions under which injured worker receives impairment award and disability award
- Eliminates wage loss modifier
- Increases cap on weekly benefit from 50% to 75% of SAWW
- Results in an increase of roughly 30% on impairment awards
- Increase in proportion of claimants receiving disability award from 33% to possibly 55%

	Low	High
Impact on permanent partial (PP) awards	+7.7%	+37.3%
PP awards % of PP claim costs	57.5%	
PP claim costs % of Indemnity Benefits	69.7%	
Indemnity % of Total Benefits	28.0%	
<i>Impact on Montana WC system costs</i>	+0.9%	4.2%

Section 32:

Introduction of Retroactive Date

- 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 TTD claims

	Low	High
Impact on TTD claims	+4.0%	+10.3%
TTD % of Indemnity Benefits	10.9%	
Indemnity % of Total Benefits	28.0%	
<i>Impact on Montana WC system costs</i>	<i>+0.1%</i>	<i>+0.3%</i>

	Low	High
Impact on PPD claims	+0.9%	+0.9%
PPD % of Indemnity Benefits	69.7%	
Indemnity % of Total Benefits	28.0%	
<i>Impact on Montana WC system costs</i>	<i>+0.2%</i>	<i>+0.2%</i>

- System cost increase from introducing a retroactive period would be between 0.3% and 0.5%.

Section 28:

Payment of Medical, Hospital, and Related Services

- Medical fee schedules are adopted by rule
 - NCCI will estimate the immediate cost impact of changes to the schedules when the rules become available, subject to data availability.

- Utilization & Treatment Guidelines (per DLI draft rule) adopt Colorado guidelines, supplemented by ACOEM guidelines

- Savings from Utilization & Treatment Guidelines will depend on
 - Implementation - transition to mandatory use
 - Interpretation of presumption of correctness
 - Extent of reliance by physicians
 - Extent of use by insurers & employers
 - How current practice compares to the guidelines

- Savings from Utilization & Treatment Guidelines will evolve over time, and be reflected in subsequent experience and filings

Other Sections

- The following sections would have a cost impact that is unknown or not quantifiable

Section(s)	Description
14	Claim closure
17 & 19	Definition of course and scope
20	Timing of insurer decisions to accept or deny a claim
28	Medical Services Maximums, Utilization and Treatment Guidelines
30	Require 5 th Edition of America Medical Association Guide to Impairment Ratings
34 & 38	Settlements

- The following sections are administrative in nature, or deemed to have a minimal cost impact: 15, 18, 26, 29, 31, 33, 35-37, and 39-42.
- Any impact on system costs from all these sections would be realized in future loss experience and reflected in subsequent Montana loss cost filings.
- Cost impact for provisions effective in 2013 has not been estimated

Questions ...

