



National Trends in Workers' Compensation How Texas Stacks Up

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National Reform Agenda

- How did we get here?
- What are states doing in response?
- How does Texas compare?

National Crisis

- Erosion of Capital
 - Uncover
 - Stock Market losses
 - Risk Loss Transfer
 - Reclassified Premium
- Inflationary Medical
 - Utilization
 - Benefit costs
- CA Deregulation
 - SCIF growth
 - Carrier failures
 - Nationally destabilizing

National Issues

- Medical inflation
- Immigration
- Alcohol & Drugs
- Boomers
- State Fund competition

National Trends

- Medical
 - Networks
 - Utilization Review
 - Treatment & Disability Guidelines
- Rehabilitation
 - Return to work
- Decline in claims costs

How Texas Differs

- Voluntary system
- Market competition
 - Non-subscribers
 - State system competes with private systems
 - Mandate is better service and system through competition with non-subscription system

Medical

- Medical Networks
- Guidelines
- Utilization Review

Network Similarities

- Rigid notice requirements
- Treating physician control
- Managed care model
 - Preauthorization
- Geographic and specialization minimums
- Goal of effective care
 - Quality assurance rules and audits
- Market driven fee assumptions

Medical Network Differences

■ California

- Medical Provider Network (MPN)
- Claims-centric
- 1000+ MPNs
- Eliminated IW choice outside of MPN
- Market driven fees
 - Base is OMFS

■ Texas

- Workers' Compensation Health Care Network (WCN)
- Provider-centric
- Dozen WCNs
- Maintains ADL
- Market driven fees
 - Base fee schedule?

Other Network Differences

<u>Issue:</u>	<u>California</u>	<u>Texas</u>
Filing Fee:	None	\$5000
Transfer of Care:	Complicated process that can take up to 1 year, multiple exceptions	14 days notice on transfer into network
Change of Treating Physician:	Unlimited employee choice after 1st visit	One time change unless ordered
Dispute resolution :	2nd, 3rd opinion and IMR only for employee	Appeals to district court

Preliminary Network Research Results

Networks are associated with:

- 26.7% lower average total cost per indemnity claim
- 31.8% less attorney involvement
- 20.7% less indemnity claims

Differences associated with:

- Network affiliation -- Yes
- Network plan design -- Yes
- Discounts -- Not always
- Provider Experience -- Yes
- Lower utilization -- Yes

Access to Care

- Dispute as to MPN access to care barriers
 - CWCI data shows no issue, and greater access
 - Data based on number of doctors in MPN geographic zone
 - No analysis of real time access issues
 - Quality, quantity, nature not tested
 - Anecdotal evidence conflicts

Treatment Guidelines

- TX
 - ODG
- CA
 - ACOEM
- Both – can rebut with other EBG

Utilization Review

- Treatment burden?
- Delay in claims resolution
 - CA experience – overzealous UR leading to legislation/regulation curbing use

Immigration

Mixed bag for employer

- Need protection of exclusive remedy
 - Reasonable precautions to ensure legal status
- Politically hot to cover “illegals”
- Social benefit
 - Medical, indemnity
 - Rehabilitation / return to work

ETOH / Drugs

- Causation standards
- Tolerance?
- Arizona's problem
- SD, WV, FL, NM, OR, WA,

Boomer Population

- Aging work force
 - Safety
 - Medical
 - Economic demographic shift
 - Burden on new generation of employers?

Conclusion

- Where is Texas heading?
 - Compulsory work comp coverage?
 - Not unless big employers get behind it
 - Rates and Premiums
 - What goes down, must go up eventually
 - Work comp cyclicity
 - Medical costs and controls
 - Offset by aging work force, increased labor pool