

Medical Development Trends in California Workers' Compensation Accident Year 2002 – 2011 Claims

by John Ireland, MHSA and Alex Swedlow, MHSA

BACKGROUND

Multiple studies have documented that policy reforms signed into law between 2003 and 2004 were associated with an immediate reduction in medical costs in the California workers' compensation system.^{1,2} Though medical costs declined sharply immediately following the implementation of these reforms, Workers' Compensation Insurance Rating Bureau (WCIRB) data on insured claims from accident year 2006 revealed that the post-reform reduction in medical costs was short-lived.³ Subsequent WCIRB figures released in 2008 indicated a clear change of direction in the trend of medical payments – a reversal that was confirmed in a 2009 California Workers' Compensation Institute (CWCI) report that measured medical reimbursements on claims from accident years 2002 to 2007⁴ and, most recently, in a September 2011 CWCI report that incorporated data from claims with dates of injury through September 2010.⁵

The 2003 and 2004 reforms had a similar but more lasting impact on indemnity benefits as several reforms affected average temporary disability (TD) and permanent disability (PD) payments. For example, SB 899 amended California Labor Code Section 4656 to revise the time limit for the payment of TD, in most cases allowing up to 104 compensable weeks of TD to be paid within 5 years of the date of injury; or for very serious injuries such as amputations, severe burns, or chronic lung disease that usually require extended medical treatment and recuperation, allowing up to 240 weeks within 5 years of the date of injury. In addition, the reforms included several provisions affecting permanent disability benefits:

- beginning in 2005, the formula for determining PD was revised to reflect the injured worker's future loss of earning capacity rather than their ability to compete in the open labor market;
- for injuries occurring on or after January 1, 2005, workers with permanent disabilities rated 0.25 percent to 15 percent received one less week of payments for each 1 percent of PD; and
- beginning in 2005, the employer's liability was limited to the percentage of PD directly caused by the work injury.

1 WCIRB Summary of September 30, 2005 Insurer Experience, December 9, 2005

2 Swedlow, A., Ireland, J. Analysis of California Workers' Compensation Reforms Part 1: Medical Utilization & Reimbursement Outcomes Accident Years 2002 - 2006 Claims Experience. CWCI. December 2007

3 WCIRB Summary of September 30, 2008 Insurer Experience, December 9, 2008

4 Swedlow, A, Ireland, J, Gardner, L, Analysis of Workers' Compensation Reforms, Part 4: Changes in Medical Payments, AY 2002 to 2007 Claim Experience, June 2009

5 Ireland, J, Swedlow, A, Medical Development Trends in California Workers' Compensation Accident Years 2002 – 3Q 2010 Claims, September 2011

This year, state lawmakers once again enacted comprehensive workers' compensation reform legislation in the form of Senate Bill 863. There are numerous provisions of this bill that once implemented will affect medical costs associated with work-related injuries. For example, starting in 2014, the current sections of the Official Medical Fee Schedule which govern fees paid to physicians and other practitioners will be replaced with a new fee schedule that will be based on Medicare's Resource-Based Relative Value Scale (RBRVS). Although this particular change may not reduce the overall cost of medical treatment, it will shift medical dollars from specialists (such as orthopedists and neurologists) to primary care physicians. Because the RBRVS transition will be phased in over a period of at least four years, the full impact will not be known until after the new schedule is fully implemented.

In addition to the phased-in adoption of an RBRVS fee schedule, other provisions of SB 863 that will affect reimbursements for medical treatment or related services, include:

- The repeal of separate payment for surgical spinal hardware effective 1/1/13⁶
- The reduction of ambulatory surgery center (ASC) facility fee allowances from 120 percent to 80 percent of Medicare's hospital outpatient department fees (effective for services on or after 1/1/13)
- The adoption of fee schedules for home health care (by 7/1/13), interpreter services at treatment visits (by 1/1/13), vocational expert fees (by 1/1/13) and photocopy services (by 12/31/13)

Other components of SB 863 are also likely to influence medical costs. The bill establishes an independent bill review (IBR) process giving providers a limited time to object to billing adjustments and establishes an independent medical review (IMR) process to address disputes over the medical necessity of proposed treatment. The IMR process has strict time lines and IMR decisions must be determined according to the decision-making hierarchy specified in the bill. The lien process is also undergoing a major overhaul that will include a \$100 lien activation fee for current liens, a \$150 filing fee for new liens, and a statute of limitations on the length of time after a service is provided that a lien may be filed. In addition, disputes over medical necessity and medical payments will be

addressed by IBR and IMR instead of through the lien processes. There are also changes to the medical provider network program intended to simplify the program and help keep medical treatment of injured workers within established physician networks. State lawmakers intended that the anticipated medical cost savings from enacting these measures would help offset increases to permanent disability benefits.

This study measures short- and long-term changes in average medical and indemnity payments in California workers' compensation over the past decade and establishes a series of benchmarks that can be used for monitoring loss development trends in the future.

DATA AND METHODS

For this analysis, the authors used policy, claim, benefit and medical service data from CWCI's Industry Claim Information System (ICIS)⁷. All claims in the study sample had dates of injury between January 2002 and September 2011, and medical and indemnity payment and medical bill review transactions through December 2011. The final data sets allowed the authors to analyze total medical payment transactions as well as payments for four sub-categories of medical services. The authors summarized a final data set of medical and indemnity transaction data from 1,836,965 California injured worker claims. Over all, medical service payments on these claims totaled more than \$11.4 billion, and indemnity payments totaled approximately \$10.0 billion.

After determining the time elapsed between the date of injury and the transaction date for each payment, the average amounts paid per claim for each accident year⁸ were valued at six different benchmarks: 3, 12, 24, 36, 48 and 60 months after the date of injury. The payment data for medical services also was divided into four sub-categories: medical treatment, pharmacy and durable medical equipment, medical management and medical-legal reports.

6 Effective 1/1/13, the bill repealed LC §5318, which allowed duplicate payment for surgical hardware implanted during certain spinal surgeries. However, it added LC §5307.1(m) requiring that by 7/1/13, the DWC Administrative Director adopt a regulation specifying sufficient additional fees to cover aggregate costs, including surgical hardware for 7 spinal procedures. The statute calls for this regulation to be repealed as of 1/1/14 unless it is extended by the Administrative Director.

7 ICIS is a proprietary database maintained by the California Workers' Compensation Institute that contains detailed information, including employer and employee characteristics, medical service information, and benefit and other administrative cost information on more than 3 million workplace injuries with dates of injury between 1993 and 2011(v13B).

8 Due to the December 2011 benefit data cutoff in the ICIS database (version 13B), accident year 2011 was limited to claims with dates of injury through September 2011 to allow for 3 months of development.

RESULTS

Exhibit 1 displays average amounts paid per indemnity claim for medical services at the six valuation points, which ranged between three months to five years post injury. The payment database ends on December 30, 2011, which was the end point used in calculating the average amounts paid for each valuation. For example, the data for the three-month valuation includes the most recent results, showing average payments for medical services on claims with dates of injury through September 2011, which allowed three months (to December 30) for the accumulation of payment data. At the other end of the spectrum, the 60-month valuations represent the most developed data in the study, but the analysis of 60-month data ends with claims with dates of injury no later than December 2006 – five years before December 2011.

Exhibit 1 shows that between AY 2002 and AY 2010, average medical payments on indemnity claims at 12 months post injury increased by 55.4 percent (from \$6,373 to \$9,902). The brief, post-SB 899 decline in payments is evident, as first-year

medical payments on AY 2005 indemnity claims averaged \$5,461, 14.3 percent less than the \$6,373 average for AY 2002 claims. After AY 2005, medical payments began to trend up again, with average first-year payments increasing 16.2 percent from AY 2005 to AY 2006 (from \$5,461 to \$6,346), 12.5 percent from AY 2006 to AY 2007 (from \$6,346 to \$7,139), 9.5 percent from AY 2007 to AY 2008 (from \$7,139 to \$7,815), 14.0 percent from AY 2008 to AY 2009 (\$7,815 to \$8,907) and 11.2 percent from AY 2009 to AY 2010 (\$8,907 to \$9,902).

Similar patterns of medical payment development for indemnity claims were noted at all of the valuation points except for the 3-month benchmark. Average medical payments at 3 months post injury registered relatively moderate fluctuations until AY 2008, when payments jumped 35.2% (from \$1,932 in AY 2007 to \$2,613 in AY 2008). This may indicate an overall change to a faster delivery of medical services after injury instead of a significant increase in the eventual medical services delivered. A comparable exhibit for all claims (medical-only claims as well as indemnity claims) is in Appendix 1.

Exhibit 1: Average Medical Paid per Claim @ 3, 12, 24, 36, 48 and 60 Months AY 2002 - 2011 Indemnity Claims

Accident Year	Avg Med at 3M	Avg Med at 12M	Avg Med at 24M	Avg Med at 36M	Avg Med at 48M	Avg Med at 60M
2002	\$1,650	\$6,373	\$10,375	\$13,526	\$15,745	\$17,543
2003	\$1,580	\$6,167	\$10,489	\$13,287	\$15,530	\$17,395
2004	\$1,738	\$5,644	\$8,798	\$11,524	\$13,848	\$15,597
2005	\$1,802	\$5,461	\$8,974	\$12,106	\$14,527	\$16,426
2006	\$2,008	\$6,346	\$10,730	\$14,177	\$16,952	\$18,437
2007	\$1,932	\$7,139	\$11,789	\$15,810	\$18,265	N/A
2008	\$2,613	\$7,815	\$13,340	\$17,748	N/A	N/A
2009	\$2,745	\$8,907	\$14,995	N/A	N/A	N/A
2010	\$3,230	\$9,902	N/A	N/A	N/A	N/A
2011	\$3,593	N/A	N/A	N/A	N/A	N/A
AY 02-05 % change	9.2%	-14.3%	-13.5%	-10.5%	-7.7%	-6.4%
AY 05-06 % change	11.5%	16.2%	19.6%	17.1%	16.7%	12.2%
AY 06-07 % change	-3.8%	12.5%	9.9%	11.5%	7.7%	N/A
AY 07-08 % change	35.2%	9.5%	13.2%	12.3%	N/A	N/A
AY 08-09 % change	5.1%	14.0%	12.4%	N/A	N/A	N/A
AY 09-10 % change	17.7%	11.2%	N/A	N/A	N/A	N/A
AY 10-11 % change	11.3%	N/A	N/A	N/A	N/A	N/A
AY 04-End Point % change	106.8%	75.4%	70.4%	54.0%	31.9%	18.2%
AY 02-End Point % change	117.8%	55.4%	44.5%	31.2%	16.0%	5.1%

Medical Service Sub-Categories

The authors also examined medical service payment transaction data for four sub-categories: medical treatment, pharmacy and durable medical equipment, medical management,⁹ and medical legal. Exhibit 2 shows the change in the average amount paid per indemnity claim for each medical subcategory. The average amount paid for medical treatment at 12 months post injury decreased 20.2 percent from \$5,452 in AY 2002 to \$4,353 in AY 2005 (the first full year following implementation of SB 899). Average amounts paid for treatment then trended up over five years, increasing to \$7,369 by AY 2010, up 69.3 percent from the post-reform low and up 35.2 percent compared to AY 2002. A similar pattern was observed at 24 months post injury, although the overall increase in the average amount paid per indemnity claim for medical treatment from AY 2002 to the end point was 28.9 percent. Pharmaceutical and durable medical equipment (DME) payments also showed a similar pattern of development. The average amount paid for pharmaceuticals and DME per indemnity claim at 12 months post injury fell from \$392 in AY 2002 to \$284 in AY 2005 (-27.5 percent) but then climbed to \$728 by AY 2010 (+156.3 percent), for an overall increase of 85.7 percent compared to the AY 2002 level. Average payments for pharmaceuticals and DME on indemnity claims at 24 months post

injury showed a similar pattern, falling from \$806 in AY 2002 to \$599 in AY 2005 (-25.7 percent), then climbing to \$1,234 (+106.0 percent) by AY 2009 for an overall increase of 53.1 percent between AY 2002 and AY 2009.

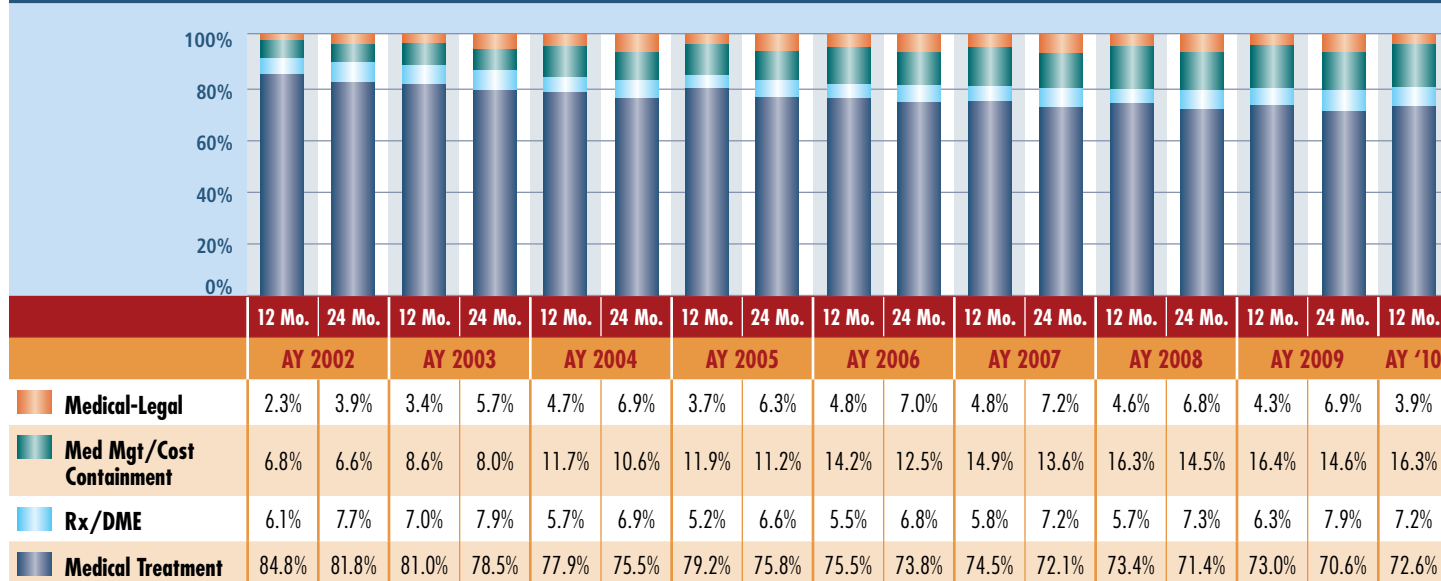
Average payments on indemnity claims for medical management and for medical-legal reports showed a more consistent and steady increase from AY 2002 through AY 2010, with medical management showing only a negligible post-reform decline in first-year payments in AY 2005, and an increase in the average amount paid after 24 months. At the 12-month benchmark, the average amount paid per indemnity claim for medical management increased from \$438 in AY 2002 to \$655 in AY 2005 (+49.6 percent), then climbed another 152.5 percent to \$1,655 in AY 2010, resulting in an overall increase of 277.8 percent between 2002 and 2010. At the 24-month benchmark, these payments increased from an average of \$688 in AY 2002 to \$1,013 in AY 2005 (+47.2 percent), then rose another 124.9 percent to an average of \$2,279 in AY 2009, for an overall increase of 231.1 percent from AY 2002 to AY 2009. Meanwhile, the average amount paid per indemnity claim for medical-legal reports at 12 months post injury increased from \$149 in AY 2002 to \$204 in AY 2005 (+36.7 percent) then rose another 96.1 percent to \$400 in AY 2010, for an overall increase of 168.0 percent. At the 24-month benchmark, aver-

Exhibit 2: Average Medical Paid per Claim by Medical Expense Sub-Category
AY 2002 – 2010 Indemnity Claims

Accident Year	Treatment		Rx/DME		Medical Management/ Cost Containment		Medical-Legal		Total	
	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months
2002	\$5,452	\$8,539	\$392	\$806	\$438	\$688	\$149	\$403	\$6,431	\$10,437
2003	\$5,036	\$8,290	\$433	\$830	\$534	\$843	\$212	\$604	\$6,215	\$10,567
2004	\$4,431	\$6,691	\$323	\$615	\$664	\$939	\$267	\$613	\$5,685	\$8,858
2005	\$4,353	\$6,851	\$284	\$599	\$655	\$1,013	\$204	\$571	\$5,496	\$9,035
2006	\$4,842	\$7,987	\$355	\$740	\$909	\$1,348	\$308	\$753	\$6,415	\$10,828
2007	\$5,386	\$8,554	\$418	\$849	\$1,079	\$1,614	\$344	\$850	\$7,226	\$11,867
2008	\$5,813	\$9,592	\$450	\$976	\$1,287	\$1,953	\$364	\$913	\$7,914	\$13,434
2009	\$6,554	\$11,008	\$569	\$1,234	\$1,470	\$2,279	\$383	\$1,072	\$8,976	\$15,594
2010	\$7,369	N/A	\$728	N/A	\$1,655	N/A	\$400	N/A	\$10,152	N/A
AY 02-05 % change	-20.2%	-19.8%	-27.5%	-25.7%	49.6%	47.2%	36.7%	41.8%	-14.5%	-13.4%
AY 05-end point % change	69.3%	60.7%	156.3%	106.0%	152.5%	124.9%	96.1%	87.7%	84.7%	72.6%
AY 02-end point % change	35.2%	28.9%	85.7%	53.1%	277.8%	231.1%	168.0%	166.1%	57.9%	49.4%

⁹ WCIRB modified the designation of medical management (aka medical cost containment) fees from a medical benefit to an allocated loss adjustment expense for all policy year claims on or after July 1, 2010. For the purposes of this analysis, the authors maintained medical management fees as a medical benefit to allow for uniform trending before and after the reporting rule change.

Exhibit 3: Distribution of California Workers' Compensation Medical Payments by Medical Expense Sub-Category
AY 2002 – 2010 Indemnity Claims



age medical-legal payments per indemnity claim increased from \$403 in AY 2002 to \$571 in AY 2005, then rose another 87.7 percent to \$1,072 by AY 2009, an overall increase of 166.1 percent. A comparable table showing results for all claims can be found in Appendix 2.

The varying changes in payments across the sub-categories of medical benefits led to a shift in the distribution of medical payments over the study period. Exhibit 3 shows the breakdown of medical payments by expense subcategory for AY 2002 – 2010 indemnity claims at 12 and 24 months post injury. The proportion of medical benefit payments made for pharmacy and DME remained fairly constant over the nine-year span, with first-year payments for these benefits ranging between 5.2 percent and 7.2 percent between AY 2002 and AY 2010, and between 6.6 percent and 7.9 percent of total paid medical measured after 24 months on AY 2002 to 2009 claims. In contrast, since 2002, a significant portion of the

workers' compensation medical dollar has shifted from medical treatment into the medical management and medical-legal subcategories. Over the 9-year study period, the proportion of first-year medical payments used to reimburse medical treatment decreased from 84.8 percent on AY 2002 claims to 72.6 percent on AY 2010 claims – a 14.4 percent relative change, while the proportion of first-year medical payments going toward medical management rose from 6.8 percent on AY 2002 claims to 16.3 percent on AY 2010 claims – a relative increase of 139.7 percent. At the same time, payments for medical-legal reports climbed from 2.3 percent of first-year medical payments on AY 2002 claims to 3.9 percent of the medical payments on AY 2010 claims – a 69.6 percent relative change, though that proportion is down from a record 4.8 percent in AY 2006 and 2007. A comparable table for all claims showing similar proportional changes can be found in Appendix 3.

Exhibit 4: Average Indemnity Paid per Claim @ 3, 12, 24, 36, 48 and 60 Months
AY 2002 – 2011 Indemnity Claims

Accident Year	Average Indemnity Paid Per Claim at:					
	3 Months	12 Months	24 Months	36 Months	48 Months	60 Months
2002	\$1,385	\$4,604	\$9,811	\$14,803	\$17,652	\$19,492
2003	\$1,327	\$4,832	\$11,394	\$15,946	\$18,884	\$20,692
2004	\$1,560	\$5,151	\$9,403	\$12,658	\$14,675	\$15,999
2005	\$1,546	\$4,802	\$8,819	\$11,585	\$13,509	\$14,771
2006	\$1,766	\$5,477	\$9,760	\$12,578	\$14,637	\$15,688
2007	\$1,801	\$5,576	\$10,138	\$13,378	\$15,500	N/A
2008	\$1,871	\$5,936	\$11,061	\$14,776	N/A	N/A
2009	\$1,887	\$6,354	\$12,613	N/A	N/A	N/A
2010	\$2,134	\$7,222	N/A	N/A	N/A	N/A
2011	\$2,390	N/A	N/A	N/A	N/A	N/A
AY 02-05 % change	11.7%	4.3%	-10.1%	-21.7%	-23.5%	-24.2%
AY 05-06 % change	14.2%	14.0%	10.7%	8.6%	8.3%	6.2%
AY 06-07 % change	2.0%	1.8%	3.9%	6.4%	5.9%	N/A
AY 07-08 % change	3.9%	6.4%	9.1%	10.4%	N/A	N/A
AY 08-09 % change	0.8%	7.0%	14.0%	N/A	N/A	N/A
AY 09-10 % change	13.1%	13.7%	N/A	N/A	N/A	N/A
AY 10-11 % change	12.0%	N/A	N/A	N/A	N/A	N/A
AY 04-End Point % change	53.2%	40.2%	34.1%	16.7%	5.6%	-1.9%
AY 02-05 % change	72.6%	56.9%	28.6%	-0.2%	-12.2%	-19.5%

Indemnity Benefit Development

Exhibit 4 displays the average amount of indemnity paid per claim at 3, 12, 24, 36, 48 and 60 months post injury. Between AY 2002 and AY 2010, average indemnity payments at 12 months post injury increased 56.9 percent (from \$4,604 to \$7,222). Though indemnity payments declined briefly in 2005, immediately following the enactment of SB 899, first-year indemnity payments were still 4.3 percent higher on AY 2005 claims compared to AY 2002 claims (\$4,802 vs. \$4,604), and after AY 2005, average indemnity payments began a new uptrend, increasing 14.0 percent from AY 2005 to AY 2006, 1.8 percent from AY 2006 to AY 2007, 6.4 percent from AY

2007 to AY 2008, 7.0 percent from AY 2008 to AY 2009 and 13.7 percent from AY 2009 to AY 2010. Indemnity payment development patterns were similar for all of the valuation points except for the 24-, 36-, 48- and 60-month valuations for AY 2002 to AY 2005, when average indemnity payments fell sharply, declining 10.1 percent at 24 months, 21.7 percent at 36 months, 23.5 percent at 48 months and 24.2 percent at 60 months post injury. This decrease later in the life of the AY 2002–2005 indemnity claims is likely the result of lower permanent disability payments resulting from the 2004 reforms.

A comparable exhibit for all claims (medical only and indemnity claims) is in Appendix 5.

SUMMARY

This report confirms prior findings which showed that following a short-term decline in California workers' compensation medical payments immediately following implementation of the 2002–2004 reforms, the average amounts paid per claim began trending up in AY 2006 and continued through the end of this most recent study period (December 2011). It appears that the year-to-year inflation in average medical payments may be slowing down on claims from AY 2011. However, a prior report¹⁰ that examined the very early development of AY 2010 claims identified a similar trend, and now that additional development on those claims is available, the pattern of medical cost inflation is once again evident. Therefore, the early analysis of AY 2011 claims should be viewed with caution.

This analysis also documents increases in the average amounts paid per claim in the four medical sub-categories of medical treatment, pharmaceuticals/durable medical equipment,

medical legal, and medical management, suggesting that inter-related, underlying factors are influencing rising costs.

In addition to documenting the medical development trends in California workers' compensation since AY 2002, this analysis also demonstrates that the average amount of indemnity paid in the first two years after injury has shown slow and relatively consistent increases both during and after the 2002–2004 reform period. However, in the later stages of a claim – the period beyond two years after the initial date of injury – average indemnity payments on lost-time claims remain below pre-reform levels, likely resulting from the combined changes to the calculation of permanent disability benefits and the 2-year TD cap included in SB 899.

As the California workers' compensation community begins to monitor the impact of SB 863, this and subsequent reports will provide benchmark data for assessing the outcomes of these new reforms on medical and indemnity payments for claims with dates of injury on or after 2013.

¹⁰ Ireland, J., and Swedlow, A. Medical Benefit Delivery in California Workers' Compensation: Changes in Network Utilization and Reimbursement Accident Years 2004 – 2010. Research Update, CWCI, November 2011

APPENDIX 1

Average Medical Paid per Claim @ 3, 12, 24, 36, 48 and 60 Months
All Claims: AY 2002 – 2011

Accident Year	Avg Med at 3M	Avg Med at 12M	Avg Med at 24M	Avg Med at 36M	Avg Med at 48M	Avg Med at 60M
2002	\$829	\$2,746	\$4,235	\$5,402	\$6,220	\$6,883
2003	\$820	\$2,729	\$4,403	\$5,473	\$6,330	\$7,041
2004	\$829	\$2,283	\$3,351	\$4,262	\$5,040	\$5,622
2005	\$821	\$2,130	\$3,269	\$4,265	\$5,033	\$5,637
2006	\$890	\$2,377	\$3,721	\$4,758	\$5,595	\$6,339
2007	\$883	\$2,708	\$4,148	\$5,388	\$6,428	N/A
2008	\$1,168	\$2,976	\$4,698	\$6,234	N/A	N/A
2009	\$1,260	\$3,417	\$5,536	N/A	N/A	N/A
2010	\$1,439	\$3,815	N/A	N/A	N/A	N/A
2011	\$1,507	N/A	N/A	N/A	N/A	N/A
AY 02-05 % change	-1.0%	-22.4%	-22.8%	-21.0%	-19.1%	-18.1%
AY 05-06 % change	8.4%	11.6%	13.8%	11.5%	11.2%	12.4%
AY 06-07 % change	-0.8%	13.9%	11.5%	13.2%	14.9%	N/A
AY 07-08 % change	32.3%	9.9%	13.2%	15.7%	N/A	N/A
AY 08-09 % change	7.9%	14.8%	17.8%	N/A	N/A	N/A
AY 09-10 % change	14.2%	11.6%	N/A	N/A	N/A	N/A
AY 10-11 % change	4.7%	N/A	N/A	N/A	N/A	N/A
AY 04-End Point % change	81.7%	38.9%	30.7%	15.4%	3.3%	-7.9%

APPENDIX 2

Average Medical Paid per Claim @ 12 and 24 Months by Medical Sub-Category
All Claims: AY 2002 – 2010

Accident Year	Medical Treatment		Rx/DME		Medical Management/ Cost Containment		Medical-Legal		Total	
	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months
2002	\$2,353	\$3,500	\$153	\$306	\$177	\$271	\$62	\$158	\$2,746	\$4,235
2003	\$2,237	\$3,487	\$174	\$325	\$226	\$345	\$93	\$246	\$2,729	\$4,403
2004	\$1,804	\$2,564	\$119	\$217	\$258	\$351	\$102	\$219	\$2,283	\$3,351
2005	\$1,708	\$2,512	\$104	\$204	\$245	\$360	\$74	\$193	\$2,130	\$3,269
2006	\$1,814	\$2,772	\$127	\$244	\$327	\$461	\$109	\$245	\$2,377	\$3,721
2007	\$2,044	\$3,027	\$151	\$284	\$391	\$557	\$122	\$279	\$2,708	\$4,148
2008	\$2,215	\$3,391	\$163	\$327	\$468	\$676	\$131	\$305	\$2,976	\$4,698
2009	\$2,523	\$3,943	\$211	\$423	\$541	\$801	\$142	\$369	\$3,417	\$5,536
2010	\$2,797	N/A	\$261	N/A	\$606	N/A	\$151	N/A	\$3,815	N/A
AY 02-05 % change	-27.4%	-28.2%	-32.3%	-33.3%	37.9%	32.8%	19.3%	22.0%	-22.4%	-22.8%
AY 05-end point % change	63.8%	57.0%	151.7%	106.9%	147.5%	122.5%	104.1%	91.5%	79.1%	69.4%
AY 02-end point % change	18.9%	12.7%	70.5%	38.0%	241.2%	195.5%	143.5%	133.7%	38.9%	30.7%

APPENDIX 3

Distribution of Medical Payments @ 12 and 24 Months by Medical Sub-Category
All Claims: AY 2002 – 2010

Accident Year	Medical Treatment		Rx/DME		Medical Management/ Cost Containment		Medical-Legal	
	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months	12 Months	24 Months
2002	85.7%	82.6%	5.6%	7.2%	6.5%	6.4%	2.3%	3.7%
2003	82.0%	79.2%	6.4%	7.4%	8.3%	7.8%	3.4%	5.6%
2004	79.0%	76.5%	5.2%	6.5%	11.3%	10.5%	4.5%	6.5%
2005	80.2%	76.8%	4.9%	6.3%	11.5%	11.0%	3.5%	5.9%
2006	76.3%	74.5%	5.3%	6.6%	13.8%	12.4%	4.6%	6.6%
2007	75.5%	73.0%	5.6%	6.9%	14.4%	13.4%	4.5%	6.7%
2008	74.4%	72.2%	5.5%	7.0%	15.7%	14.4%	4.4%	6.5%
2009	73.8%	71.2%	6.2%	7.6%	15.8%	14.5%	4.2%	6.7%
2010	73.3%	N/A	6.8%	N/A	15.9%	N/A	4.0%	N/A

ABOUT CWCI

The California Workers' Compensation Institute, incorporated in 1964, is a private, non-profit organization of insurers and self-insured employers conducting and communicating research and analyses to improve the California workers' compensation system. Institute members include insurers that collectively write more than 80 percent of California workers' compensation direct written premium, as well as many of the largest public and private self-insured employers in the state.



California Workers' Compensation Institute

1111 Broadway, Suite 2350 • Oakland, CA 94607 • (510) 251-9470 • www.cwci.org

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