

MONTANA GOVERNOR'S CONFERENCE ON WORKERS COMPENSATION (WC)

NCCI Research Impacting the Montana WC System

September 28, 2023

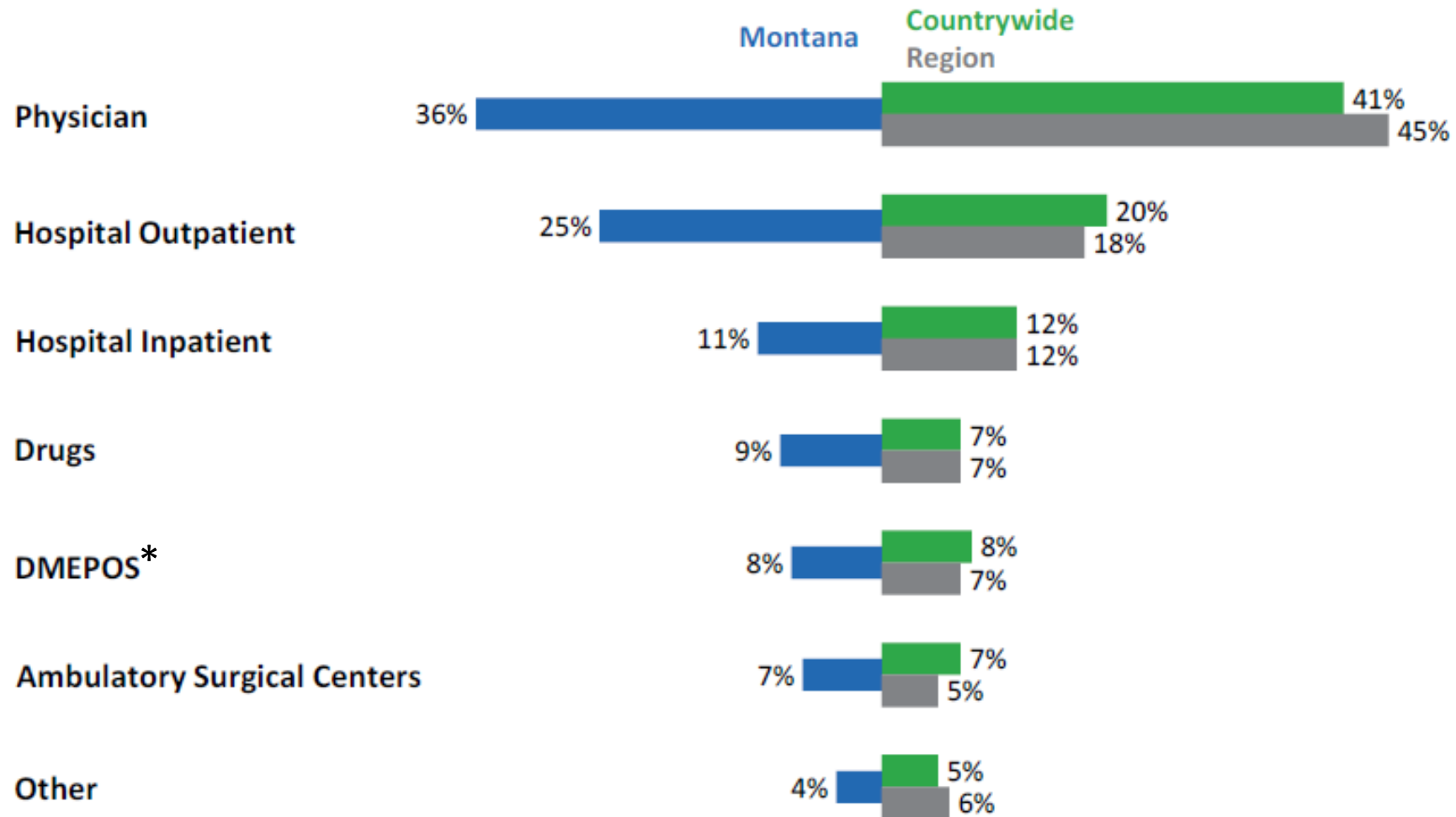
Todd Johnson, CPCU, WCP
Senior State Relations Executive
External and Government Affairs

INFLATION AND WORKERS COMPENSATION MEDICAL COSTS

Overall Medical
Facility Services
Physician Services
Prescription Drugs

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Distribution of Medical Payments in Montana by Type of Service



*Durable Medical Equipment, Prosthetics/Orthotics and Supplies

Distribution of Medical Payments in Montana by Type of Service—Past Five Years

Medical Category	2017	2018	2019	2020	2021
Physician	36%	37%	37%	37%	36%
Hospital Outpatient	21%	22%	22%	23%	25%
Hospital Inpatient	14%	13%	14%	13%	11%
Drugs	13%	12%	10%	10%	9%
DMEPOS	6%	6%	7%	6%	8%
ASC	5%	6%	6%	6%	7%
Other	5%	4%	4%	5%	4%

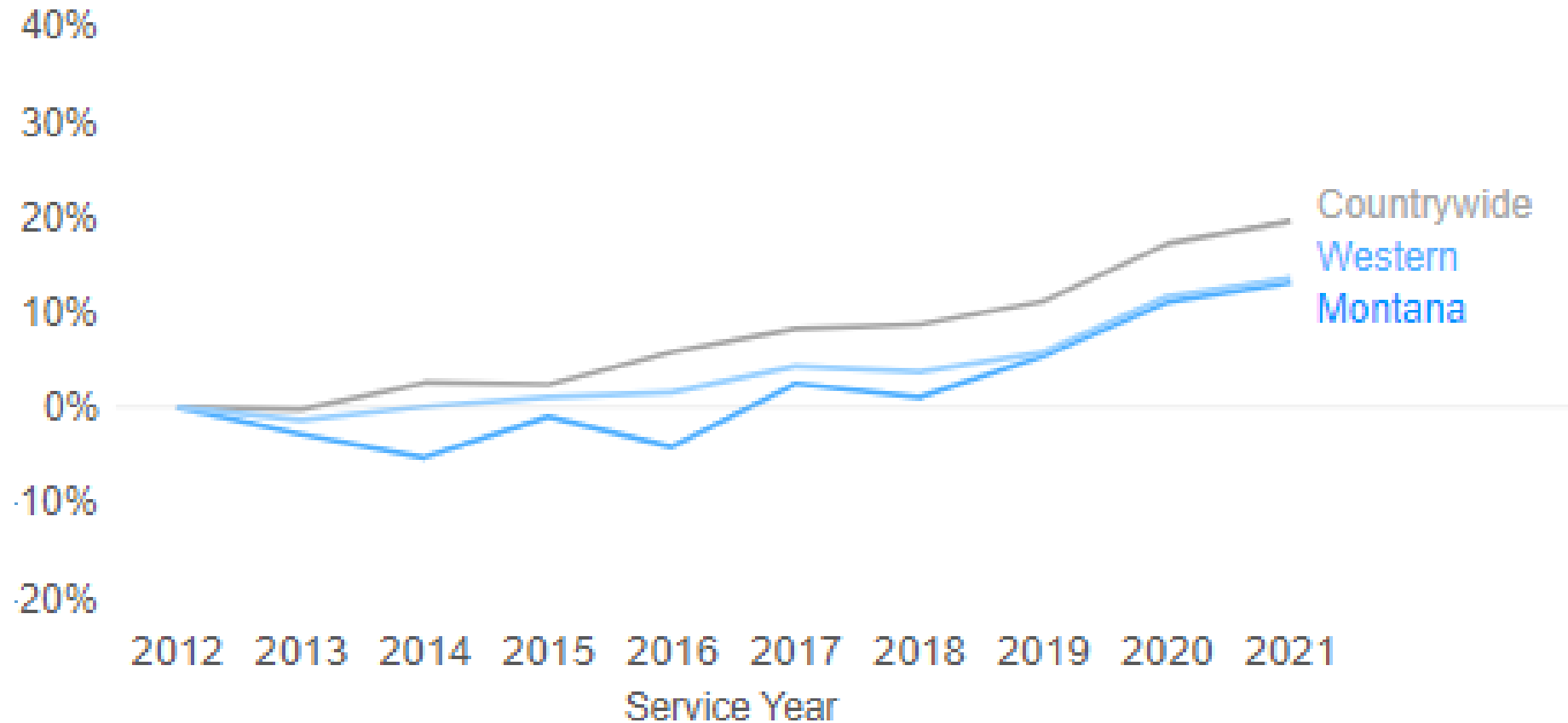
Inflation and Workers Compensation Medical Costs— Overall Medical

Key Observations:

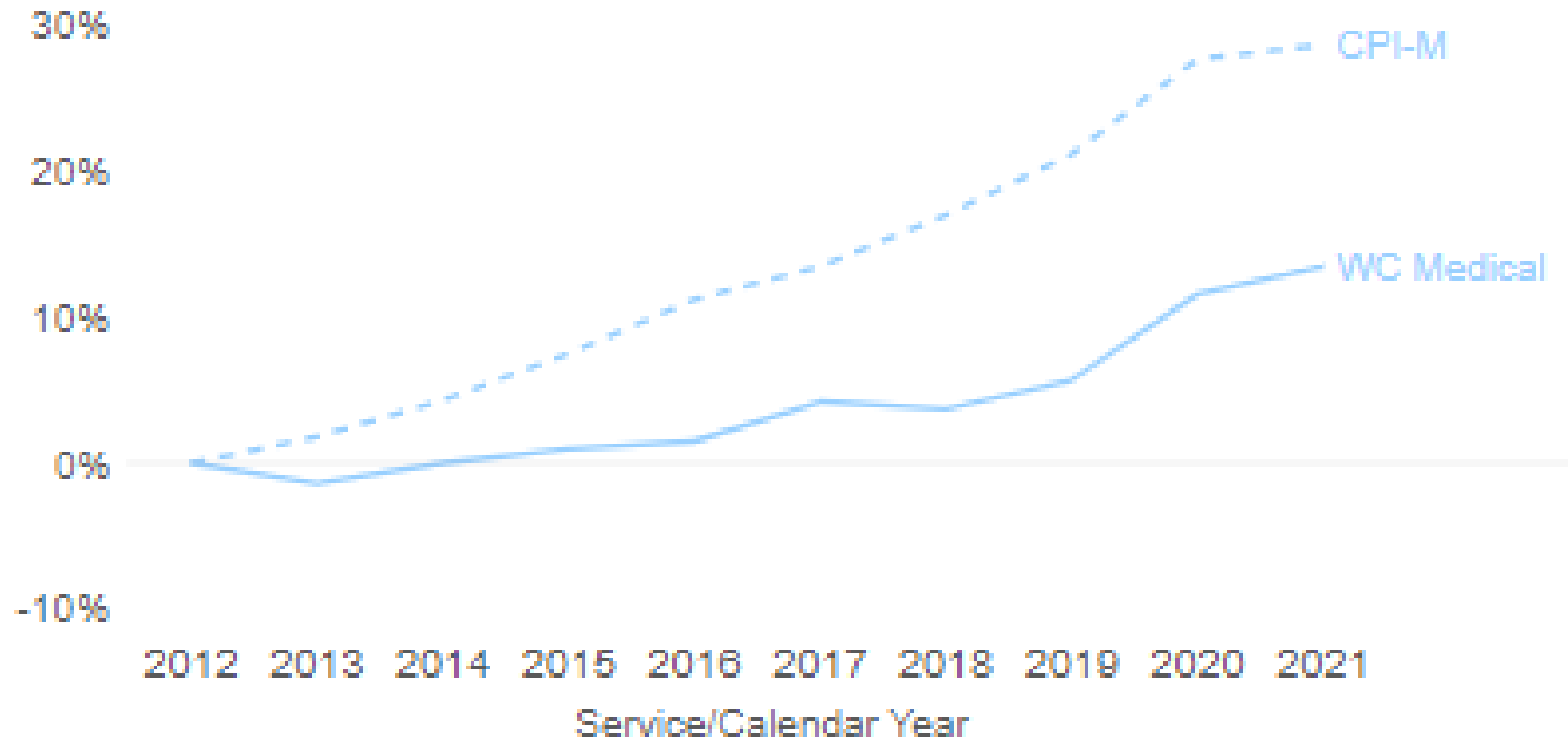
- Medical inflation in WC has been moderate for the past decade. But with the recent dramatic rise in consumer prices, concerns have emerged about medical inflation rising at similar levels.
- Two factors drive changes in medical claims costs: the price of medical services and utilization, which measures the mix and number of services provided to an injured worker.
- NCCI's most recent Medical data shows that drug costs are declining, physician costs are up slightly, and facility costs are rising in the WC system.
- In recent years, facility services are the dominant contributor to changes in WC medical costs across regions—most prominently in the Southeastern region.

Cumulative Change in Overall WC Medical Costs

Montana, Western Region, and Countrywide



Western Regional Change in CPI-M* Compared to WC Medical Costs per Claim



*Consumer Price Index—Medical care.

Inflation and Workers Compensation Medical Costs— Facility Services

Key Observations:

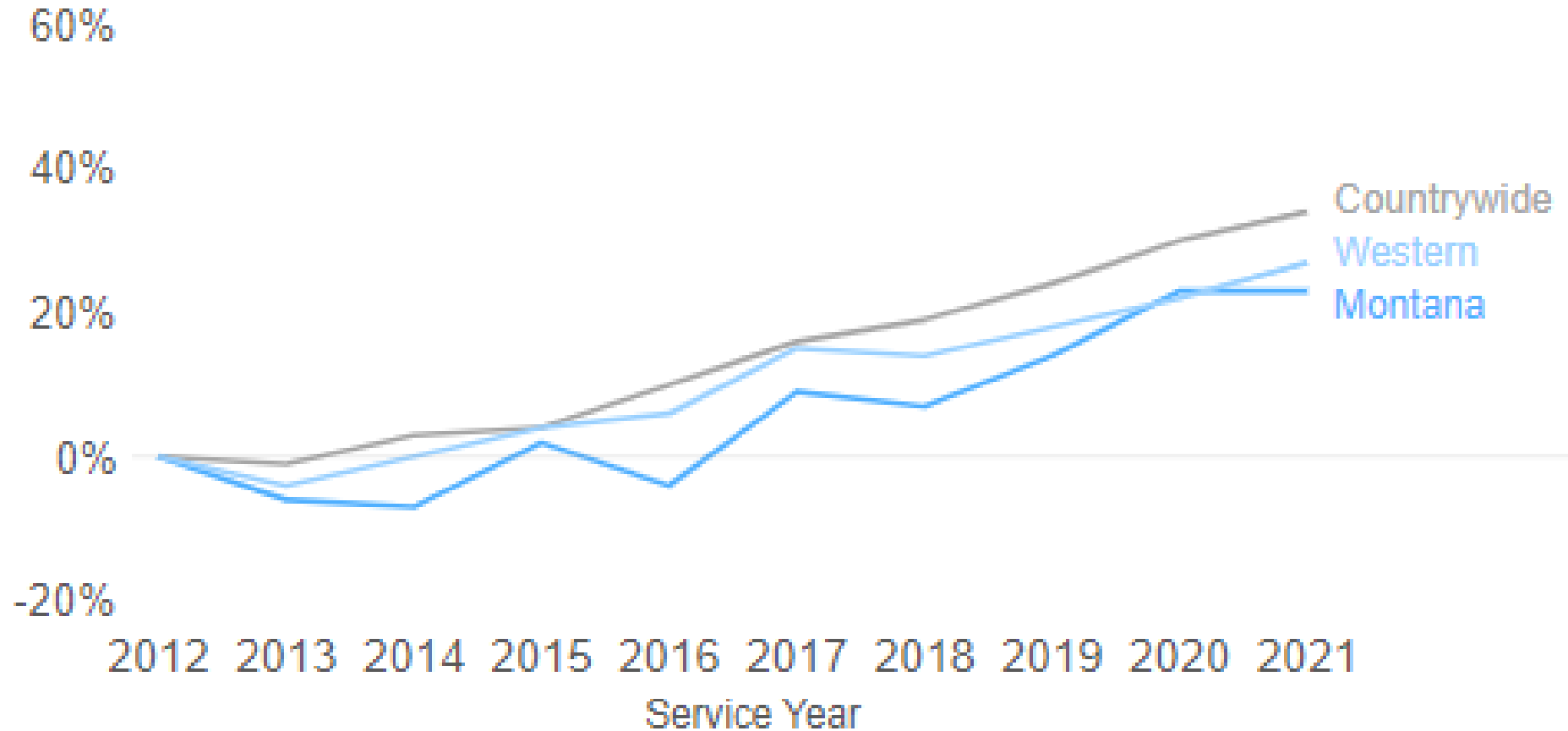
- Two factors help explain the changes in medical facility costs: the amount paid per visit and the number of visits per claim*
- Facility-paid cost per claim grew 3.3% annually, with regional averages ranging from 2.5% to 4.1%
- Across facility types, increases in the amount paid per visit were the main drivers of increased facility costs for the past decade
- Hospital outpatient services are the most prominent contributor to the increase in facility costs
- The number of inpatient visits decreased about 3% per year, while the number of surgery visits for ambulatory surgical centers (ASCs) grew across the regions

*In this report, references to claims include all WC claims that receive any medical services in a given year.



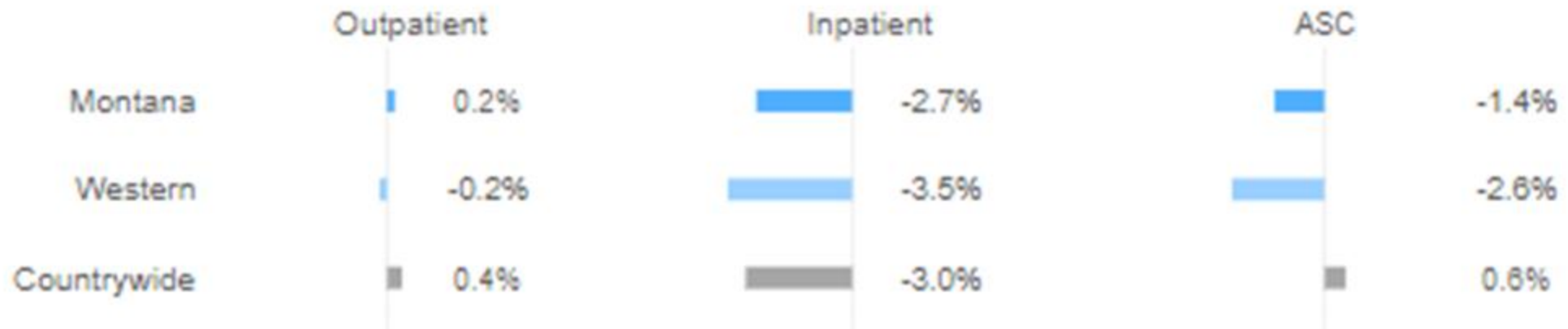
Cumulative Change in WC Facility-Paid Medical Costs Indexed to 2012

Montana, Western Region, and Countrywide



Annual Change in Facility Visits per Claim, Service Year (SY) 2012 to SY 2021

Montana, Western Region, and Countrywide



Inflation and Workers Compensation Medical Costs— Physician Services

Key Observations:

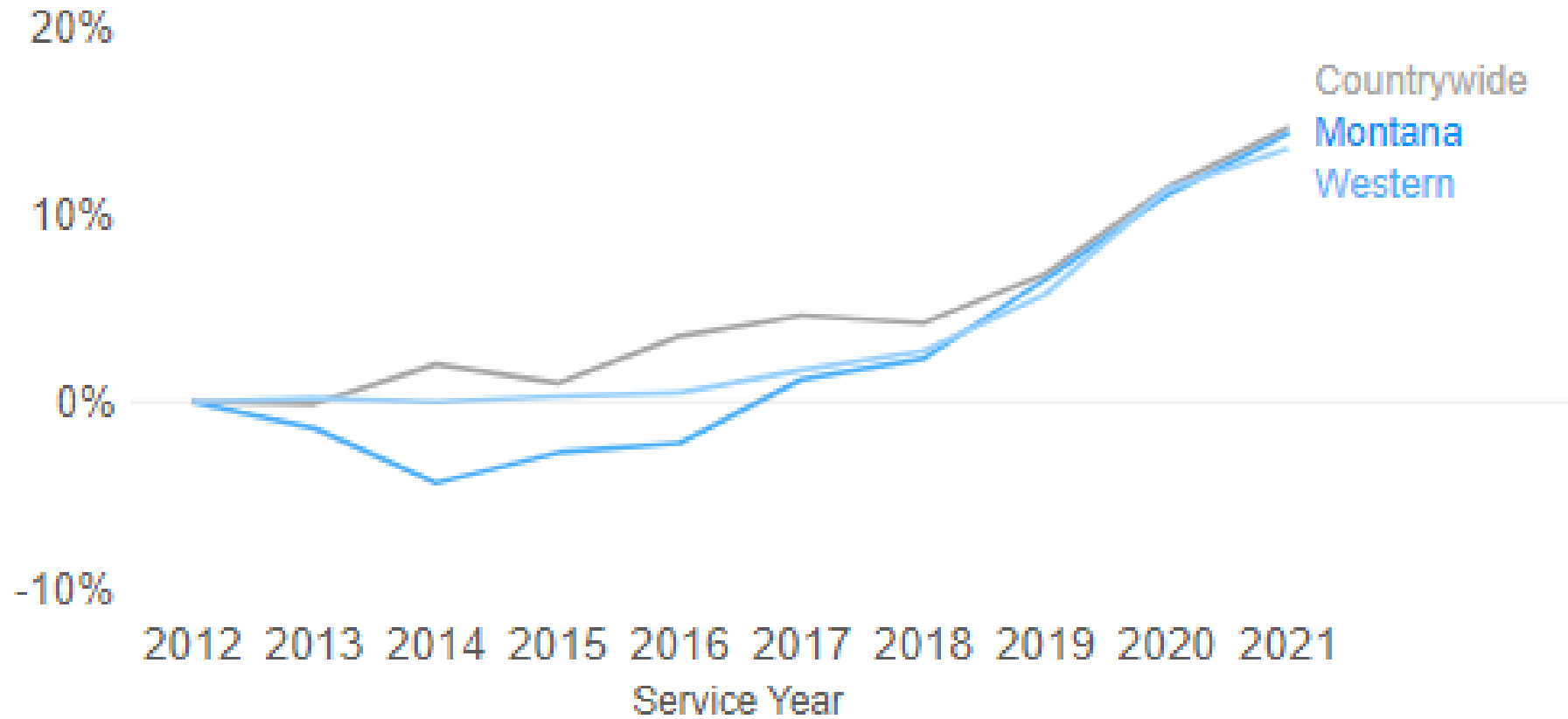
- The average physician-paid cost per claim* grew moderately from 2012 to 2021 at about 1.5% per year
- Annual average physician payments by region varied modestly, increasing between 1.3% and 1.8%, with the Midwest and Northeast seeing the largest and smallest growth, respectively
- Prices for physician services increased, which was the primary driver of growth in costs across regions
- A change in utilization was the principal contributor to shifts in costs for surgeries and physical medicine services, with surgery use decreasing while physical medicine use increased.
- Physical medicine services were the most prominent contributor to the increase in physician costs across all regions.

*In this report, references to claims include all WC claims that receive any medical services in a given year.



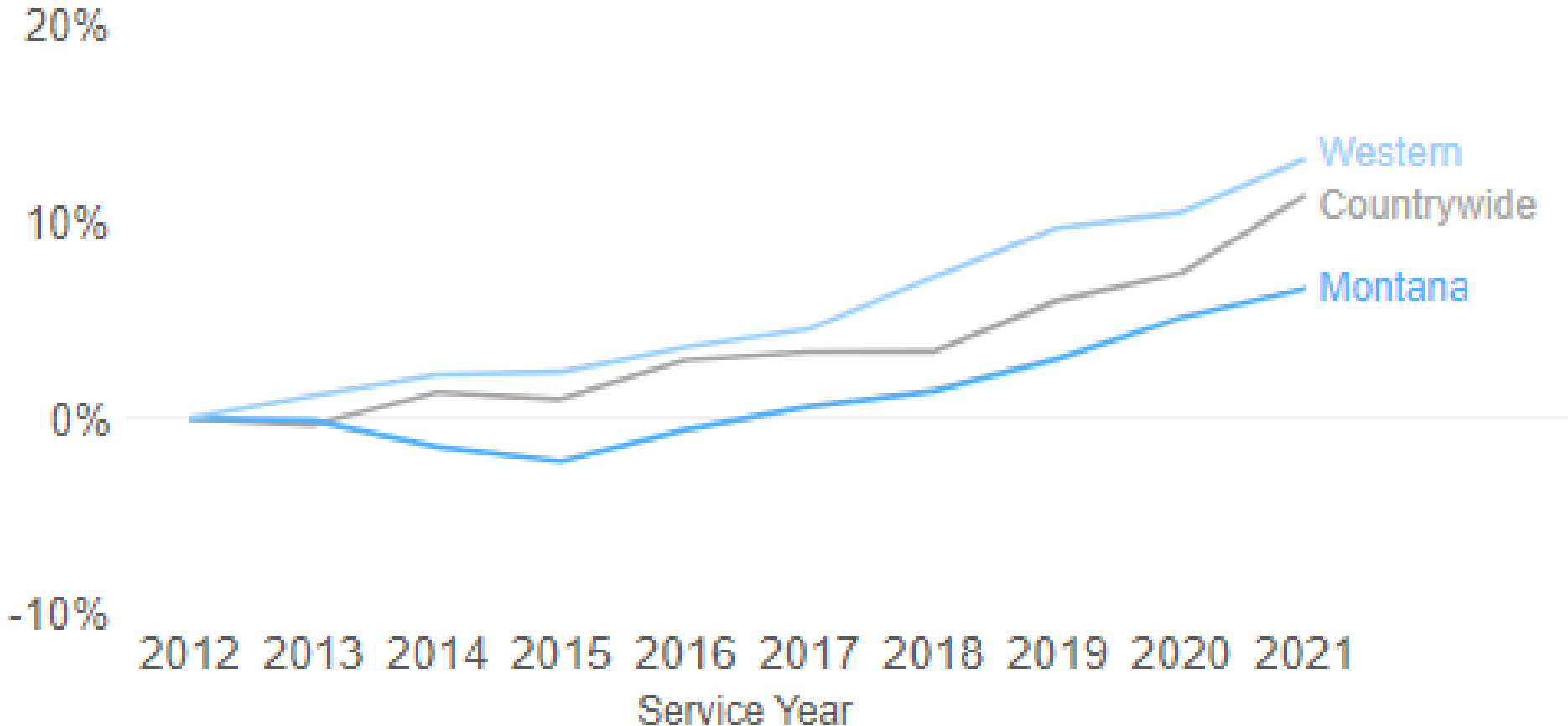
Cumulative Change in WC Physician-Paid Medical Costs Indexed to 2012

Montana, Western Region, and Countrywide



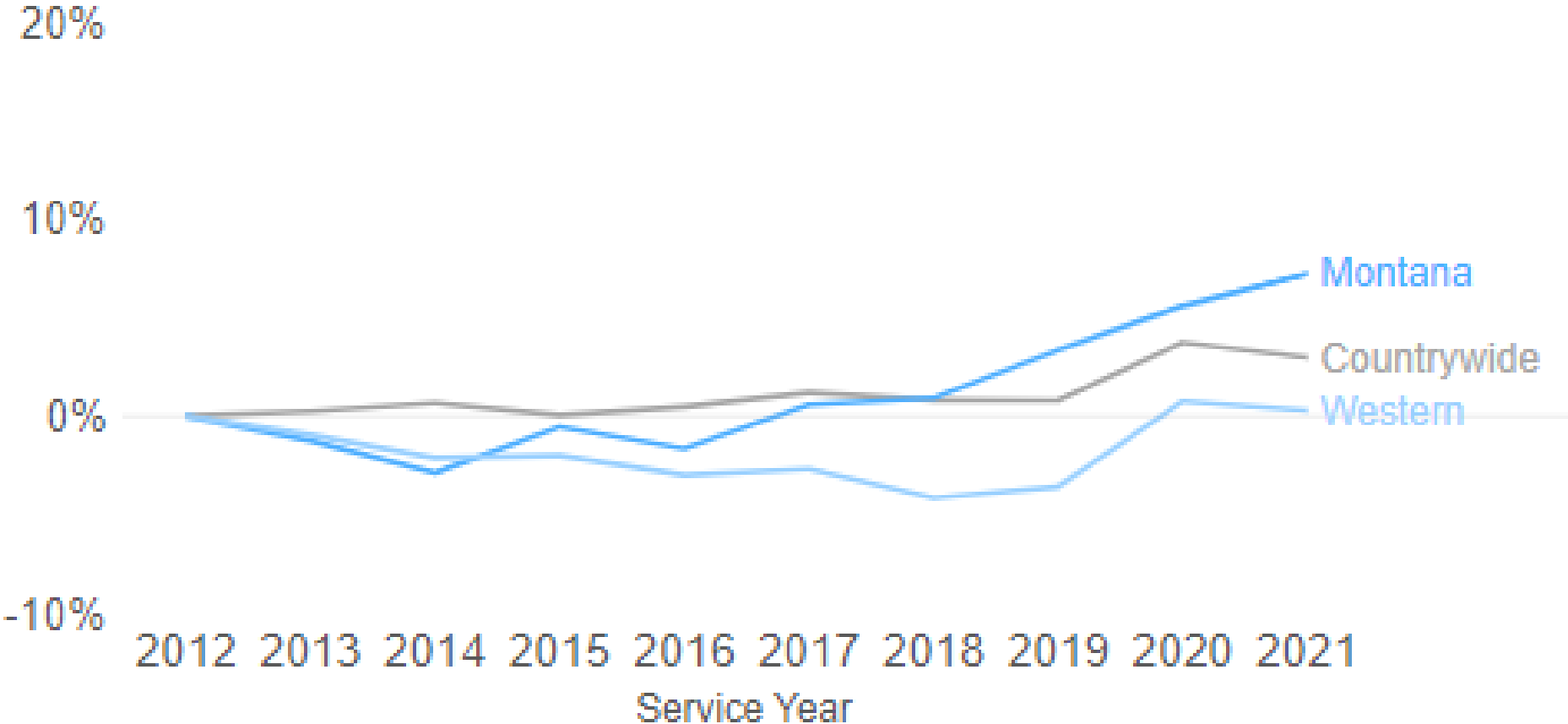
Physician Cumulative Price Changes

Montana, Western Region, and Countrywide



Physician Cumulative Utilization

Montana, Western Region, and Countrywide



Inflation and Workers Compensation Medical Costs— Prescription Drugs

Key Observations:

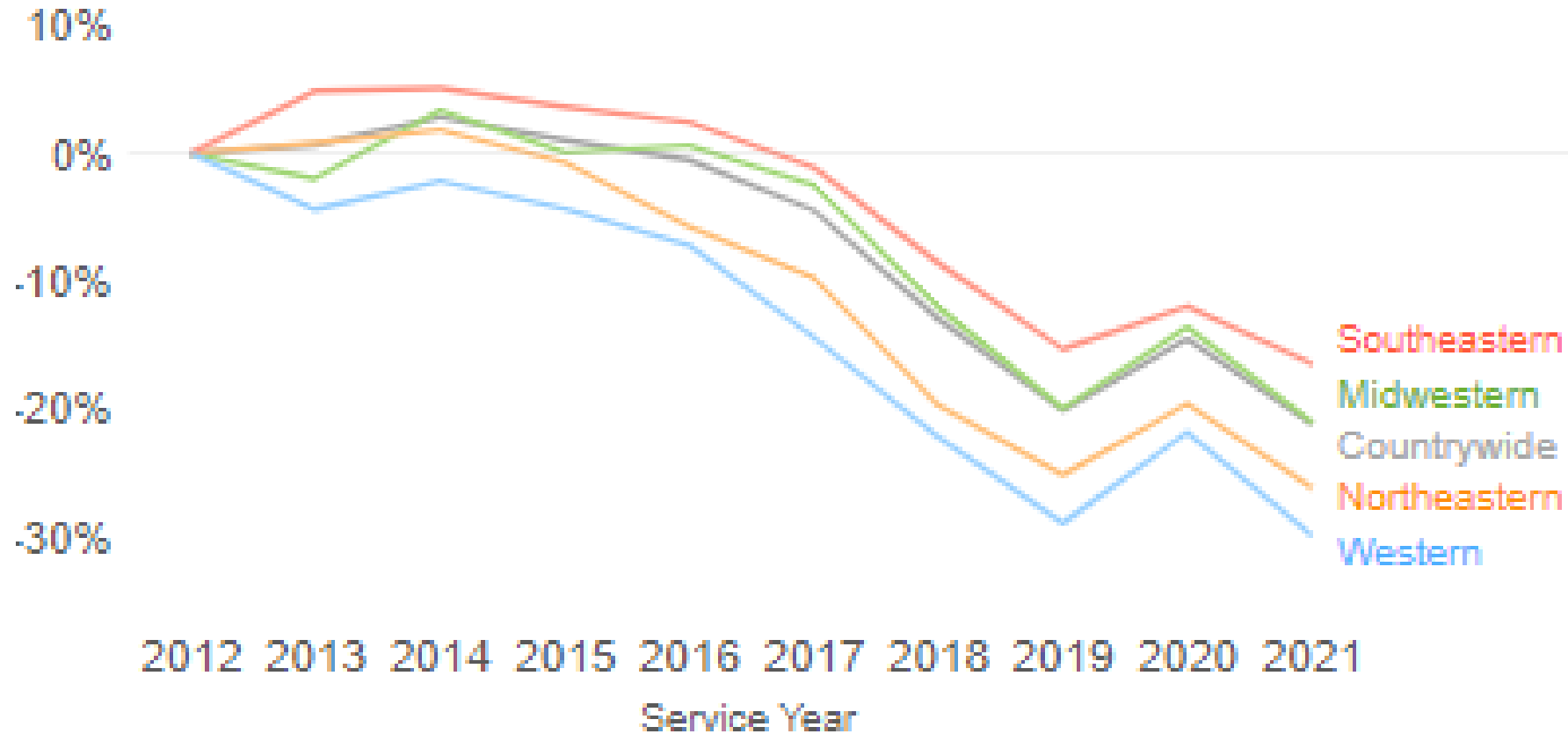
- From 2012 to 2021, the average drugs-paid cost per claim decreased about 2.6% per year
- The annual reduction in drug payment per claim varied across four regions, ranging from 2.0% in the Southeastern region to 3.9% in the Western region
- The price of prescription drugs grew at an annual rate of 3.7%, only to be offset by a 6.0% decline in the type and number of prescriptions
- Opioid claims* saw the largest decrease in drug costs, largely due to a reduction in both opioid and nonopioid prescriptions
- Countrywide, of claims with at least one prescription, the share of these that also had at least one opioid decreased from 55% in 2012 to 26% in 2021

*Opioid claims are WC claims that had at least one opioid prescription during the period.



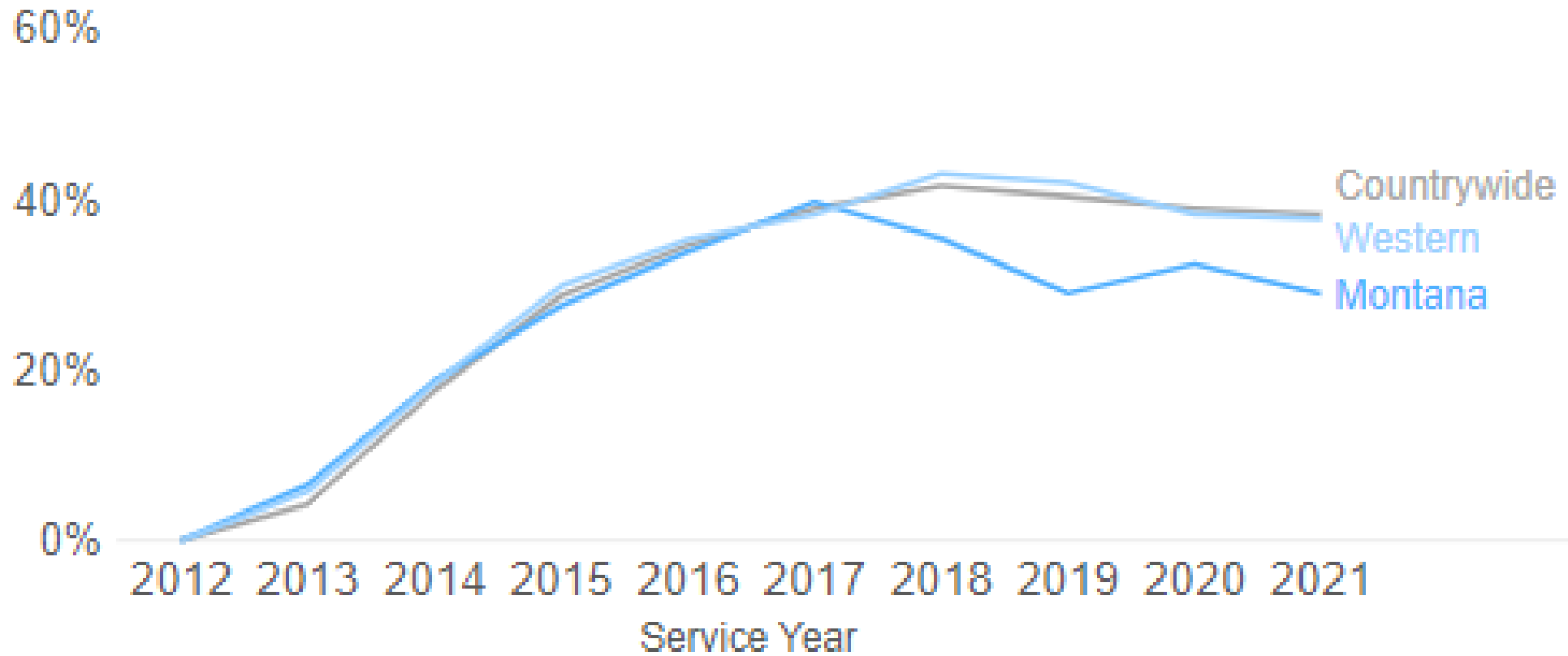
Cumulative Change in Drug Costs Indexed to SY 2012

Regions and Countrywide



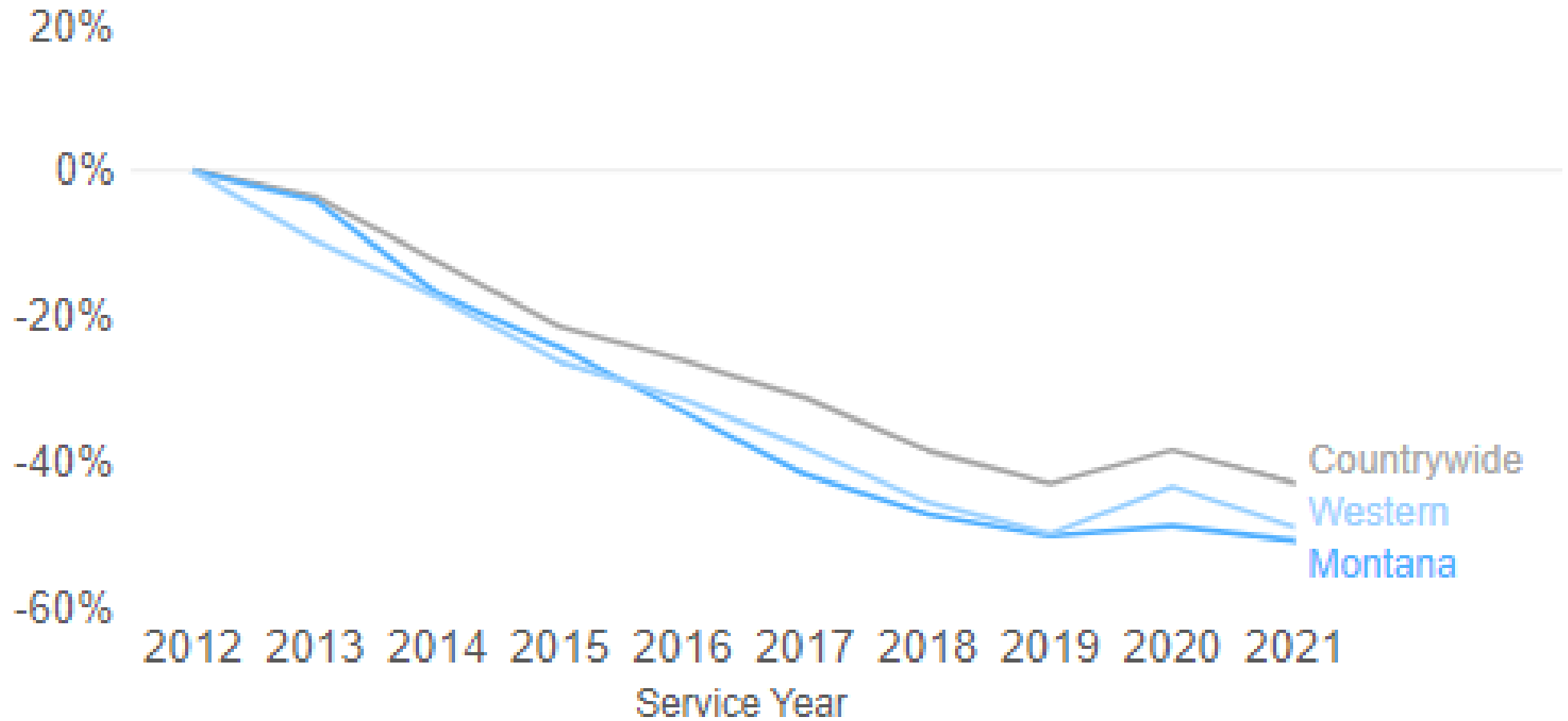
Drug Cumulative Price Changes

Montana, Western Region, and Countrywide



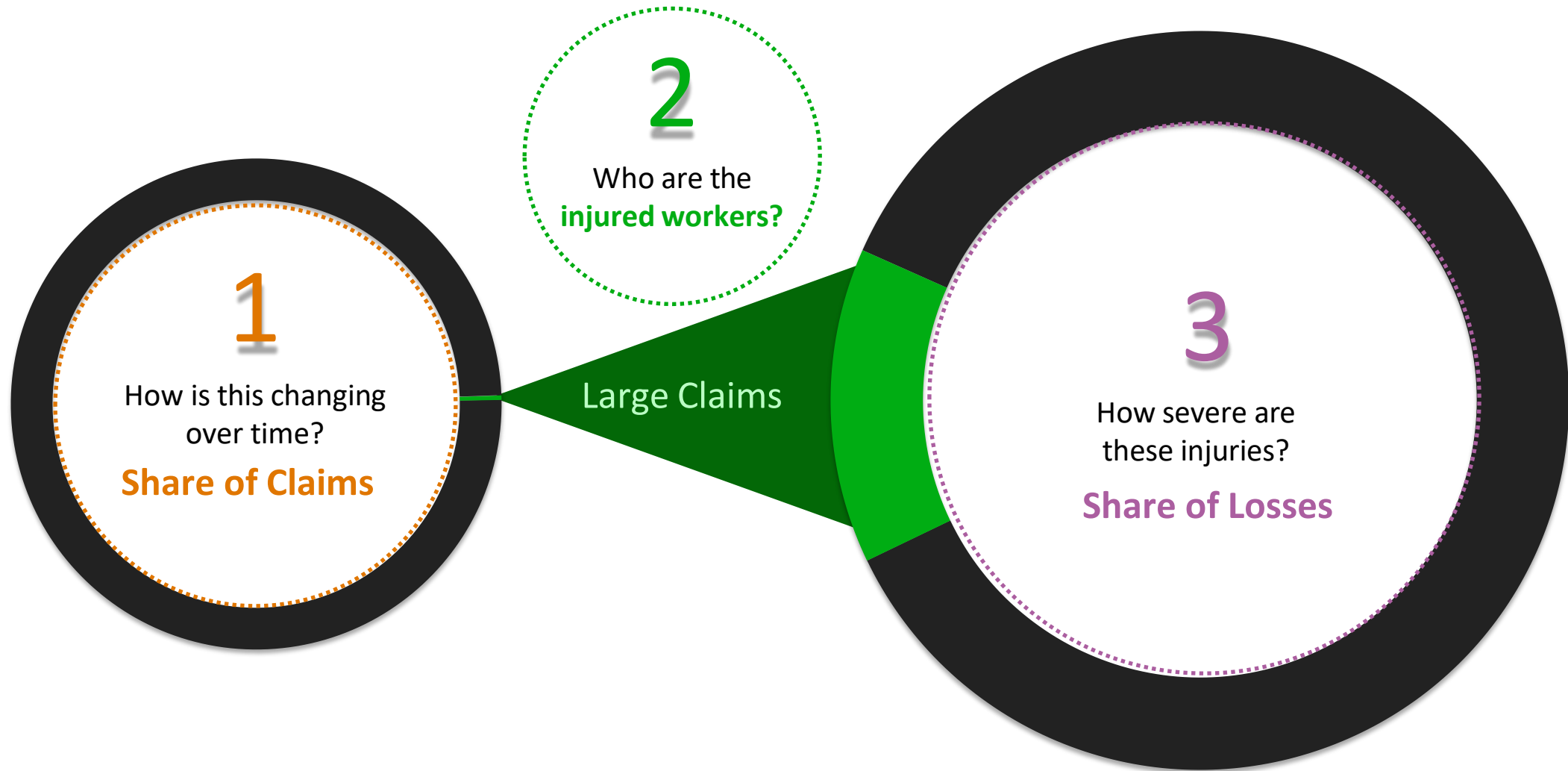
Drug Cumulative Utilization Changes

Montana, Western Region, and Countrywide



LARGE CLAIMS DECONSTRUCTED

A Large Claim Is Defined as Exceeding \$1M in Incurred Loss



Deconstructing Large Claims



FAST_{ELC}

SLOW_{ELC}



Exceed \$1M **within** 2 years of injury

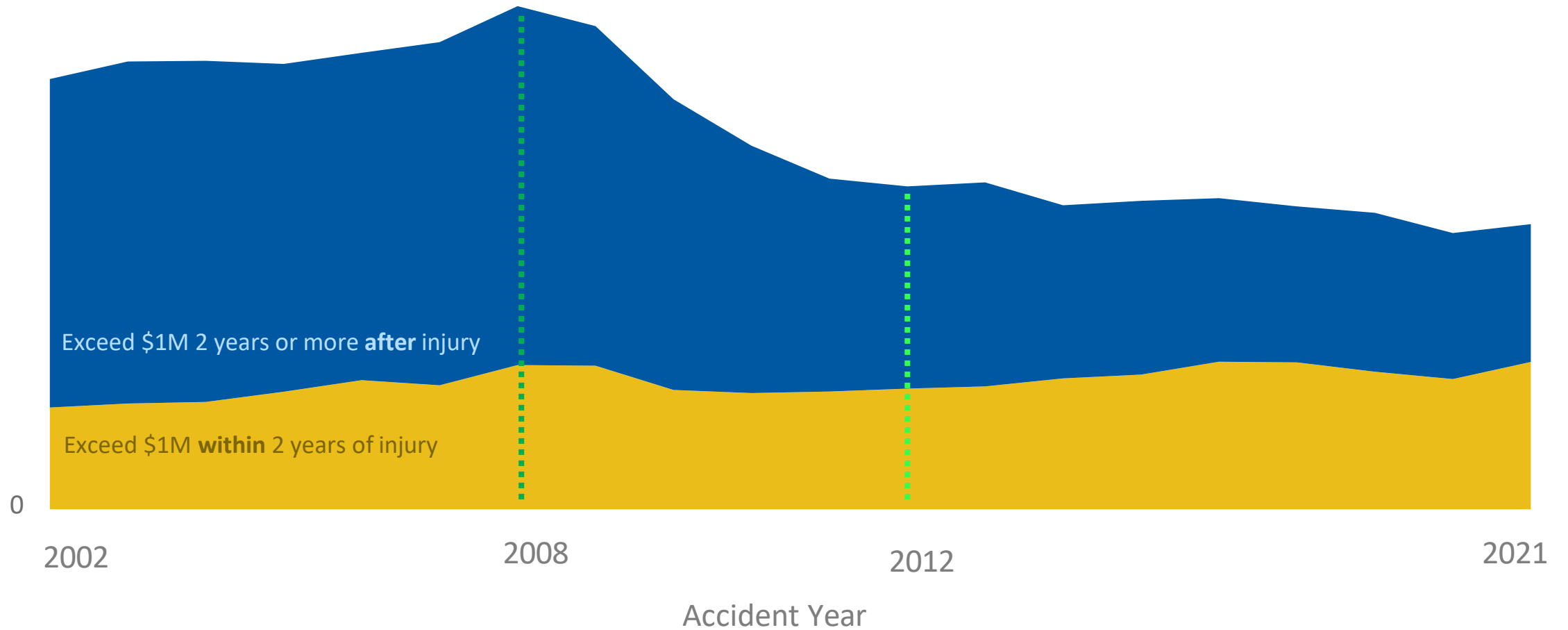
Exceed \$1M 2 years or more **after** injury

Frequency of Large Claims per 10K Lost-Time Claims



Deconstructing Frequency Into **FAST_{ELC}** and **SLOW_{ELC}**

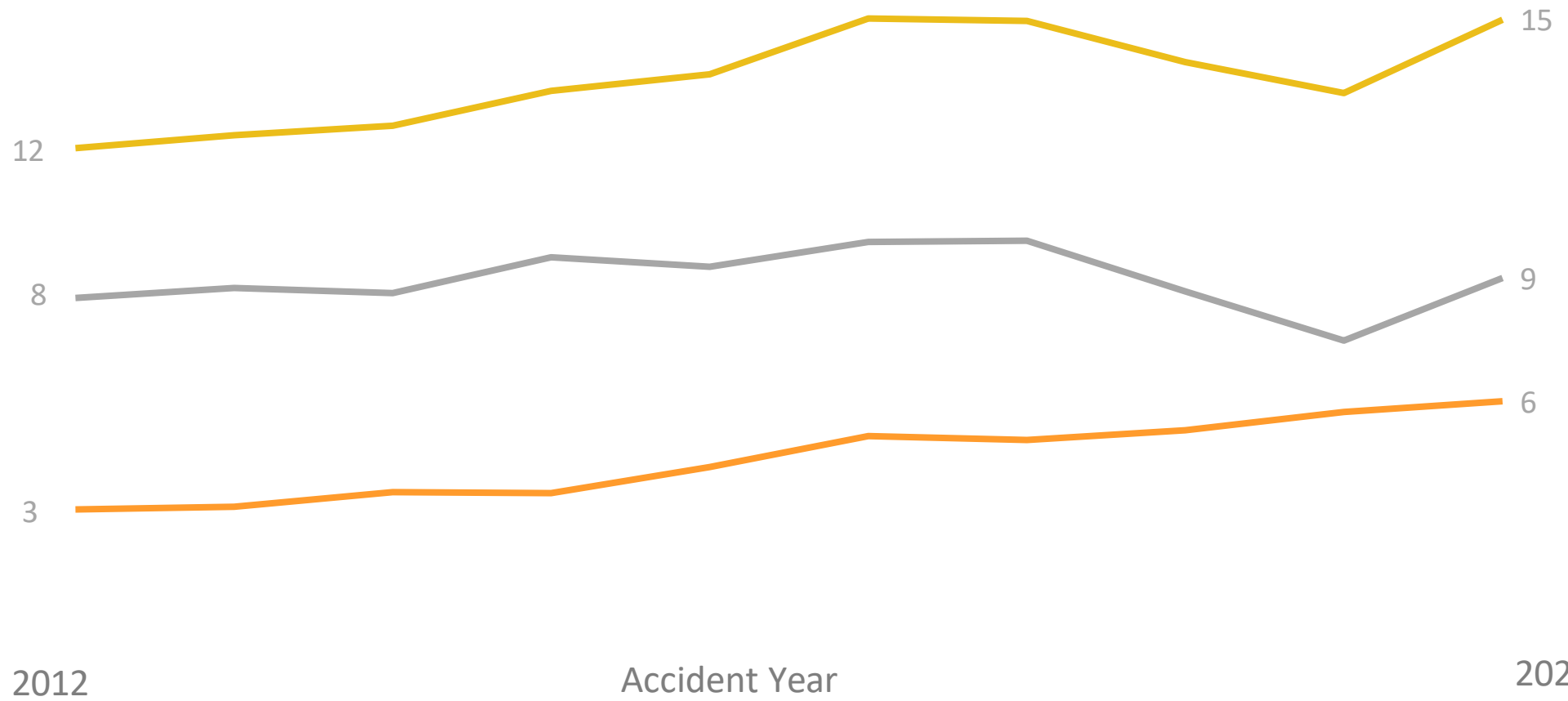
60



Deconstructing Frequency of FAST_{ELC} per 10K Lost-Time Claims

Burns, Spinal Cord Injuries, and Traumatic Brain Injuries (B, SCI, TBI)

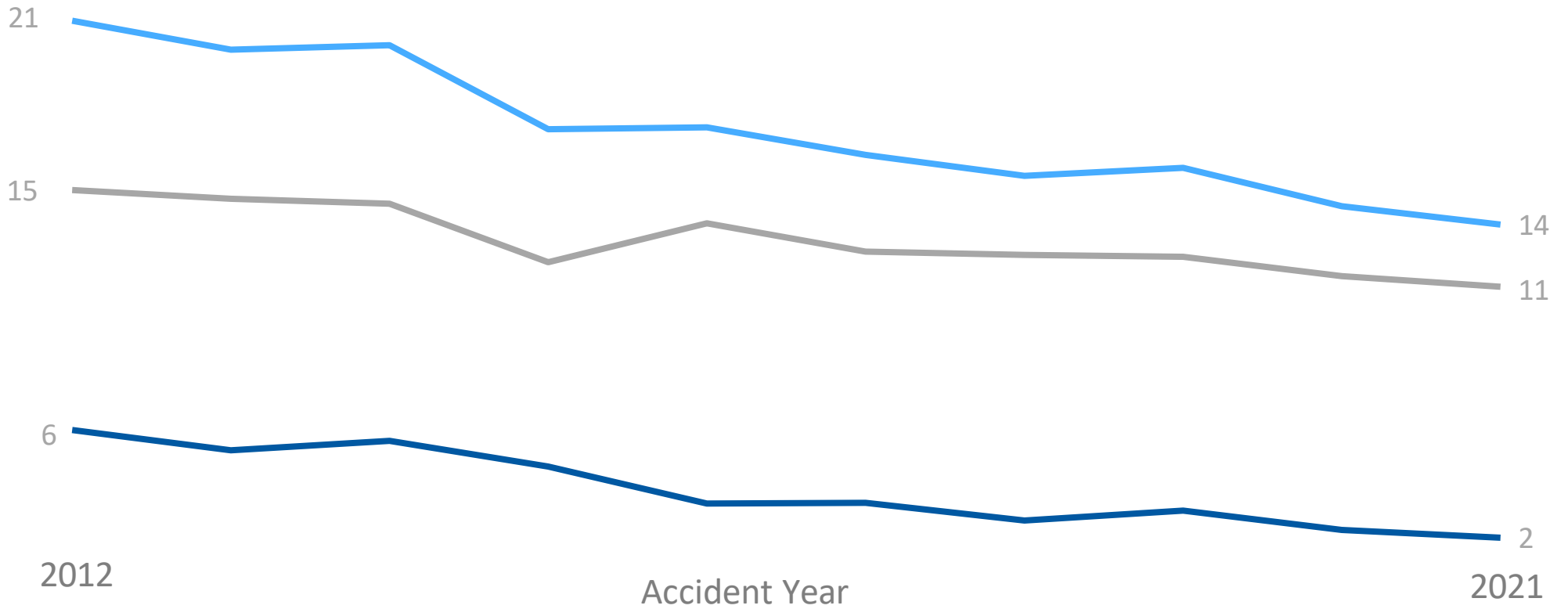
16



Deconstructing Frequency of SLOW_{ELC} per 10K Lost-Time Claims

Degenerative Disc Disorders, Pain

25





Who are the injured workers?

CAUSE



EFFECT

Why are injuries resulting in large claims distinct?

Where do injured workers with large claims work?

When is the worker injured?

What are the claim outcomes?

Why Are Injuries Resulting in Large Claims Distinct?

Top Causes and Injuries



FAST_{ELC}

Caused by **Fall or Slip from Elevation** and **Motor Vehicle Accidents**



Resulting in **Fractures**

Primarily injuring **Multiple Body Parts**



SLOW_{ELC}

Caused by **Strain or Injury by Lifting**



Resulting in **Strains**

Primarily injuring **Lower Back**

Where Do Injured Workers With Large Claims Work?

Industry Mix



Construction-Related



Operation of Motor Vehicles



Installation of Machines and Equipment



25–31% of **FAST_{ELC}** are construction-related

8–11%

4–5%



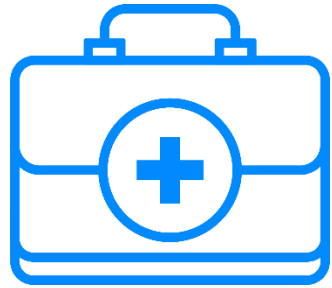
20–24% of **SLOW_{ELC}** are construction-related

8–10%

4–6%

Where Do Injured Workers With Large Claims Work?

Industry Mix



Instructional
and Medical
Professionals

5-7%



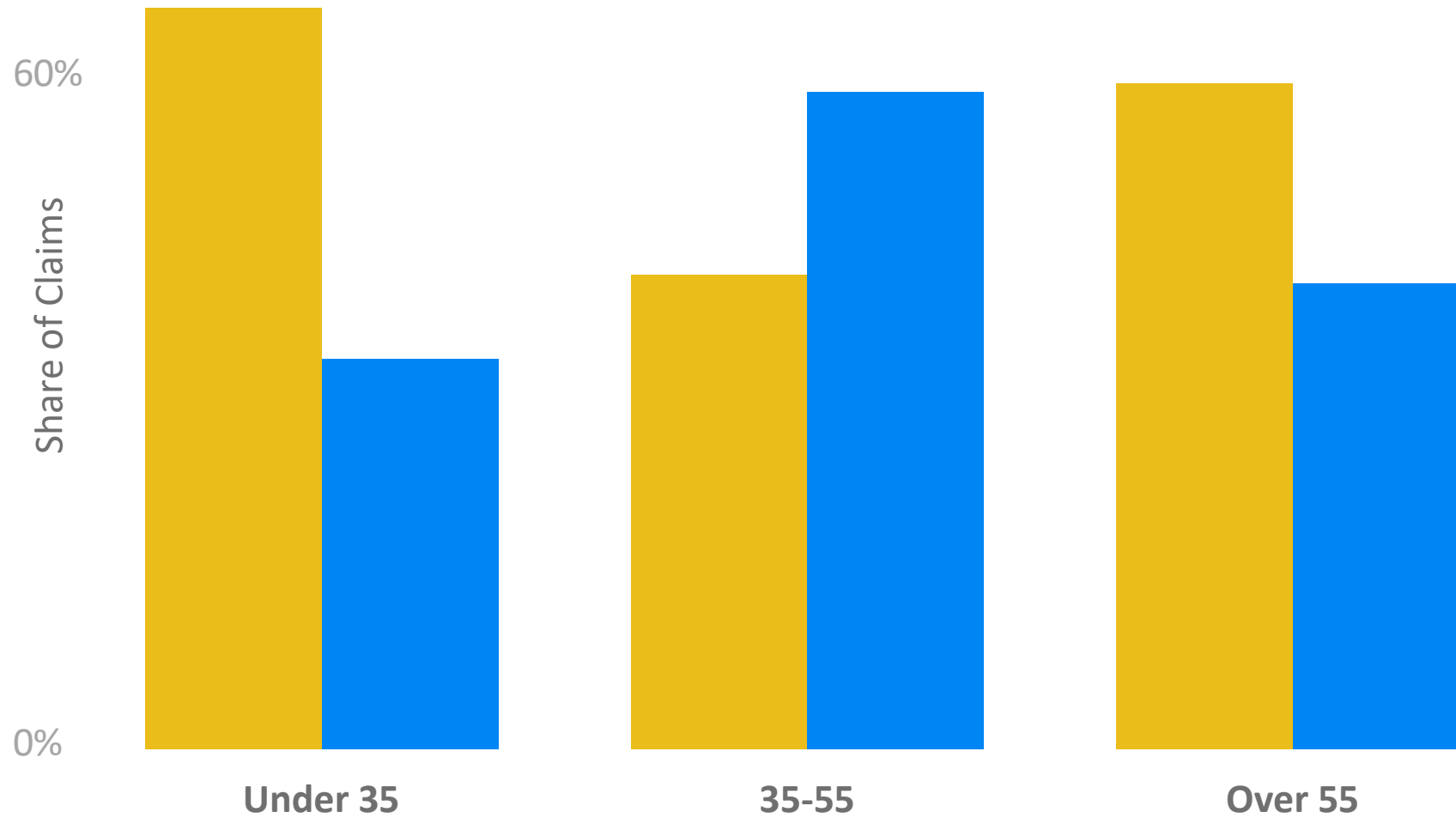
Clerical

4-6%

 **SLOW**_{ELC}

When Is a Worker With a Large Claim Injured?

Age at Injury for **FAST**_{ELC} and **SLOW**_{ELC}



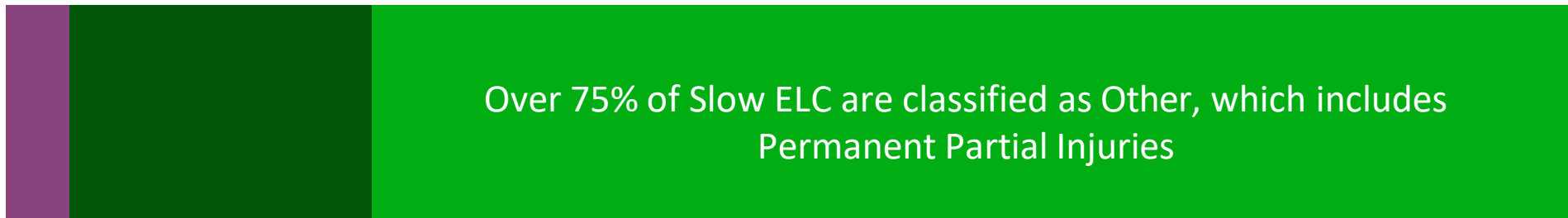
What Are Outcomes for Injured Workers With Large Claims?

Injury Type

■ Fatal ■ Permanent Total ■ Other



How are these differences reflected in severity?

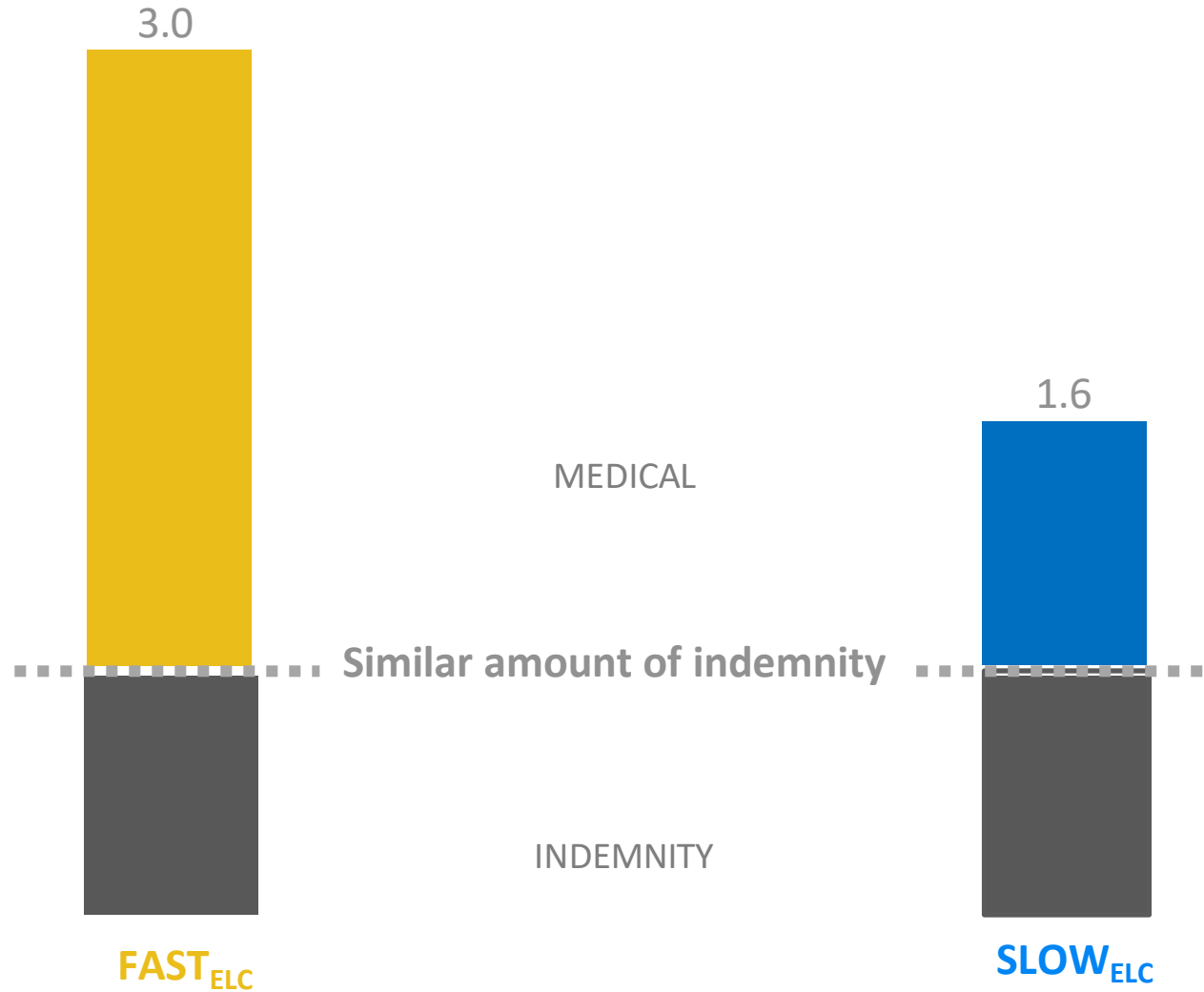


0%

100%

Deconstructing Large Claim Severity

Average Claim Cost (\$ in Millions)



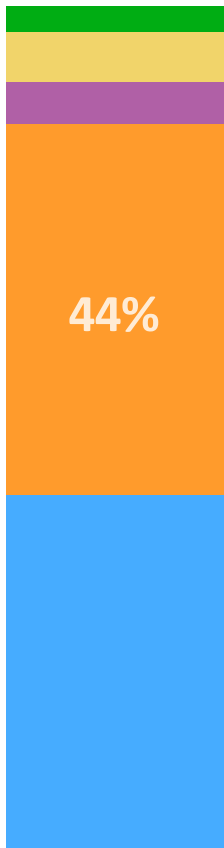
Deconstructing Medical Service Costs



Non-Large Claims

100%

Year 1



44%

0%



Other



Medical Supplies



Drugs

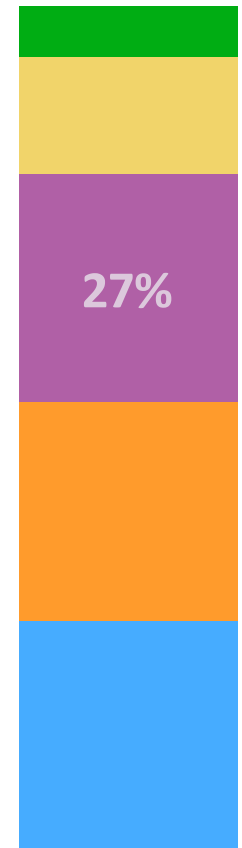


Hospital



Physician

Year 10



27%

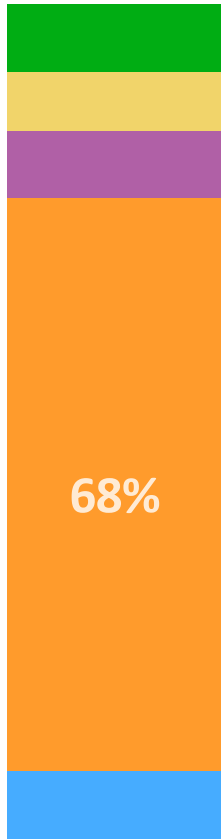
Deconstructing Medical Service Costs



FAST_{ELC}
Burns, SCI, TBI

100%

Year 1



68%

0%



Other



Medical
Supplies



Drugs

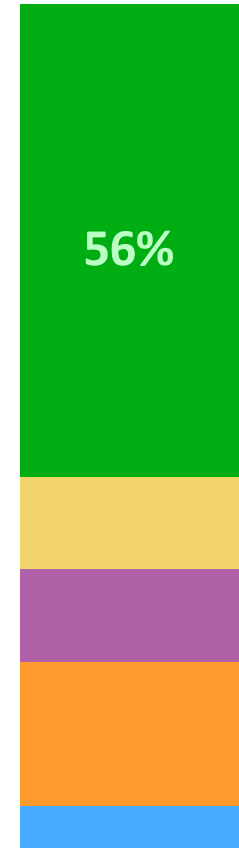


Hospital



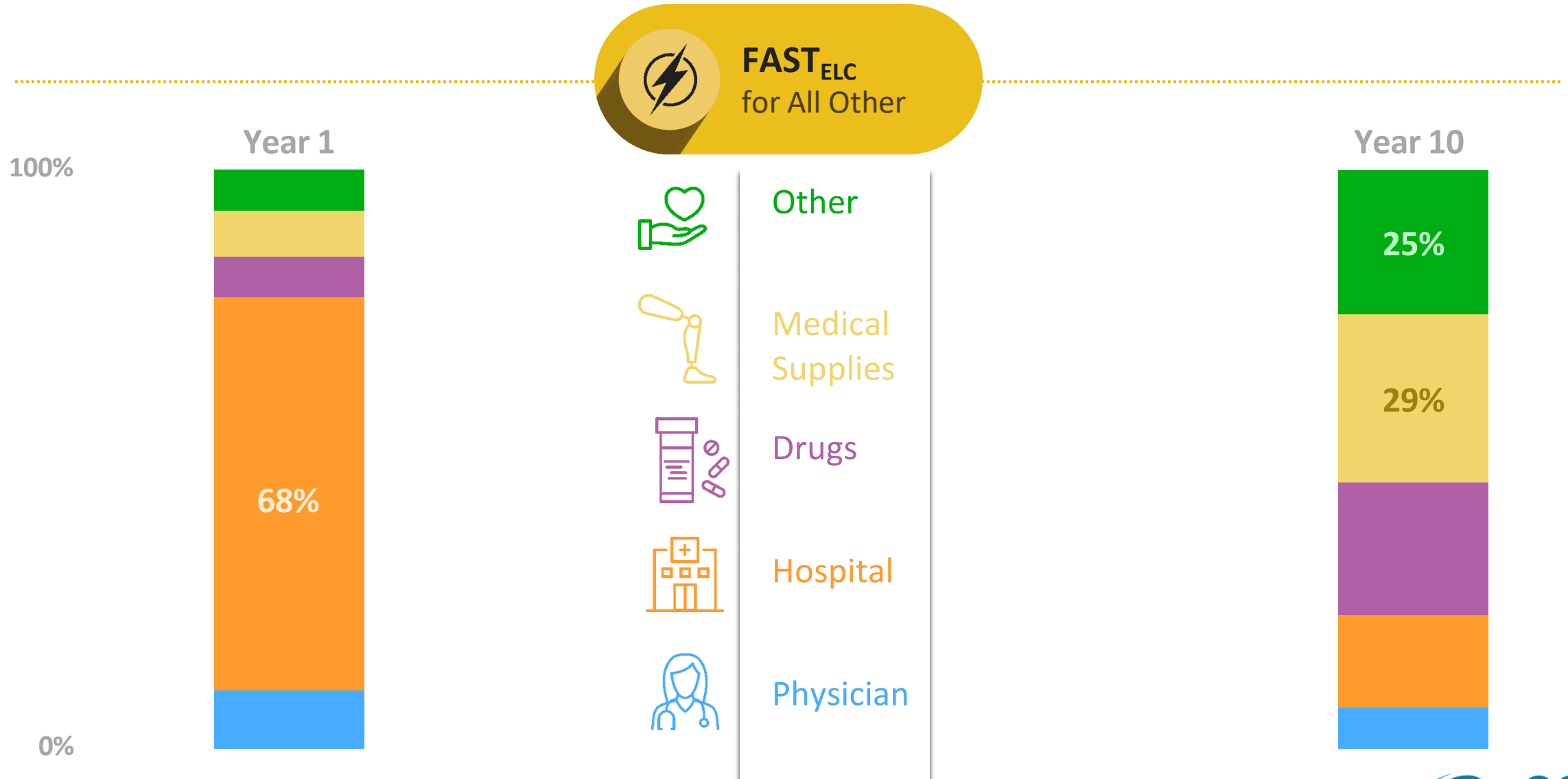
Physician

Year 10

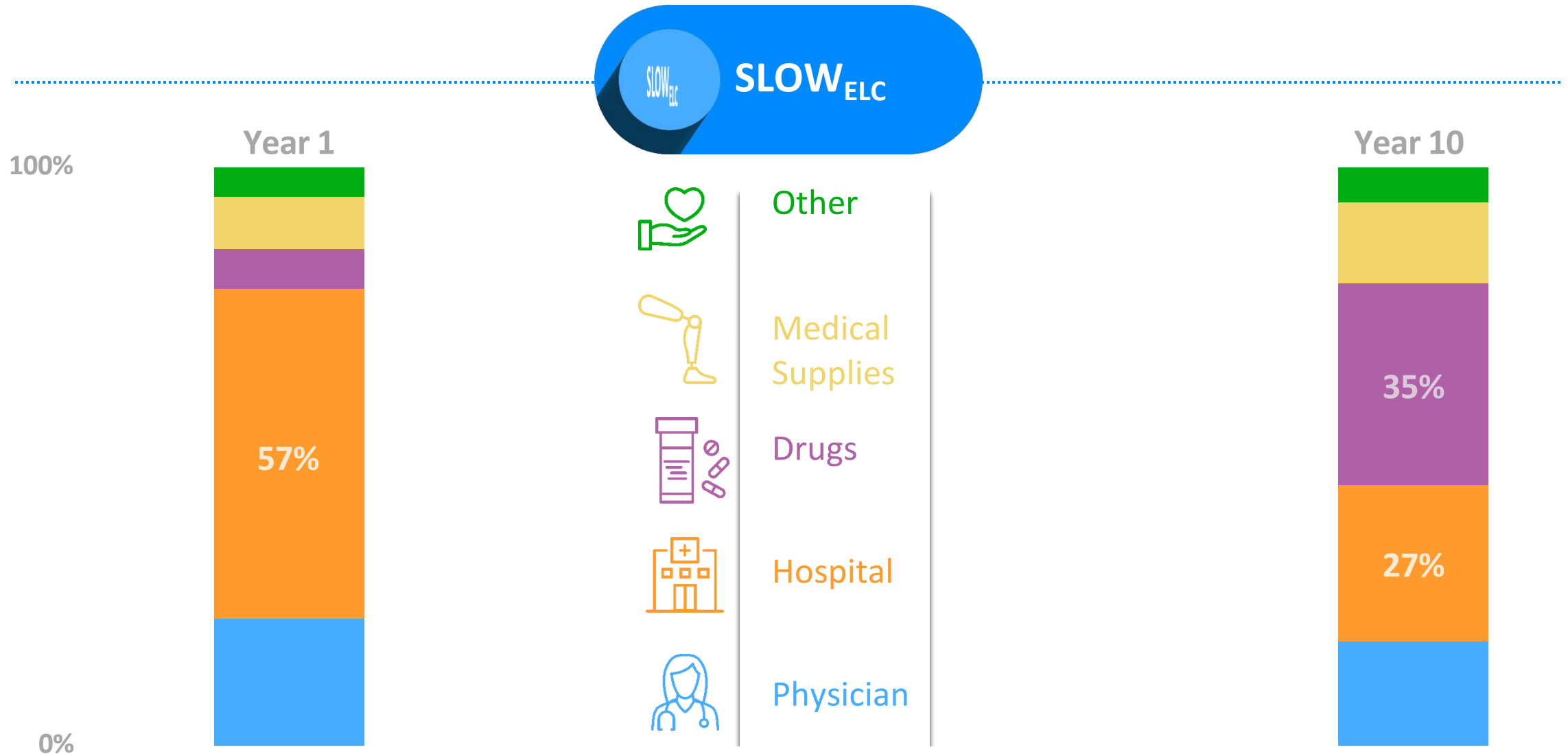


56%

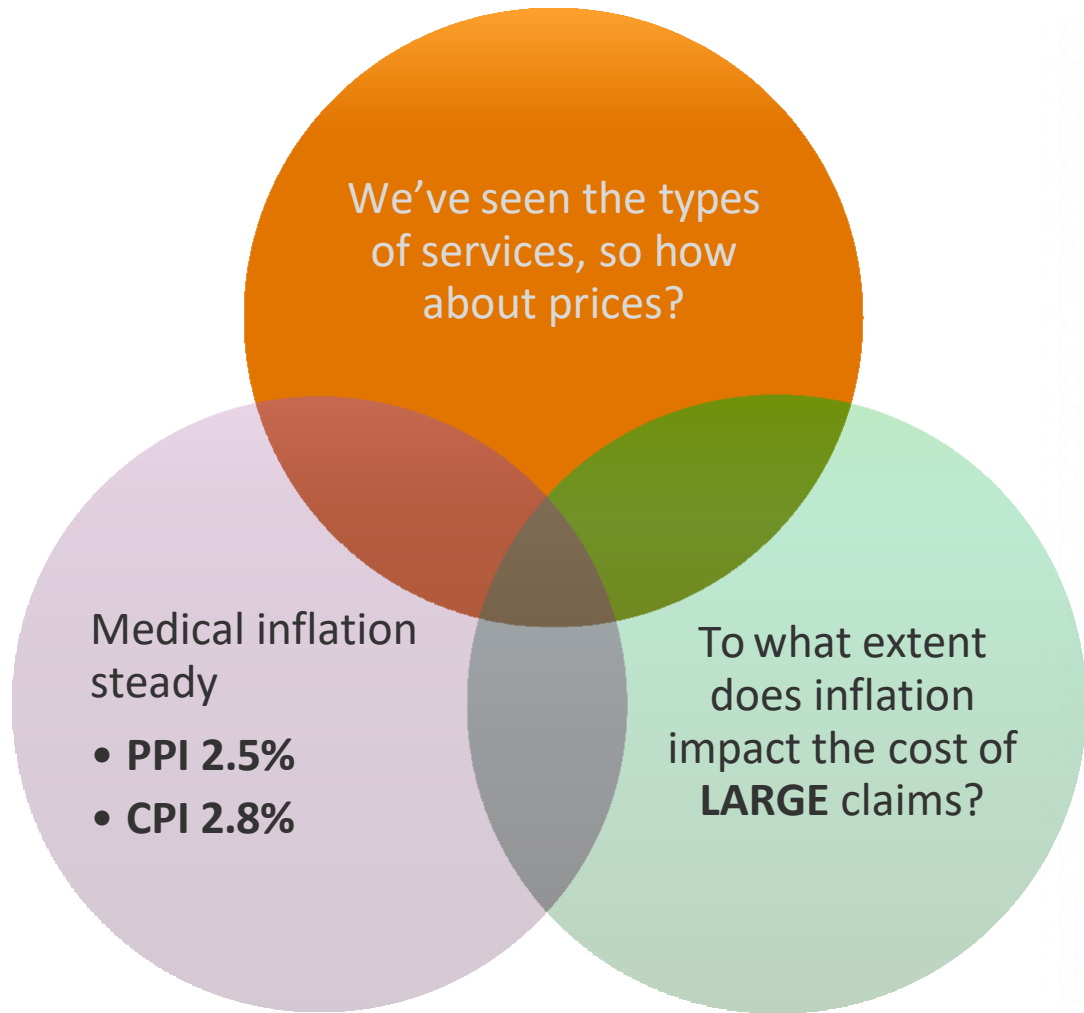
Deconstructing Medical Service Costs










Deconstructing Medical Service Costs



And Then There's Medical Inflation ...



Yes, But That's Not What We Heard About the Costs for Large Claims!

Medical Service Category	Inflation Rate as of March
 Physician care	1.0%
 Hospital <i>inpatient</i> care	3.5%
 Hospital <i>outpatient</i> care	1.7%
 Prescription drugs	2.4%
 Medical supplies	7.7%
 Home health and hospice care	7.6%
 Nursing home care	5.7%
Transportation services	14.6%



THANK YOU!

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External and Government Affairs

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