

California Workers' Compensation:  
Regional Differences

*California*  
*Division of Workers'*  
*Compensation*

February 26, 2016  
Mark Priven, FCAS, MAAA  
Director Analytics and Specialty Actuarial  
Bickmore



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About Actuaries

**MATH =  
Mental Abuse To Humans**



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California Regional Differences



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California Workers' Compensation:  
Regional Differences

**Key Metrics**

- Loss Rates (Loss per \$100 of payroll)
- Claim Frequency
- Average Claim Size
- Claims Administration Environment



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California Regional Differences

Frequency Effect



Conflict "Resolution"



Aging



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The L.A. Effect:  
Claim Outcomes and Cost Drivers

DWC Annual Educational Conference

Alex Swedlow  
California Workers' Compensation Institute

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Exhibit 7

## Discussion Items –

- Cost Drivers
  - Days to Employer Notification and 1<sup>st</sup> Medical Visit
  - Case Closure Rates
  - Attorney Involvement
  - PD Claim Mix
  - Industry Mix
- Average Cost Per Claim
  - Medical, Indemnity and Allocated Expense
  - Medical Expense Cost Drivers and Regional Differences
- Medical Dispute Resolution

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Exhibit 8

## Cost Drivers: Notification Cycle

Timeliness of claim reporting & referral impacts injured worker outcomes:

- Days From Date of Injury to Employer Notification
- Days From Employer Notification to Payor Notification
- Days From Employer Notification to 1<sup>st</sup> Medical Treatment

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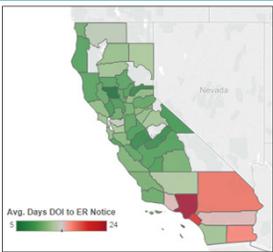
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Exhibit 9

## Days From Date of Injury to Employer Notification



Days from Injury to Employer Notification

- LA Basin
  - Average – 21
  - Median - 1
- Rest of CA
  - Average – 9
  - Median - 1

• LA's average days is more than twice as long as rest of CA  
• The median (50<sup>th</sup>) is the same: outliers drive the difference

AY 2009-2015 - Valued as of June 2015  
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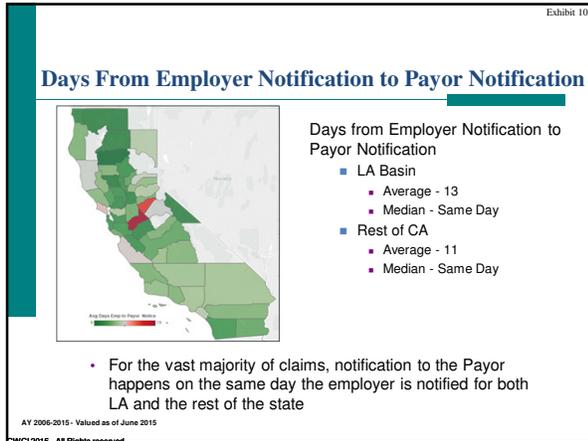
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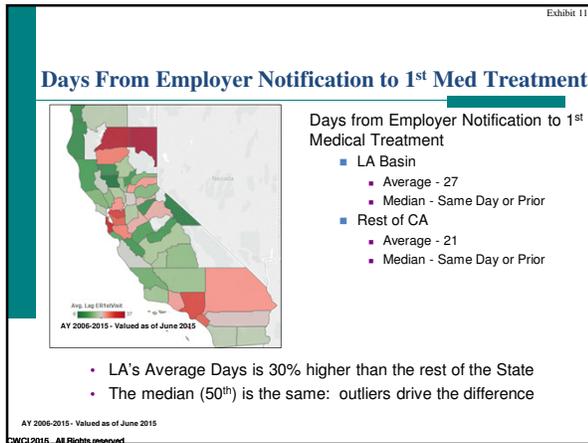
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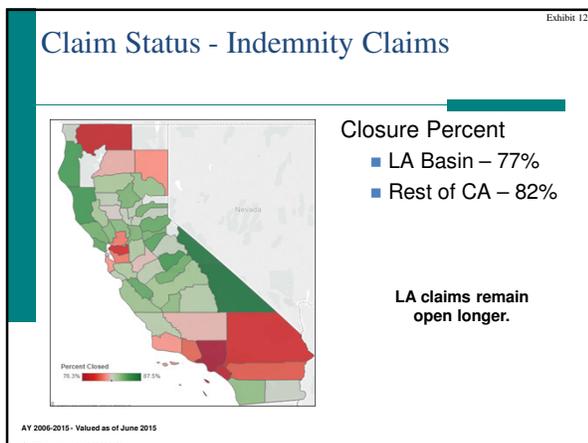
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Exhibit 13

## Other Cost Drivers

Specific claim characteristics impact injured worker outcomes and claim development

- Attorney Involvement
- Comorbidities (obesity, substance abuse, etc.)
- Industry Mix
- Proportion of PD claims

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Exhibit 14

## Attorney Involvement - Indemnity Claims

■ Attorney Involvement

- LA Basin - 58%
- Rest of CA - 41%

LA indemnity claims have more attorney involvement.

AY 2006-2015 - Valued as of June 2015

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Exhibit 15

## Comorbidities – Indemnity Claims

### Comorbidities – by Region

■ L.A. ■ Inld Emp/Orang ■ Bay Area ■ Central Coast ■ North Counties ■ SD ■ Sierras ■ Valleys

AY 2006-2015 - Valued as of June 2015

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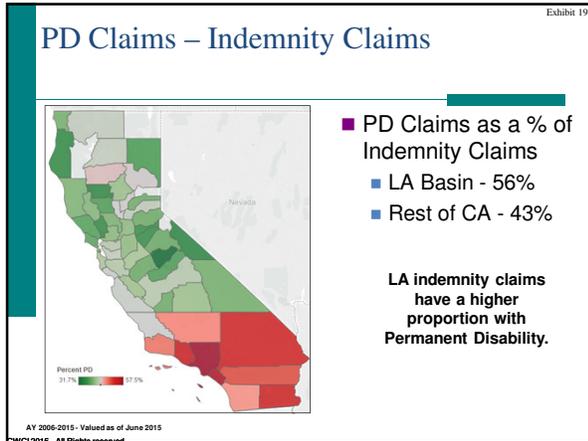
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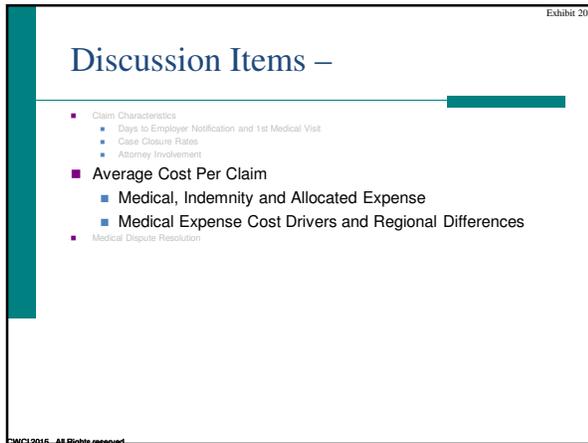
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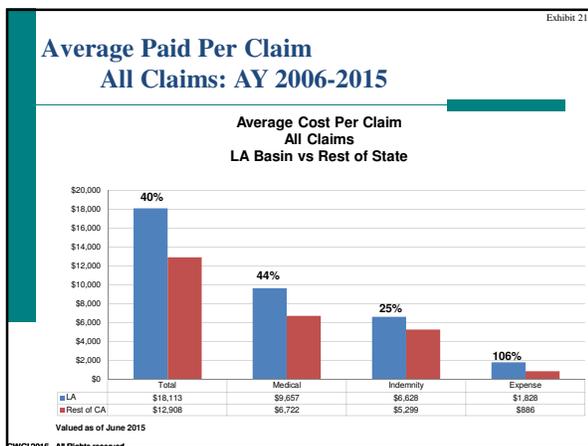
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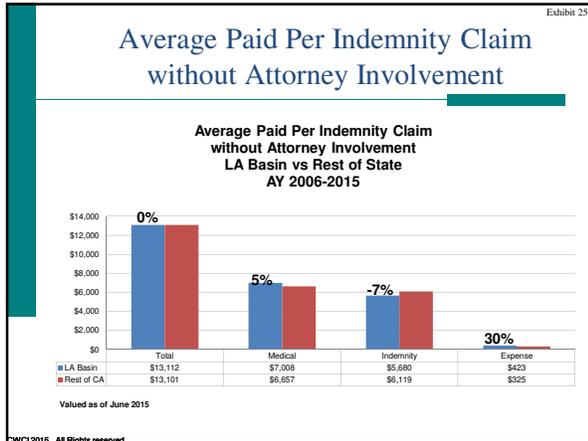
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Exhibit 26

## Case-mix Adjustment Analysis:

### Underlying Reasons behind the LA effect

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- Exhibit 27
- ## Medical Cost Drivers for Indemnity Claims
- Employee / Job Characteristics ↑
    - Industry, Age, Gender, Job Tenure
  - Claim Status and Type ↑
    - Attorney Involvement
    - Permanent Disability
  - Injury Characteristics ↓
    - Nature of Injury
    - Cause of Injury
    - Body Part
  - Medical Diagnosis ↑
    - Mental Health Diagnosis
    - Other Diagnoses and Other Comorbidities
  - Treatment Differences
    - Opioid Use ↓
    - Psychotropic Drug Use ↑
    - Inpatient Stays —
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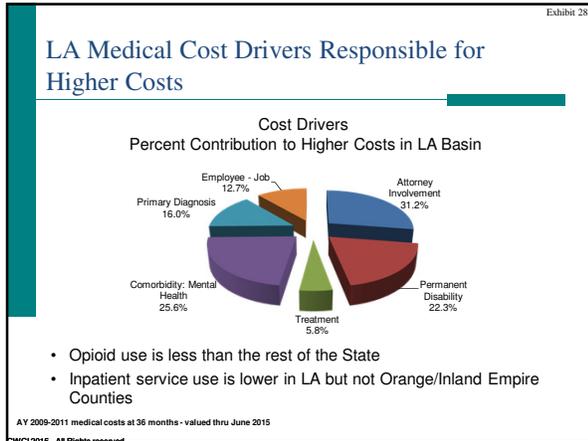
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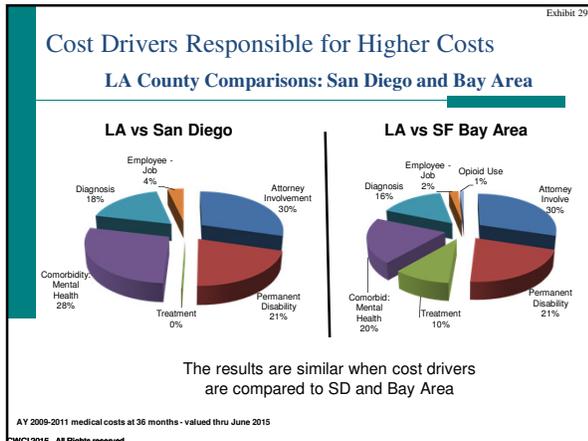
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- Exhibit 30
- ## Discussion Items –
- Claim Characteristics
    - Days to Employer Notification and 1st Medical Visit
    - Case Closure Rates
    - Attorney Involvement
  - Indemnity Claim Average Cost Per Claim
    - Medical, Indemnity and Allocated Expense
    - Medical Expense Cost Drivers and Regional Differences
  - Medical Dispute Resolution
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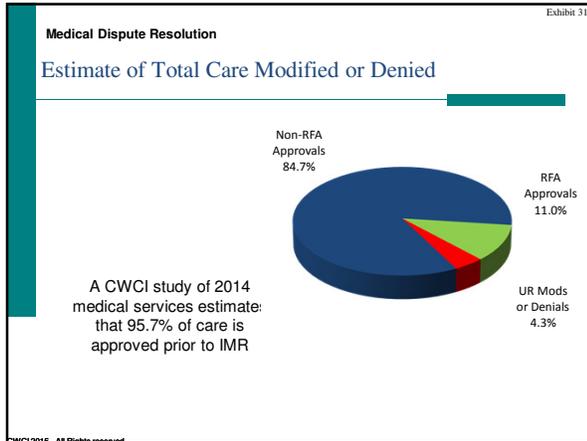
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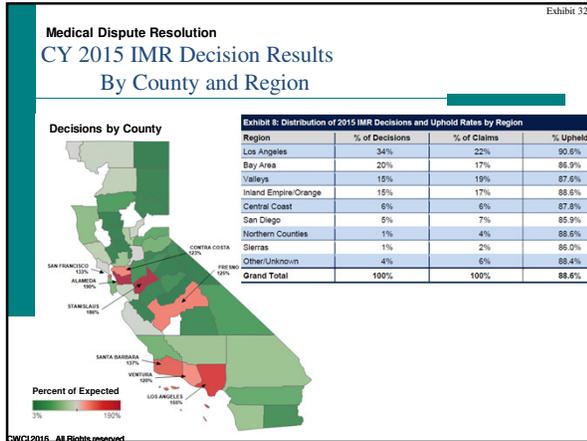
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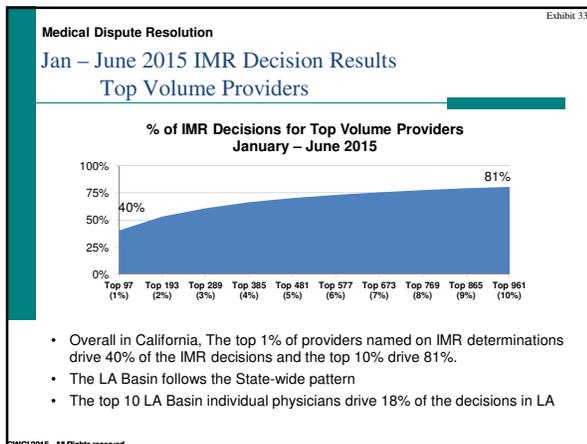
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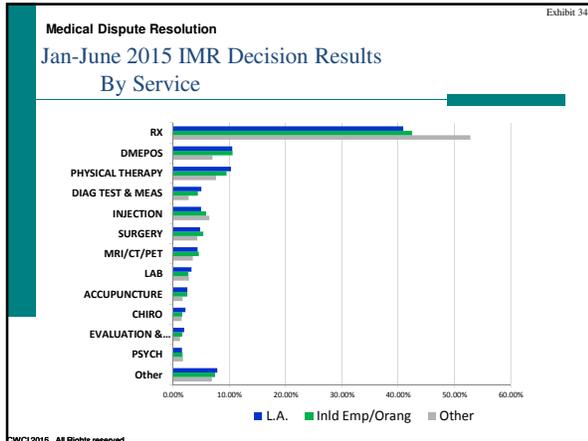
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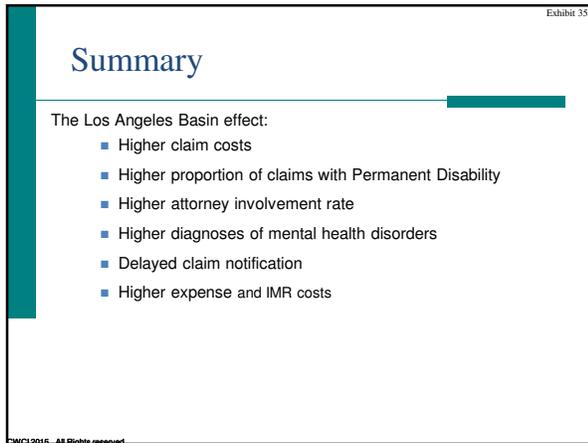
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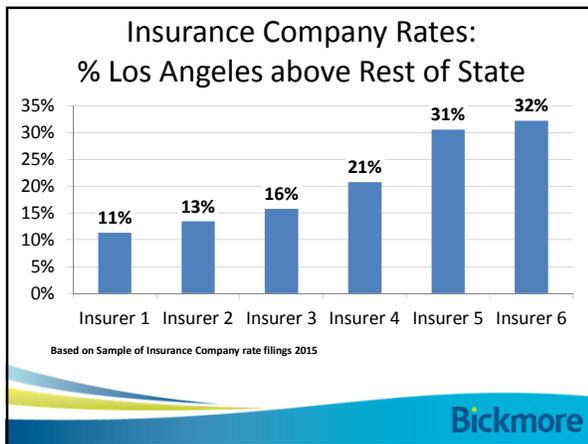
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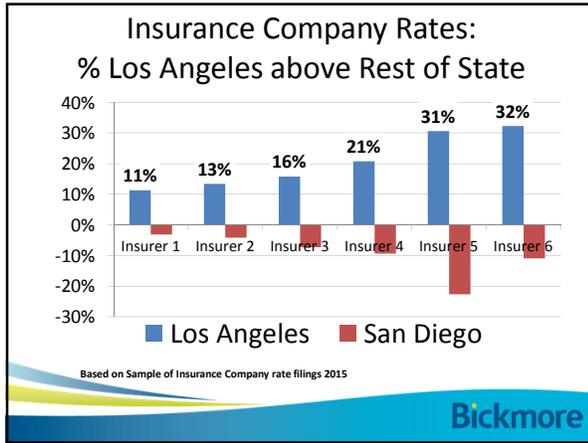
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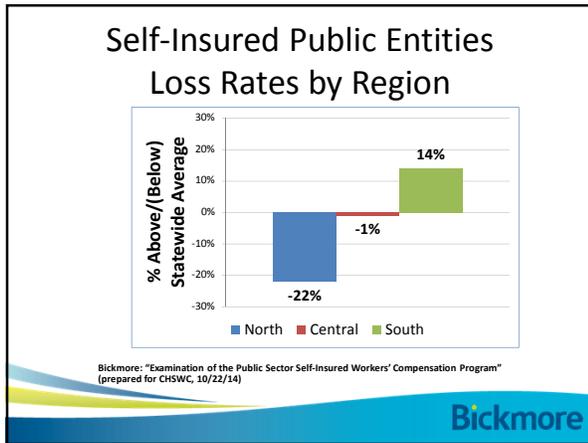
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### California Regional Differences

#### Frequency Effect



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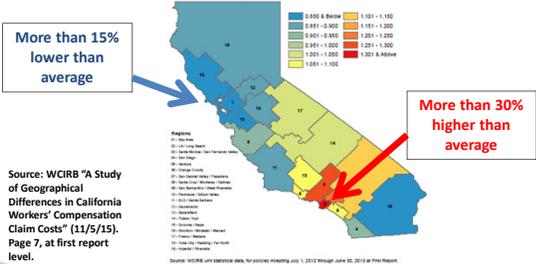
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### Indemnity Claim Frequency by Region (Insured)



Source: WCIRB "A Study of Geographical Differences in California Workers' Compensation Claim Costs" (11/5/15), Page 7, at first report level.

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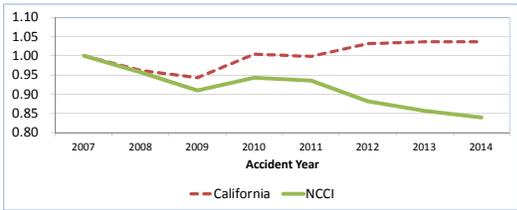
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### Indemnity Claim Frequency Index CA vs. Nationwide



CA: WCIRB "Analysis of Changes in Indemnity Claim Frequency" (January 2016), Chart 1

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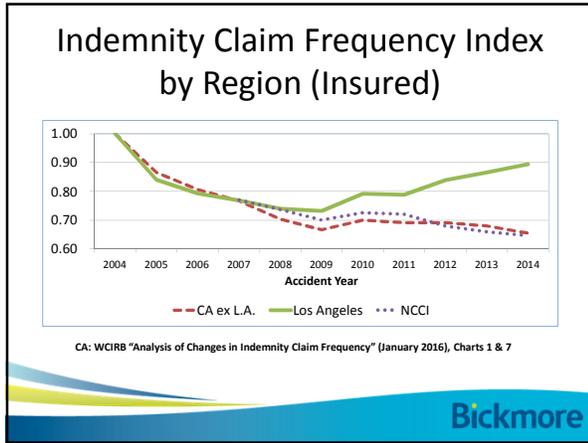
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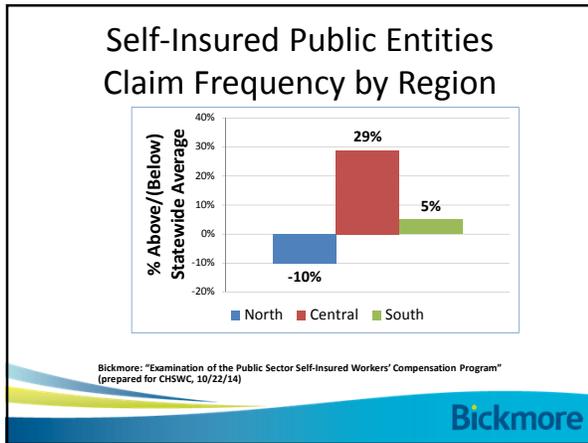
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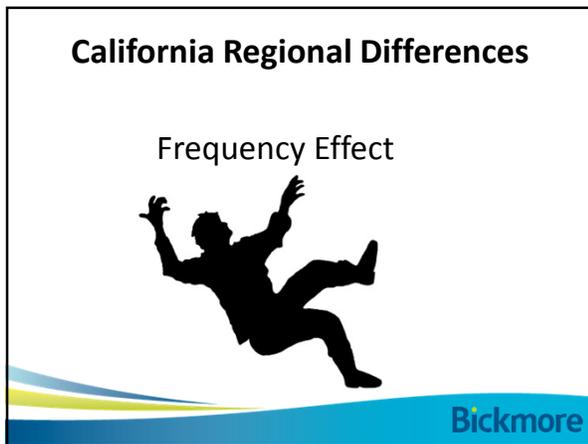
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## California Regional Differences




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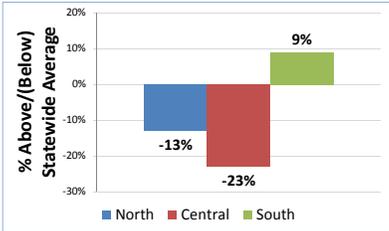
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## Self-Insured Public Entities Average Claim Size by Region



Region	% Above/(Below) Statewide Average
North	-13%
Central	-23%
South	9%

Bickmore: "Examination of the Public Sector Self-Insured Workers' Compensation Program" (prepared for CHSWC, 10/22/14)

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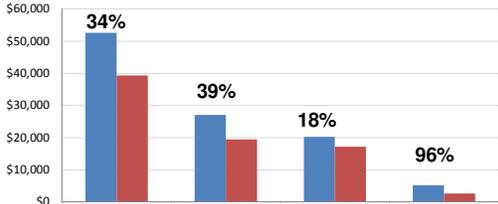
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## Average Claim Size by Region



	Total	Medical	Indemnity	Expense
LA	\$52,543	\$27,069	\$20,280	\$5,194
Rest of CA	\$39,282	\$19,463	\$17,169	\$2,650

AY 2006 - 2015 Valued 6/30/15  
CWCI Presentation to CA Senate Committee Labor and Industrial Relations, 12/2/15

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### Conflict "Resolution"



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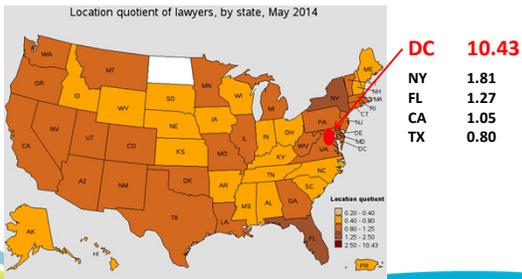
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### Nationwide "Location Quotient": Lawyers /Employee



U.S. Bureau of Labor and Statistics: May 2014

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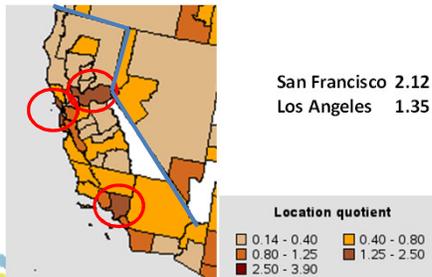
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### California "Location Quotient": Lawyers /Employee



U.S. Bureau of Labor and Statistics: May 2014

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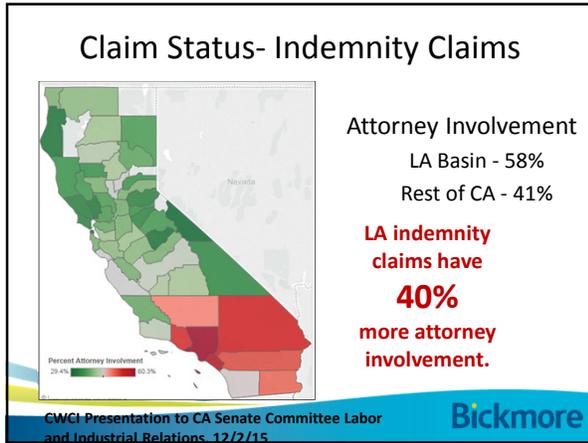
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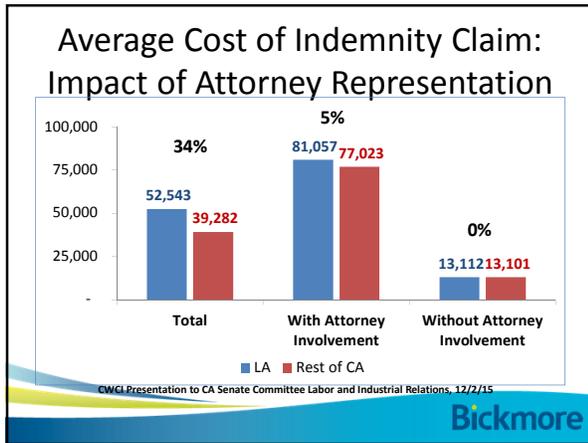
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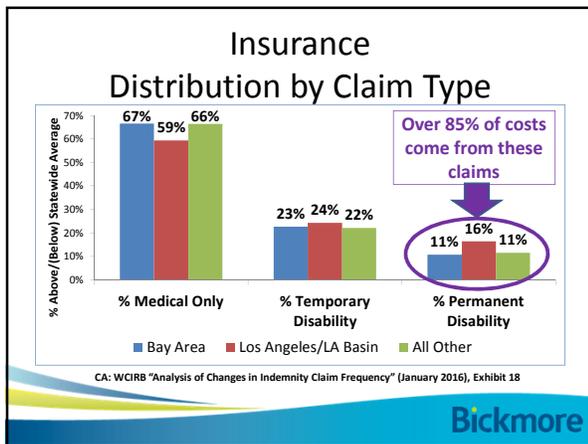
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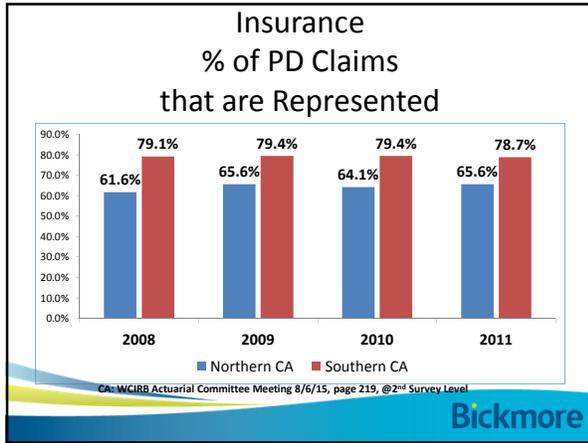
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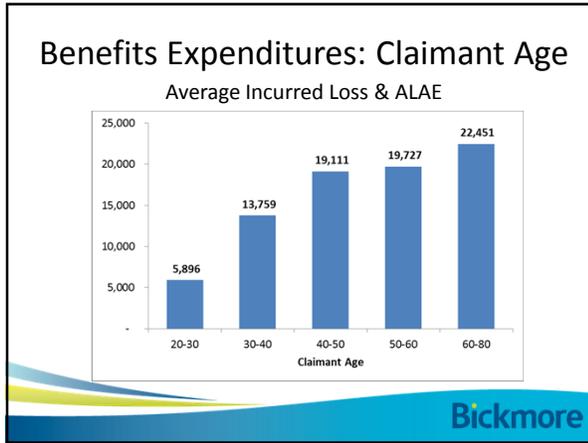
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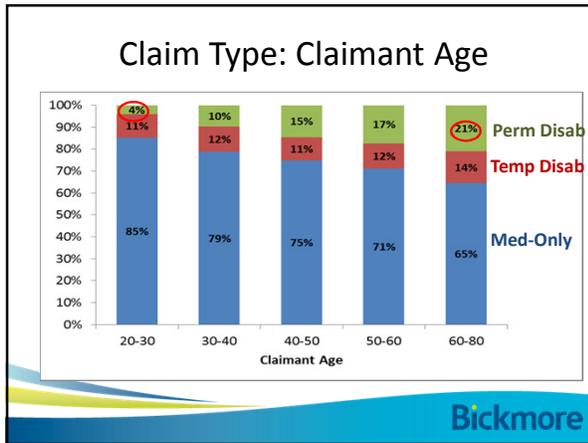
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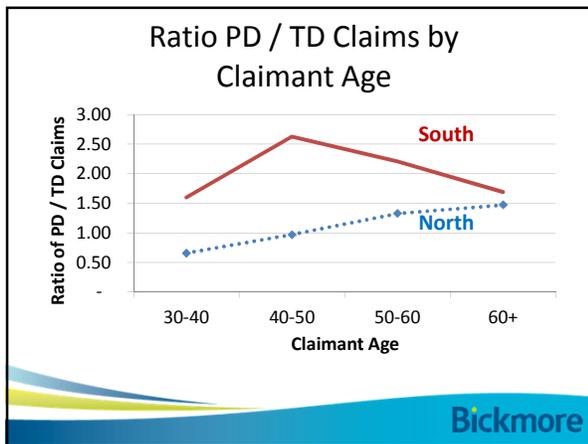
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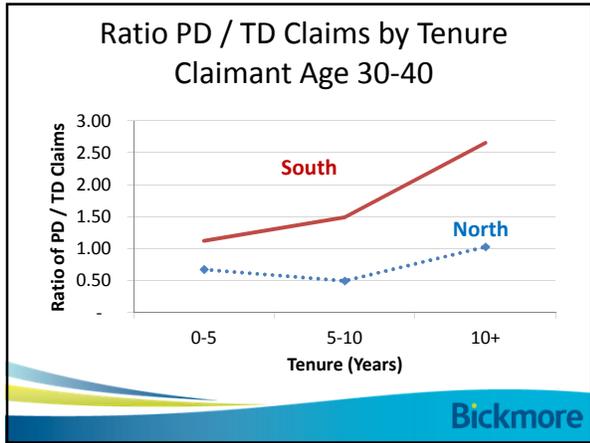
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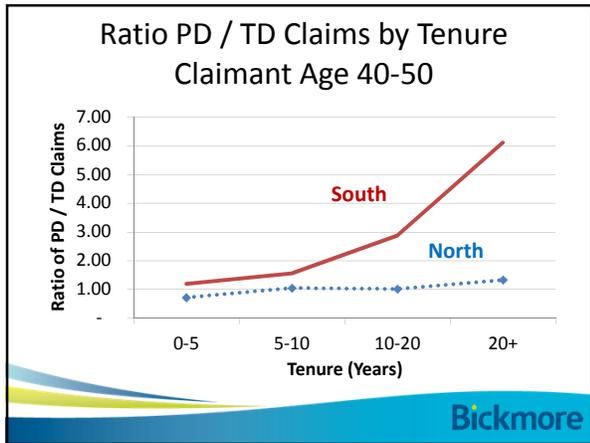
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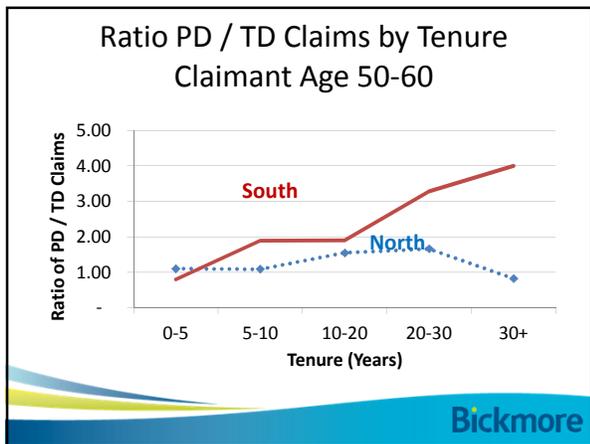
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California Regional Differences

Aging in L.A.



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California Regional Differences



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Claims Administration  
Regional Differences



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## Claims Administration DWC Performance Audit Review

Reviewed Results 2010 – 2012  
 176 Entities, 9,995 Files Audited  
 Performance Rating & Penalties by Category

By Location, Type of Adjuster, JPA vs. Individual




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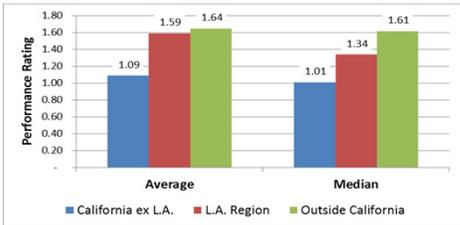
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## Claims Administration Performance Rating by Region



Category	California ex L.A.	L.A. Region	Outside California
Average	1.09	1.59	1.64
Median	1.01	1.34	1.61

Bickmore - "Examination of the Public Sector Self-Insured Workers' Compensation Program" (prepared for CHSWC, 10/22/14) PAR 2010-2012




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## California Workers' Compensation: Regional Differences

**Summary of Key Metrics: L.A. vs. Statewide**

Key Metric	Result
Loss Rate	L.A. Higher
Claim Frequency	L.A. Higher
Claim Size	L.A. Higher
Claims Admin. Environment	L.A. More Difficult




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**California Regional Differences**

Klutz Effect



Conflict "Resolution"



Aging



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**Bickmore Actuarial**



**Math Problems?**  
Call 1-800-[[14x][12i]2]-[sin(xy)/3.14x]

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