Cumulative Trauma Injuries & The Rx Formulary

A California Workers’ Compensation System Update

Alex Swedlow, President
Joe Paduda, Principal

Current Events on Medical Delivery

Good news on reform outcomes:

• Frequency, expenses and medical are down
• New fee schedules (RBRVS) on track
• Fewer spine surgeries
• Opioids are trending down
• Rx Formulary Jan 2018
• Fewer liens
• $1.3B in savings (WCIRB)
However...

California within the National Landscape

Highest Rate*  Highest Perm Dis Frequency  Highest Expenses

* Using CA weights

Source: Oregon Dept. of Business & Consumer Services Study 2016

National Comparison on Medical Costs Indemnity Claims

Medical Cost per Indemnity Claim

64% higher than median state

Source: NCCI Annual Statistical Bulletin, 2016, Exhibit 11
National Comparison on LAE Costs

Countrywide Ratios of Loss Adjustment Expense Costs to Losses

83% higher than median state

Median = 18.3%

Source: NCCI 2016

Breakdown of California “Benefit Delivery Expense”

- MCC: 41%
- Defense Attorney: 31%
- Medical-Legal: 11%
- Other: 17%

The Skew: Opioid Prescribers

Source: CWCI 2012

The Skew: UR & IMR Physicians: 2015 & 2016 Decisions

Source: CWCI
Estimated Average Medical Cost per Indemnity Claim by Accident Year

- **1996-2003 Minnear era**: 250% increase
- **1990 – 2012**: 358% increase
- **2002-2005 (227/228/899)**: 9% decrease
- **2012 – 2015 (863)**: 5% decrease
- **2015 - 2016**: 6% increase

Source: WCIRB 2017

**Agenda**

Cumulative Trauma
- Dec 2016 Study
- Collaboration with WCIRB
- Analysis of CT and Non-CT Claim Characteristics and Outcomes
- DOI 2005 - 2013
The peculiar problem of CT in CA

Background:

• A few states prohibit cumulative trauma claims altogether
• Some states impose a high standard of proof
• Other states require that the employee prove that the cumulative injury occurred using a standard of clear and convincing evidence
• California has a relatively low bar for cumulative trauma claims
• Preponderance of evidence standard applies
• Only 1% causation required to obtain TD, PD, and medical treatment for all body parts included in CT claim

Where do CT claims come from?

• Classic Example:
  Employee spends a 30-year career performing heavy lifting, pushing, and pulling and knees or something else wears out

• Other Examples:
  ➢ Physician-Assisted
  ➢ Attorney-Induced
  ➢ Created by Co-Defendant
  ➢ Post-termination
  ➢ Retirement
Estimated Frequency Changes
At 1st Report (18 Months)

Source: WCIRB

Cumulative Trauma: Study Questions

1. How do claim characteristics vary for CT vs Non-CT Claims?

2. Are differences in payment flows and the existence of companion claims influencing average claim costs and masking underlying increases?

3. What are the contributing factors that cause the observed differences?
Cumulative Trauma Study: Data Preparation

- Data Sources for subset of IRIS data contributors:
  - WCIRB Unit Stat Reporting
  - Integrate with CWCI IRIS claims data
- CT and Non-CT Claims w Notice Dates from 2005 – 2013
- Claim milestones and payments valued through 2015

Percent of Claims that are CT by Region – So. California

Exhibit 15

Exhibit 16
Percent of Claims that are CT by Region – Rest of California

Claim Characteristics: Notification – Average Days

Non-CT: 27 Days  
CT: 258 Days

Source: CWCI 2017
Claim Characteristics:

**Age**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>CT Percentage</th>
<th>Non-CT Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 1yr</td>
<td>24.0%</td>
<td>24.3%</td>
</tr>
<tr>
<td>1-3 yrs</td>
<td>24.3%</td>
<td>22.6%</td>
</tr>
<tr>
<td>3-10 yrs</td>
<td>32.7%</td>
<td>32.0%</td>
</tr>
<tr>
<td>10-15 yrs</td>
<td>8.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>16+ yrs</td>
<td>10.5%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

**Average Age**

- CT: 42.4 years
- Non-CT: 37.2 years

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Claim Characteristics:

**Tenure**

<table>
<thead>
<tr>
<th>Tenure Group</th>
<th>CT Percentage</th>
<th>Non-CT Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 1yr</td>
<td>43.9%</td>
<td>43.9%</td>
</tr>
<tr>
<td>1-3 yrs</td>
<td>22.6%</td>
<td>22.8%</td>
</tr>
<tr>
<td>3-10 yrs</td>
<td>23.0%</td>
<td>23.2%</td>
</tr>
<tr>
<td>10-15 yrs</td>
<td>8.6%</td>
<td>8.2%</td>
</tr>
<tr>
<td>16+ yrs</td>
<td>10.5%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

**Average Tenure (Years)**

- CT: 3.1 years
- Non-CT: 5.8 years
Claim Characteristics:

**Industry**

- Manufacturing
- Construction
- Health Care
- Wholesale Trade
- Retail Trade
- Consumer Services
- Educational Services
- Public Administration
- Arts and Entertainment
- Real Estate Rental and Lease
- Professional Service and Public Services
- Transportation and Warehousing
- Information
- Other Services

CT vs Non-CT

**Region**

- Los Angeles
- Inland Empire
- San Diego
- Central Coast
- Bay Area
- Sierra
- North Counties
- Central Valley

CT vs Non-CT

Exhibit 21
Exhibit 22
Claim Characteristics:
Percent w Indemnity Payment

<table>
<thead>
<tr>
<th></th>
<th>CT</th>
<th>Non-CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent w Indemnity Payment</td>
<td>57.0%</td>
<td>32.1%</td>
</tr>
</tbody>
</table>

Years from Carrier Notice to Closure Indemnity Claims

<table>
<thead>
<tr>
<th>Years from Carrier Notice Year</th>
<th>CT</th>
<th>Non-CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5%</td>
<td>26%</td>
</tr>
<tr>
<td>2</td>
<td>19%</td>
<td>52%</td>
</tr>
<tr>
<td>3</td>
<td>34%</td>
<td>65%</td>
</tr>
<tr>
<td>4</td>
<td>47%</td>
<td>74%</td>
</tr>
<tr>
<td>5</td>
<td>57%</td>
<td>81%</td>
</tr>
<tr>
<td>6</td>
<td>66%</td>
<td>86%</td>
</tr>
<tr>
<td>7</td>
<td>73%</td>
<td>89%</td>
</tr>
<tr>
<td>8</td>
<td>76%</td>
<td>92%</td>
</tr>
<tr>
<td>9</td>
<td>83%</td>
<td>97%</td>
</tr>
</tbody>
</table>

Carrier Notice Year
Exhibit 25

Attorney Involvement

Exhibit 26

CT as Percent of Attorney Involved Claims

Carrier Notice Year
### Percent of Injured Workers with One or More Related Claims

- **97.4%** Stand-Alone
- **2.6% w/ Related Claims**

**Source:** CWCI

### Average Cost Per Claim

<table>
<thead>
<tr>
<th></th>
<th>Without Region &amp; Attorney Involvement</th>
<th>With Region &amp; Attorney Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CT</strong></td>
<td>$73,830</td>
<td></td>
</tr>
<tr>
<td><strong>Non-CT</strong></td>
<td>$48,312</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** CWCI 2017
### Average Total Cost Per Claim

<table>
<thead>
<tr>
<th></th>
<th>Indemnity Claims Indemnity Claims Developed to 7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted for Mix – Demographics &amp; Condition</td>
</tr>
<tr>
<td></td>
<td>Without Region &amp; Attorney Involvement</td>
</tr>
<tr>
<td></td>
<td>With Region &amp; Attorney Involvement</td>
</tr>
<tr>
<td>CT</td>
<td>$73,830</td>
</tr>
<tr>
<td>Non-CT</td>
<td>$48,312</td>
</tr>
<tr>
<td></td>
<td>$72,416</td>
</tr>
<tr>
<td></td>
<td>$73,046</td>
</tr>
</tbody>
</table>

Source: CWCI 2017

### New & Proposed Legislation

**AB 221 (Gray) – CAAA’s CT Bill (proposed)**

Requires ER liability for med treatment in CT/OD cases if any one of five criteria is met:

1. treatment was authorized, or
2. body part was accepted, or
3. court finds industrial injury, or
4. AME/PQME finds industrial causation, or
5. case was settled by C&R >$25,000
Cumulative Trauma: Summary of Findings

- Growing frequency – Driven primary by LA Basin
- Late claim notification
- Higher attorney involvement and disputes over compensability
- Significantly slower development, higher average cost per claim

Implementing the Rx Formularies

- November 2014 CWCI Study: Potential impact of a state formulary
  - Modeled CA data using Texas and Washington State Formularies
  - Estimated system-wide savings of 10 – 50%

- AB 1124 - October 2015
  - Calls for creation of a State Formulary
  - Target Implementation - July 2017
  - Jan 2018
Formulary Considerations: Unit Pricing Variation

Hydrocodone-Acetaminophen Tab 10-325 MG

Min P50 Max

Source: CWCI 2016

Formulary Considerations: Unit Pricing Variation

Ibuprofen Tab 800 MG

Min P50 Max

Source: CWCI 2016
Opioid Use at 24 Months Post Injury
Pcnt of Claims with Opioid Script(s)

Statewide: 24.4%

Highest
1. Kings 39.5%
2. Fresno 36.8%
3. Madera 34.2%
4. Monterey 34.1%
5. Imperial 33.0%

Lowest
1. Napa 14.7%
2. Inyo 15.6%
3. Plumas 16.0%
4. Trinity 16.6%
5. Siskiyou 17.3%

Source: CWCI 2017

Implementing AB 1124
Drug Formulary and update of MTUS

Key Draft Components Released August 26th
- DWC Draft Regulations
- MTUS Drug List
- RAND Report

Proposed Regs Released March 20th
Public Hearing May 1st

Intent of the formulary
- Improve quality of care
- Lower cost
- Reduce UR and IMR friction costs
Friction Costs: Pharmacy Review in UR and IMR

<table>
<thead>
<tr>
<th></th>
<th>Util Review</th>
<th>IMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacy</td>
<td>45%</td>
<td>49%</td>
</tr>
<tr>
<td>Other</td>
<td>55%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: CWCI 2015

Implementing AB 1124 Drug Formulary and update of MTUS

Proposed Formulary Components Released March 20th:
- MTUS Drug List (N=242)

Drugs are designated into categories:
- Preferred
- Non-Preferred
- Not Listed
Implementing AB 1124: Drug Formulary

**Preliminary Results: Do Not Cite**

**Preferred, Non-Preferred, or Not Listed Prescriptions and Payments**

<table>
<thead>
<tr>
<th>Therapeutic Group</th>
<th>% of Prescriptions</th>
<th>% of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred</td>
<td>25.8%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Non-Preferred</td>
<td>53.4%</td>
<td>48.1%</td>
</tr>
<tr>
<td>Not Listed</td>
<td>20.7%</td>
<td>32.2%</td>
</tr>
</tbody>
</table>

Source: CWCI 2017

**Objectives**

- Identifies drug groups that the formulary will most impact;

**Exhibit 40**

**Table:**

<table>
<thead>
<tr>
<th>Therapeutic Group</th>
<th>Preferred</th>
<th>Non Preferred</th>
<th>Not Listed in MTUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analgesics - Opioid</td>
<td>0.0%</td>
<td>96.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Analgesics - Narcotic and miscellaneous</td>
<td>62.4%</td>
<td>2.2%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Musculoskeletal Therapy Agents</td>
<td>0.0%</td>
<td>98.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Anticonvulsants</td>
<td>0.0%</td>
<td>98.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Antidepressants</td>
<td>0.0%</td>
<td>96.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Ulcer Drugs</td>
<td>98.7%</td>
<td>0.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Dermatologicals</td>
<td>29.7%</td>
<td>34.3%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Hypnotics – Sedatives/Bipolar Disorder</td>
<td>0.0%</td>
<td>1.0%</td>
<td>99.0%</td>
</tr>
<tr>
<td>Antianxiety Agents</td>
<td>0.0%</td>
<td>44.4%</td>
<td>55.6%</td>
</tr>
<tr>
<td>Antihypertensives</td>
<td>0.0%</td>
<td>9.6%</td>
<td>94.4%</td>
</tr>
<tr>
<td>Antihyperlipidemics</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Diuretics</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Corticosteroids</td>
<td>0.0%</td>
<td>57.7%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Beta Blockers</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Calcium</td>
<td>1.8%</td>
<td>78.7%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Cephalosporins</td>
<td>0.4%</td>
<td>68.7%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Antidepressals – Tricyclic</td>
<td>68.3%</td>
<td>31.4%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Antidepressals – Anticholinergic Agents</td>
<td>0.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Ophthalmic Agents</td>
<td>39.9%</td>
<td>15.2%</td>
<td>44.9%</td>
</tr>
<tr>
<td>Venous Vasoconstrictors</td>
<td>0.0%</td>
<td>75.6%</td>
<td>24.4%</td>
</tr>
<tr>
<td>All Other</td>
<td>9.5%</td>
<td>15.1%</td>
<td>75.3%</td>
</tr>
<tr>
<td>Total</td>
<td>25.6%</td>
<td>53.4%</td>
<td>21.0%</td>
</tr>
</tbody>
</table>
Pending Changes in the Formulary Regulations

DWC Medical Director announced:

- Recent changes in ACOEM formulary modifies the DWC Drug list:
  - 31 new drugs,
  - Brand name examples and
  - Additional details on dose, strength and unique product identifier
- Preferred/Non-Preferred to Exempt/Non-Exempt
- Retrospective review language moves to UR regulation
- Ongoing use of non-exempt, unlisted or compounded drugs will require:
  - Progress reports
  - Treatment plan for safe weaning/transition
  - RFA supporting material

Getting Real.
GET THE PATIENT THE RIGHT MEDS QUICKLY & EASILY

KEEP PATIENTS SAFE
What decisions are we talking about?

- Vast majority of drug script transactions are seamless, smooth, frictionless
- A small percentage are stopped – most for good reason
  - Aspirin
The Goal

The feared End Product
Payer

Pharmacy

Prescriber

PBM

Patient

Patient Safety

Access to Care
Implementing a formulary

Who pays?
Thanks for listening

Cumulative Trauma Injuries
& The Rx Formulary

A California Workers’ Compensation
System Update

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