



DWC 15th Annual Educational Conference

Research Issues

Presenters

David Henderson

Martha Jones

Los Angeles Sheraton February 28-29, 2008
Oakland Marriot March 3-4, 2008

Goals for WCIS

- Help DWC Manage WC system
- Facilitate Evaluation of Benefits Delivery
- Assist in Measuring Benefit Adequacy
- Provide Statistical Data for Research

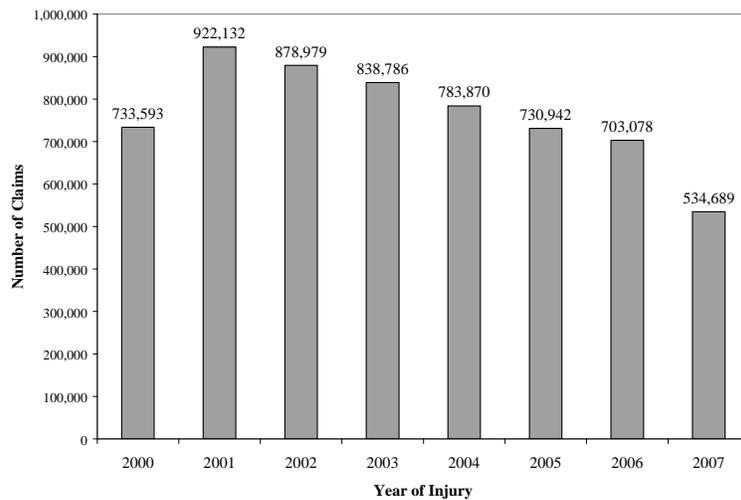
Components of WCIS

- First Reports—FROI
- Subsequent Reports—SROI
- Medical/Bill Payment Reports

Data Collection – First Report of Injury

	1/2008
■ Trading Partners Submitting Data	189
■ Total Number of Claims	6.2 m

Number of Claims Reported to WCIS, 2000-2007
Total claims = 6,180,953 as of 1/2/08



Data Collection – Subsequent Reports

	1/2008
■ Trading Partners Submitting Data	126
■ Total Number of Claims	1.3 m

Data Collection – Medical Billing Data

	1/2008
■ Entities Submitting Data	32 senders 194 claims administrators
■ Total Number of Bill Lines	12.5 m

Current Compliance Issues

- Began rejecting transmissions from senders without a current TP Profile on January 2, 2008
- ID List must be kept current as well
- Only FROI/SROI transmissions

WCIS and Auditing

- Annual Report of Inventory
- Penalties for Non-compliance

Updates for CA Implementation Guides

- FROI /SROI Guide:
 - Task Force, WCIS Survey of participants
- Medical Guide
 - Lump Sum Medical Lien Payments

Tables/Reports on WCIS Webpage

Tables (by Year of Injury, 2000-2006):

- Nature of Injury
- Part of Body
- Cause of Injury
- Age and Gender
- Type of Insurer
- Age & Gender by Insurer Type
- WCIS reports can be found online at:
 - http://www.dir.ca.gov/dwc/wcis/WCIS_Reports.html

Medical Billing Data: Trading Partner Status Summary

As of January 2008,

- 32 Companies in Production
- 22 Companies in Testing Phase

Uses of Medical Data

- Monitor the care injured workers receive
- Monitor the cost of various medical services
- Monitor utilization of medical services and products
- Monitor how insurers/claims administrators are following standardized treatment guidelines
- Monitor system performance by tracking medical costs and medical service delivery

Uses of Medical Data (cont'd)

- Identify needed fee schedule adjustments to ensure physician and other professional participation
- Provide detailed information on other medical services (e.g. pharmaceuticals, emergency rooms)
- Provide information to help develop adjustments to the existing fee schedule such as a resource based relative value payment system
- Determine if capped price and capitated services are adequate
- Compare costs on an intra-state basis

When to Report Medical Data

- Within 90 days of payment of medical service
- Frequency of reporting is optional: daily, weekly, monthly, quarterly

WCIS Trading Partner Liaisons

Elisema Cantu
510-286-6763
ecantu@dir.ca.gov

Damon Chen
510-286-6753
dchen@dir.ca.gov

Johnny Lee
510-286-6772
jlee@dir.ca.gov

Research Projects

- PD-Related Research
- Illness and Injury Incidence Rate Reports
- Timeliness of Payments Reports

PD-related Analyses at DWC

- Return to Work (RTW)
- Wage Loss - mandated by the Legislature
 - Retrospective (released March 2007)
 - 2002 Dates of Injury (released May 2007)
- Compare PD ratings: 1997 vs 2005 PDRS

Links to PD-related Research Reports

- <http://www.dir.ca.gov/dwc/dwcrep.htm#3>
- Look under the "Reports" section

Research Phases

Phase I: Analysis of Return-to-Work Rates: <i>released January 2007</i>	
Phase II: Wage Loss Analysis	Step 1: Three-year wage loss for workers injured Oct. 1, 2000 to Jun. 30, 2003: <i>released March 2007</i>
	Step 2: Correlate return-to-work rates and indemnity payments to determine uncompensated wage loss under the 1997 PDRS: <i>included in this May 2007 report</i>
	Step 3: Compare ratings in the 2005 PDRS: <i>included in this May 2007 report</i>
Phase III: Routine Quarterly Updates of Return-to-Work Rates and Wage Loss Analysis: <i>pending</i>	

PHASE I

- Analysis of Return-to-Work Rates for Permanently Disabled Workers
- *Released January 2007*

RTW Methodology

- Match Disability Evaluation Unit (DEU) data to WCIS data
- Match DEU/WCIS Info to EDD employment

12-month RTW rate =

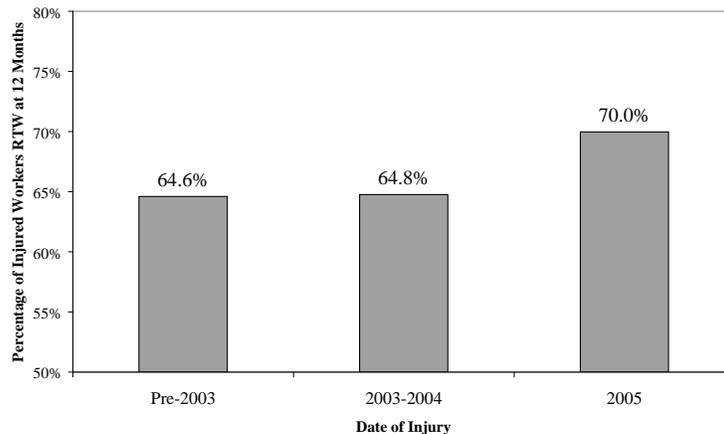
$$\frac{\text{\# of workers injured in 1Q 2005 who were working in 1Q 2006 (~12 months after injury)}}{\text{\# of workers injured in 1Q 2005}}$$

- The presence of reported wages in the EDD base wage file is used to indicate whether or not someone is working in a given quarter.

Preliminary Result:

The overall RTW rate increased for workers injured in the 2005 sub-period by about 5 percentage points.

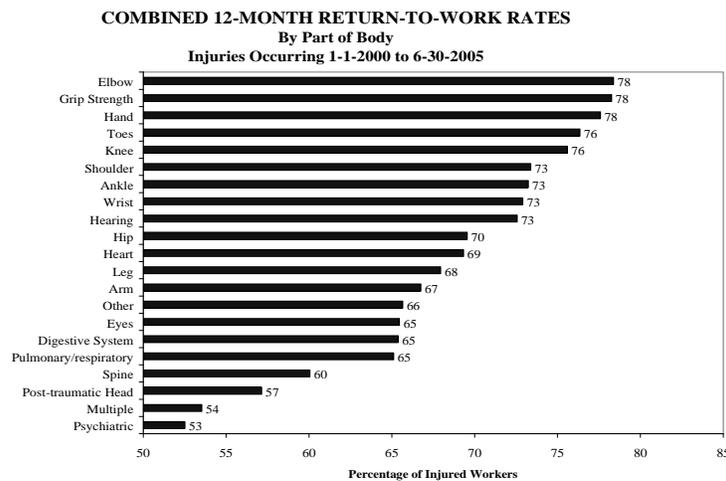
CHART 1. 12-MONTH RETURN-TO-WORK RATES



Key Findings: Return-to-Work

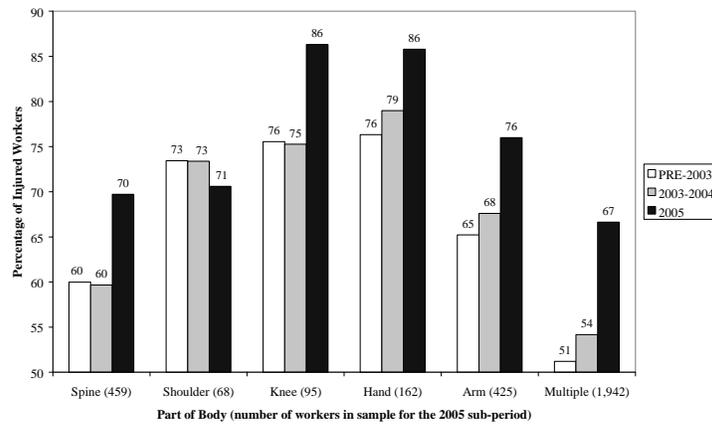
- Overall RTW rate at 12 months increased by five percentage points (65% to 70%) between 2003 and 2005, driven primarily by workers returning to the same employer
- These RTW rates varied significantly by part of body (53% psych to 78% upper ext)
- These RTW rates rose with age, up to age 60.

Return to Work rates vary by part of body



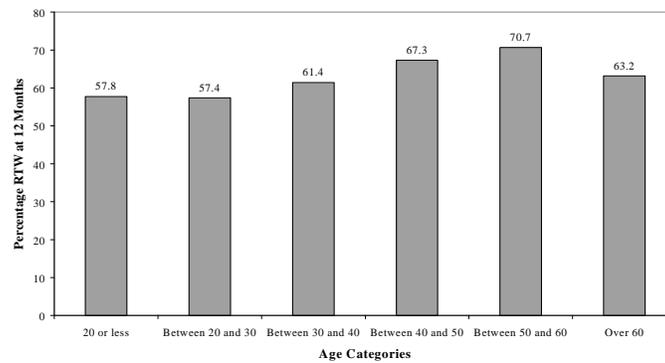
Changes in RTW rates are greater for some parts of body than others

12-MONTH RETURN-TO-WORK RATES, for Selected Parts of Body



Return to work rates increase with age, up to age 60

Return-to-Work Rates by Age



PHASE II – Step 1 DWC Retrospective Wage Loss Study

- Three-year wage loss for workers injured from October 1, 2000 to June 30, 2003
- Duplicate RAND's methodology, 2004-05
- "Wage Loss for Injured Workers with Permanent Disabilities"
- *Released March 2007*

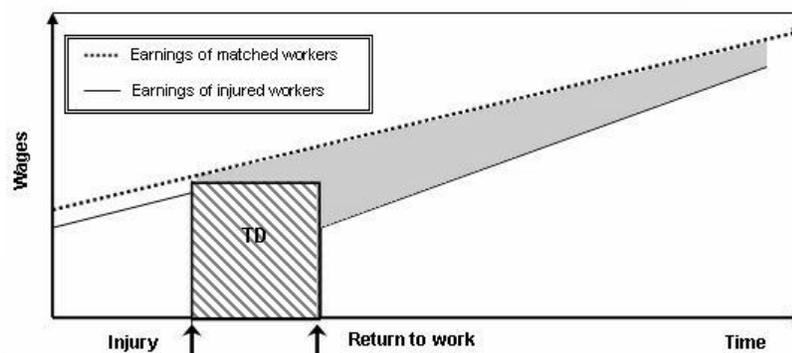
PHASE II – Step 2 DWC Wage Loss Study

- Three-year uncompensated wage loss and total wage loss for workers injured in 2002
- "Uncompensated Wage Loss for Injured Workers with Permanent Disabilities"
- *Released May 2007*

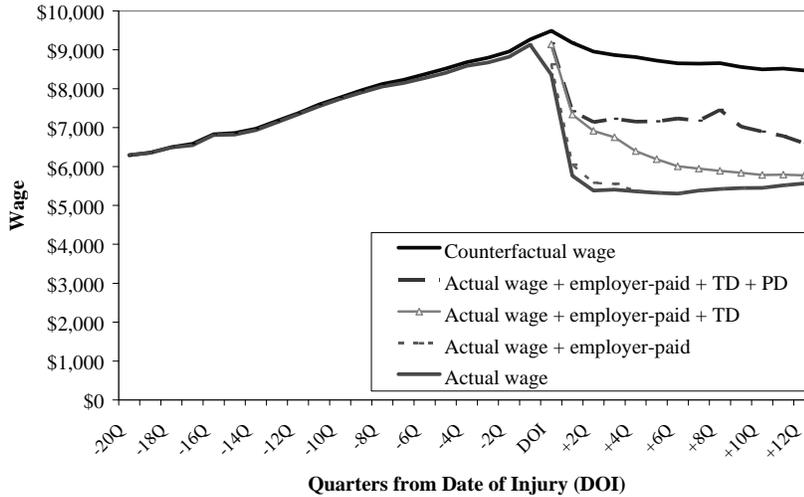
Assumptions

- Compare injured workers with uninjured workers who had similar probability of injury at any employer. Match probability using all available data:
 - industry, employer size, tenure, wages, gender
 - match against thousands of similar workers
- Use ratings from both litigated and non-litigated cases
- **Include** zero earnings - include quarters in which the injured worker is not working in the wage loss calculation – so the calculation captures outcomes for all injured workers, regardless of whether or not they returned to work during the 3 year period of the study

Uncompensated wage loss (in this graph, accounting for temporary disability payments only)



Estimated Wage Loss for Permanently Disabled Workers Injured in 2002



Summary of Results

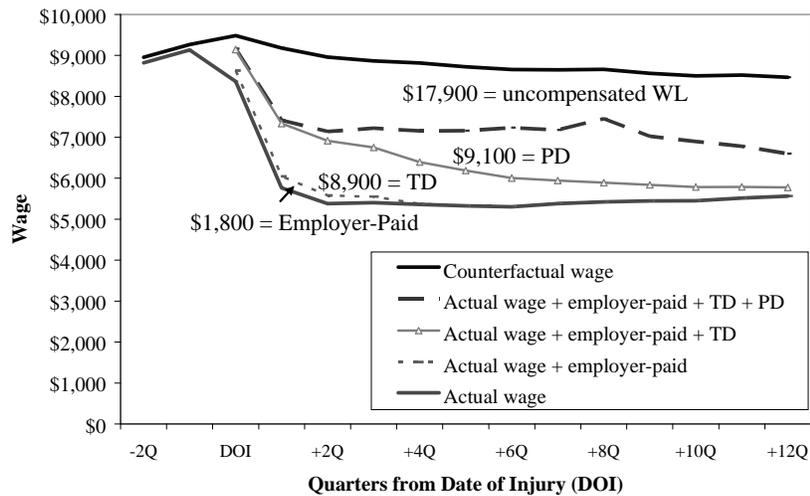
		TOTAL
1	Number of 2002 Claims	28,456
2	3-year Counterfactual Earnings of Uninjured	\$108,300
3	3-year Actual Earnings of Injured Workers	- \$70,600
7	Total Wage Loss	\$37,700
4	PD Benefits	\$9,100
5	TD Benefits (TD + Employer-Paid)	+ \$10,700
6	Sum of Benefits (Wage Replacement)	\$19,800
7	Total Wage Loss	\$37,700
6	Sum of Benefits (Wage Replacement)	- \$19,800
8	3-year Uncompensated Wage Loss	\$17,900

Summary of Results, continued

8	3-year Uncompensated Wage Loss	\$17,900
2	3-year Counterfactual Earnings of Uninjured	/ <u>\$108,300</u>
9	3-Year Proportional Wage Loss	16.5%
6	Sum of Benefits (Wage Replacement)	\$19,800
7	Total Wage Loss	/ <u>\$37,700</u>
10	Percentage of Wage Loss Replaced by Benefits	52.5%
5	TD Benefits	\$10,700
7	Total Wage Loss	/ <u>\$37,700</u>
11	Percentage of Wage Loss Replaced by TD Benefits	28.4%

Figure 1

**Estimated Wage Loss for Permanently Disabled Workers Injured in 2002:
Total Wage Loss = \$37,700**



Phase II, Step 3

Compare Ratings in the 1997 & 2005 PDRS

■ **Table 2 – injuries rated within 42 months of DOI**

	Uncompensated Wage Loss as a % of Counterfactual Earnings	Average Final DEU Rating under 1997 PDRS	Average Final DEU Rating under 2005 PDRS	% Change between 1997 and 2005 PDRS
TOTAL, excluding multiple	11.6%	23.7	16.7	-29.5%
TOTAL	16.5%	28.1	19.9	-29.2%
Number of observations	28,456	28,456	3,311	<i>Weighted average</i>

■ **Table 3 – injuries rated within 18 months of DOI**

	Number of Ratings with 2002 DOI	Average Rating under 1997 PDRS	Number of Ratings with 2005 DOI	Average Rating under 2005 PDRS	% Change in Average Rating	12-month RTW Rate (2000-2005)
Total, excluding Multiple	29,075	20.7	8,337	10.9	-47.3%	68.3%
TOTAL	34,737	24.0	9,495	12.4	-48.3%	63.3%

Compare Ratings between 1997 PDRS and 2005 PDRS by Part of Body

According to Table 2, page 8 (42-month horizon):

- Average reduction of 29.2% in average ratings
- For reduced ratings, the range was from a
 - 1.3 % reduction (eye) to a
 - 56.3 % reduction (ankle)
- Increased Ratings
 - Hearing - 5.2%
 - Respiratory – 83.1% and
 - Psychiatric injuries – 10.5%

Compare Proportional Wage Loss,
Change in Average Ratings and Current FEC from Table 2
(ratings within 42 months of injury)

- The FEC adjustments implemented in the 2005 schedule were somewhat effective in improving equity in compensation between parts of body (Table 2, page 8)
- Relatively over-compensated knee, ankle and elbow (FEC = 2) experienced above-average decreases in PD ratings;
- Relatively under-compensated psychiatric injuries (FEC = 8) experienced an overall gain in rating.

Part of Body	Proportional Wage Loss	Average Final Rating under 1997 PDRS DOI - 2002	Average Final Rating under 2005 PDRS DOI - 2003	% Change between 1997 and 2005 PDRS	Current FEC in 2005 PDRS
KNEE	-3.1%	21.9	12.8	-41.6%	2
ELBOW	3.1%	14.2	8.6	-39.4%	2
ANKLE	4.4%	21.5	9.4	-56.3%	2
PSYCHIATRIC	37.0%	34.2	37.8	10.5%	8
TOTAL	16.5%	28.1	19.9	-29.2%	

Compare Ratings between 1997 PDRS and
2005 PDRS by Part of Body

According to Table 3, page 9 (18-month horizon):

- Average reduction 48.3% in average ratings
- For reduced ratings, the range was
 - Grip Strength: 8.1% reduction
 - Post-traumatic Head: 71.5% reduction
- For increased ratings, the range was
 - Hearing: 7.2% increase
 - Respiratory: 29.1% increase

Compare Proportional Wage Loss,
Change in Average Ratings and Current FEC from Table 3
(ratings within 18 months of injury)

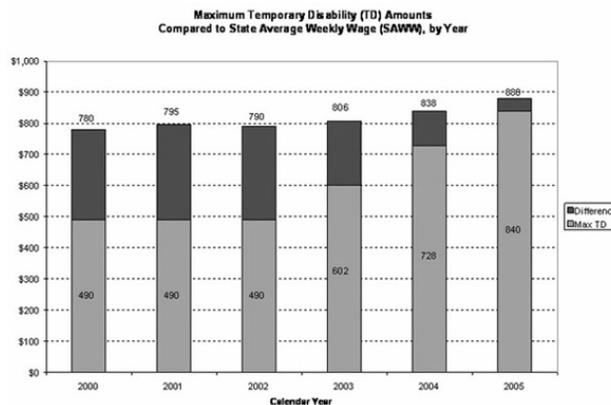
Similar results for Table 3, page 9 (18-month horizon)

- Knee, ankle and elbow (FEC = 2) experienced above-average decreases in PD ratings;
- Psychiatric injuries (FEC = 8) experienced an overall gain in rating.

Part of Body	Average Final Rating under 1997 PDRS DOI 2002	Average Final Rating under 2005 PDRS DOI 2005	% Change in between 1997 and 2005 PDRS	12-month RTW Rate (2000-2005)	FEC in 2005 PDRS
ELBOW	12.6	4.8	-61.9%	78.4%	2
ANKLE	18.3	7.9	-56.8%	73.2%	2
KNEE	18.4	7.0	-62.0%	75.6%	2
PSYCHIATRIC	32.6	25.3	-22.4%	52.5%	8
TOTAL	24.0	12.4	-48.3%	63.3%	

Other Factors Impacting Uncompensated Wage Loss

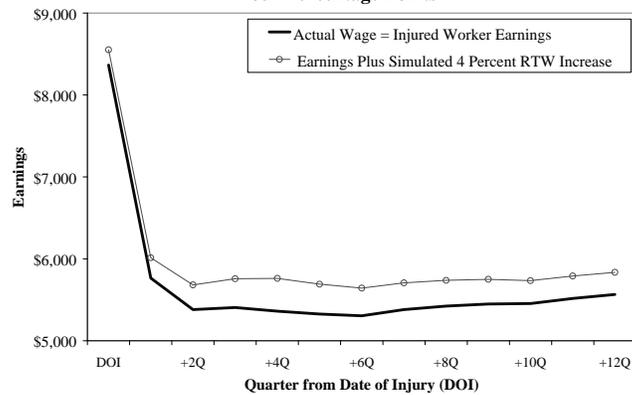
- TD Rate increases



Other Factors Impacting Uncompensated Wage Loss

■ Return-to-Work rate increases

Simulated Earnings from an Increase in Return-to-Work of Four Percentage Points



Next Steps

- Quarterly Updates, EDD and DEU data
- Wage loss by age
- Wage loss by severity
- Wage loss by pre-injury wage
- Evaluate propensity score methodology

Questions? Suggestions?

- Martha Jones, Researcher (FROI, SROI)
 - mjones@dir.ca.gov
- David Henderson, Researcher (Medical)
 - dhenderson@dir.ca.gov
- WCIS:
<http://www.dir.ca.gov/dwc/WCIS.htm>