SIGNIFICANT IMPROVEMENT TO CALIFORNIA WORKERS’ COMPENSATION SYSTEM

ACCESS TO THE BEST MEDICAL TREATMENT REFERENCE MATERIAL AND AN INDEPENDENT MEDICAL REVIEW SYSTEM TO ENSURE COMPLIANCE ARE KEY
Can We Learn from the California Experience?
A series of bills took effect in 2013-2015.

**SB 863, AB 1124, SB 1260, AB 1144**

**Strategy:**

- Improve medical care delivery
- Remove Waste and Friction and Fraud
- Use the savings to increase benefits for employees and reduce workers’ comp rates for employers.

*Win – Win*
Reforms Have Successfully Driven Down Costs for California and California's Employers

Large Cost Reductions for the System.

$3+ Billion Savings per Year

Large Savings for Employers.

Pure premium Rate is down 41% since 2015

Source: WCIRB
Reforms lead to significant improvements in the quality of care for injured workers.

- 28% Decrease in Overall Number of Medical Services since 2013.
- 80% Decrease in Overall Prescription Cost per Claim since SB863.
- 43% Decrease in Number of Claims with Opioid Prescriptions since adoption of Formulary.
- 72% Decrease in Lab Tests
- 39% Decrease in Medical Equipment Purchases
- 30% Increase Payments for Physical Therapy
- 9% Increase in Physician Evaluation and Management Services.

Source: WCIRB and CWCI
Reforms have led to a more effective System.

According to the California Workers’ Compensation Insurance Rating Bureau (WCIRB), claim settlement rates continue to accelerate. The claims community believes is that this acceleration is attributable to policy reforms that allowed the claims adjusters to concentrate more on claims handling than other frictional costs before system and the court.

Source: WCIRB
How Was This Done?

- Improvements to healthcare quality and delivery.
- Use of evidence-based guidelines for presumptive first-level treatment decisions.
- Reduction of over-care, i.e., provide evidence-based care first before surgery is considered.
- Establishment of protocols (hierarchy of decision making) for escalating to other treatment regimens based on individual circumstances.
- Eliminating litigation over issues that belong to the healthcare experts, not lawyers and judges (Independent Medical Review (IMR) DWC Contracted with third-party MAXIMUS).
The Foundation of Effective Reform

- Access to quality medical care through medical provider networks and ombudsman.
- Standardized reference material (Medical Treatment Guidelines) for first level, evidence-based treatment.
- Drug formulary fully integrated with treatment parameters.
- Securing trust in the efficacy and integrity of guidelines for medical treatment, which fundamentally includes the use of drugs as part of treatment.
- Independent Medical Review (IMR) conducted by objective providers.
How California Chose a Medical Treatment Guideline
DIR contracted Rand Corp to conduct a comprehensive study of existing medical treatment guidelines.

Findings
- ACOEM Guidelines stand out overwhelmingly as the best choice, particularly with its adherence to the principle of evidence-based validation.
- ACOEM subsequently addresses recommendations of Rand Study for continuous improvement.

Result of Evaluation
- ACOEM Guidelines became the legal standard in California.
Why the ACOEM Guidelines were selected?

They:

- Provide the clinician with an analytical framework for the evaluation and treatment of injured workers in the workers' compensation system.
- Serve as the primary source of guidance for treating physicians and physician reviewers in workers' compensation.
- As the presumed correct first-level standard for appropriate patient care, they enable streamlined approval of treatment requests.
- Help to protect workers from over, under, or otherwise inappropriate treatment.
- Include a comprehensive drug formulary as a fully integrated component of treatment.
How California Selected a Drug Formulary
Evidenced-Based Formulary Goals

- Implement evidenced-based formulary as part of the medical treatment utilization schedule (MTUS)
- To facilitate the provision of appropriate medications to injured workers by establishing a list of preferred medications, with the goal of encouraging usage of the most appropriate medications, and minimizing disputes and associated medical costs.
- Design evidence-based formulary to maximize high-quality health care for injured workers and improve work-related outcomes through policies consistent with the MTUS.
DIR contracted Rand Corp to conduct a study of 5 Existing Formularies

- Washington state Department of Labor and Industries
- REED Group ACOEM
- Work Loss data Institute ODG
- Ohio Bureau of Workers’ Compensation
- Department of Health Services (Medi-Cal)
Why California Selected the Reed Group (ACOEM) Formulary

- Reliance on evidenced-based criteria in determining drug list
- Compatibility with the MTUS
- Transparency in the decision process to maintain the drug list
- Established process for regular updates to the formulary drugs
- Ease of use by treating physicians
- Focus on drugs needed for injured worker conditions.
Independent Medical Review

• MEDICAL DECISIONS MADE BY INDEPENDENT MEDICAL PROFESSIONALS BASED ON EVIDENCED BASED MEDICINE.
• EXPEDITED MEDICAL DECISIONS.
• TRANSPARENCY ON MEDICAL TRANSACTIONS.
• ANTI-FRAUD CAPABILITY
Impact and Remaining Challenges
Chart 29: Average Medical Cost per Indemnity Claim

- Historically, other than during reform periods, average medical cost inflation in California has been significant at 9% per year.
- From 2011 to 2016, average medical costs sharply declined, primarily driven by SB 863, SB 1160 and Assembly Bill (AB) 1244 reforms as well as efforts to reduce medical provider fraud and reduced pharmaceutical costs.
- Medical severities since 2016 have been fairly flat compared to other post-reform periods.
- Absent SB 863, average medical costs would be double in 2019 if they continued to grow at the pre-SB 863 rate of 6% per year.

More Info
Chart 34: Pharmaceutical Cost Level Indexed to 2012

- Average pharmaceutical cost paid per transaction decreased by 29% from 2015 to 2017, due largely to changes in federal government drug pricing.
- Key factors driving the over 75% decrease in pharmaceutical transactions per claim since 2012 include:
  - Independent medical review (IMR)
  - Reduced spinal surgeries
  - National trends toward reduced opioid use
  - The new drug formulary
- In total, pharmaceutical costs per claim in 2019 were less than one-sixth of the 2012 level.
Chart 35: Opioid Costs per 100 Claims

- The use of opioids in California workers' compensation declined by 94% since 2013.
- Factors that drove this decline include IMR, use of the Controlled Substance Utilization Review and Evaluation System (CURES) in California, reaction to the national opioid epidemic and the new drug formulary.
- Prior WCIRB research has shown that heavy use of opioids drove not only higher medical costs but also higher indemnity costs and claim duration.
Remaining Challenges

- Resistance to change.
- Broadening user base, i.e., all levels of healthcare professionals, claims adjusters, etc.