

Oregon Workers' Compensation Premium Rate Ranking Study and Other Measurements

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Understanding the Oregon Ranking Study



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Why State-to-State Comparison is Difficult

The realities of interstate rate comparison

- ▶ States' economies, and mixes of hazards, are different
- ▶ Different codes to classify risks
- ▶ Different underwriting bases
- ▶ Assessment mechanisms differ, for both administration and special funds

Fixing the problem: level the playing field, by standardizing what we don't want to measure.

Goals of the Oregon Rate Ranking

- ▶ Produce an average rate for *comparable* employers, by controlling for industry mix
- ▶ Include all 50 states plus D.C.
- ▶ Report findings within the study year

Rate Changes Over Time

What factors can drive changes in states' index rates from one study to the next?

- Premium rate changes
- Expense factor and assessment changes
- Changes in the set of classifications used
- Changes in payroll weights

Changes in the set of classifications used and **changes in payroll weights** within the set of classifications that remain in successive studies also *create problems with comparability over time.*

Frequently Asked Questions

Q: Do relatively high rates mean that a system isn't cost effective?

- No, effectiveness involves meeting other program objectives
- A system that encourages safe workplaces, delivers adequate benefits and quality medical care, promptly resolves disputes, and maximizes return to work might well be relatively costly, but nevertheless, a great value for the money.

Q: What about factors like discounts, experience mods, dividends, etc.?

- These factors apply to individual employers, not the states as a whole, so we can't use them
- The available data aren't consistent or timely for all states



Frequently Asked Questions (cont'd)

Q: Does the study's use of Oregon payroll weights mean that the results don't apply to other states?

- Largest Classifications (2016 Study)
 - 8810 – Clerical Office Employees NOC
 - 8742 – Salespersons – Outside
 - 8868 – COLLEGE: Professional Employees & Clerical
 - 8832 – Physician and Clerical
 - 9079 – Restaurant NOC
 - 8833 – Hospital: Professional Employees
 - 8017 – Store: Retail, NOC
- These top 7 Oregon classes are all in the top 10 classes in NCCI country-wide payrolls. Together, they represent over 75% of the payroll weight in the study.

Q: Why not add a benefit ranking so we can compare both costs and benefits?

- Benefits are far too complex to be boiled down to a single measure. For example, the IAIABC/WCRI law comparison includes 66 different benefit attributes:
 - 5 for Medical benefits
 - 18 for Temp Total benefits
 - 8 for Perm Total benefits
 - 20 for Perm Partial benefits
 - 15 for Fatal benefits



Chris Day, Mike Manley
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<http://www.oregon.gov/DCBS/mlac/Documents/2016/11-14-16/ranking-2016-MLAC-overview.pdf>

Links

- **About Oregon's Workers' Compensation Rate Ranking Study:**

http://www.cbs.state.or.us/external/dir/wc_cost/about_the_study.html

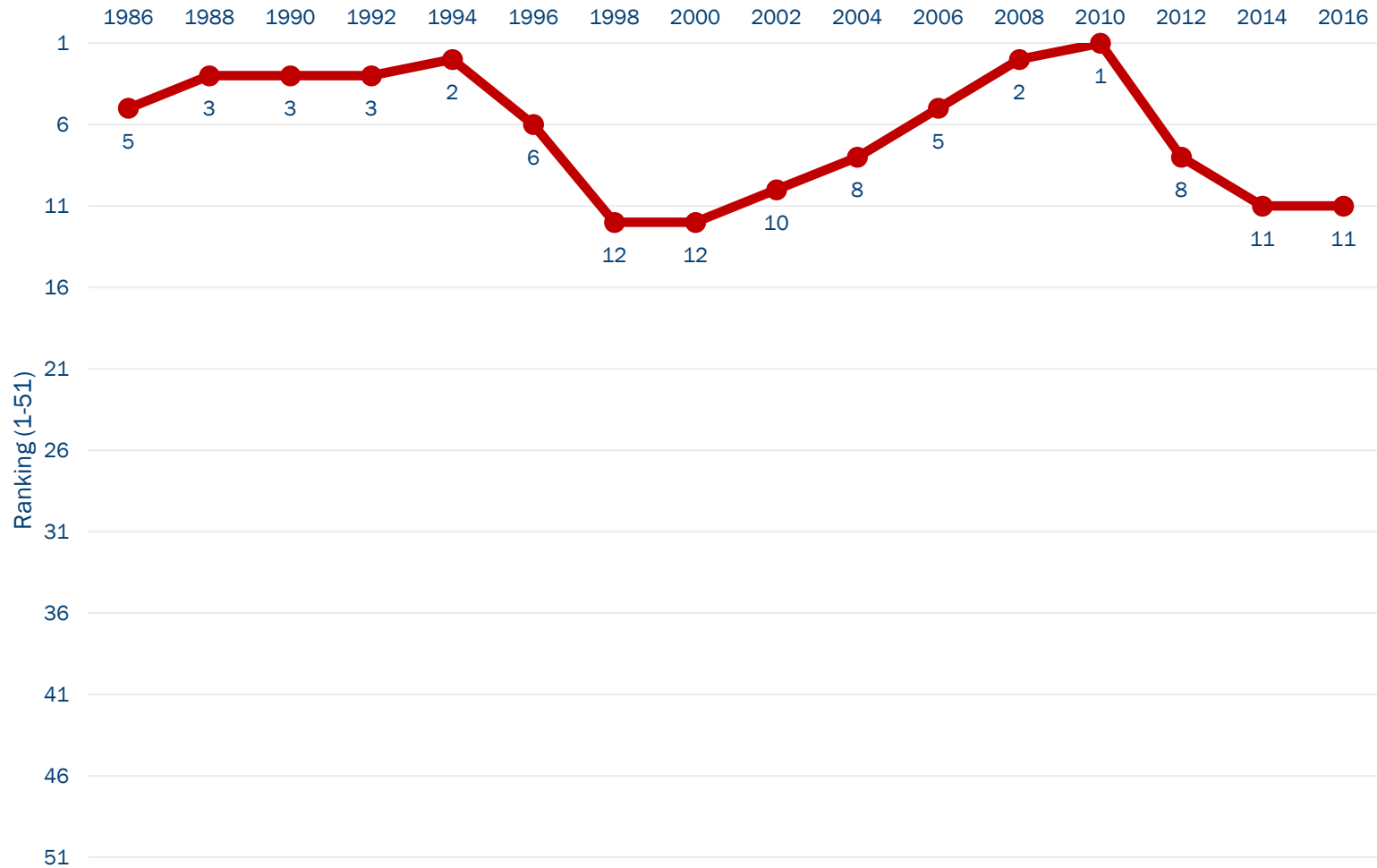
- **Oregon's 2016 Workers' Compensation Rate Ranking Study (PowerPoint):**

<http://www.oregon.gov/DCBS/mlac/Documents/2016/11-14-16/ranking-2016-MLAC-overview.pdf>

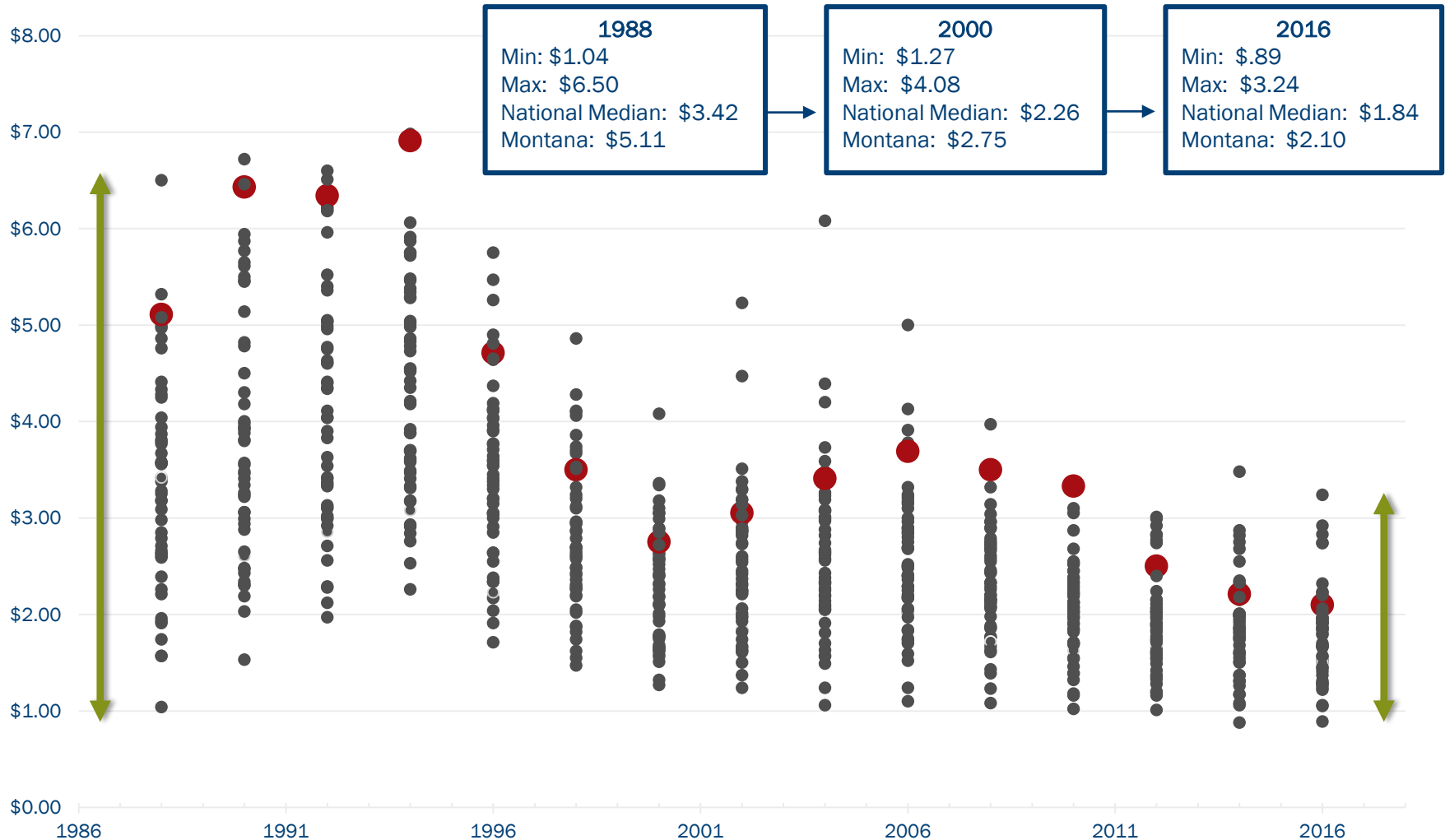
Understanding Where Montana Stands

2016 Ranking	2014 Ranking	State	Index Rate	Percent of study median	Effective Date	Percent of 2014 study median
1	1	California	3.24	176%	January 1, 2016	188%
2	3	New Jersey	2.92	158%	January 1, 2016	152%
3	4	New York	2.83	154%	October 1, 2015	148%
5	2	Connecticut	2.74	149%	January 1, 2016	155%
5	5	Alaska	2.74	149%	January 1, 2016	145%
6	9	Delaware	2.32	126%	December 1, 2015	125%
8	6	Oklahoma	2.23	121%	January 1, 2016	137%
8	7	Illinois	2.23	121%	January 1, 2015	127%
9	20	Rhode Island	2.20	119%	August 1, 2014	107%
10	10	Louisiana	2.11	115%	January 1, 2016	120%
11	11	Montana	2.10	114%	July 1, 2015	119%
12	23	Wisconsin	2.06	112%	October 1, 2015	104%
14	8	Vermont	2.02	110%	April 1, 2015	125%
14	13	Maine	2.02	110%	April 1, 2015	116%
15	17	Washington	1.97	107%	January 1, 2016	108%
17	27	Hawaii	1.96	107%	January 1, 2016	100%
17	12	New Hampshire	1.96	106%	January 1, 2016	118%
18	17	South Carolina	1.94	105%	September 1, 2015	108%
20	21	Missouri	1.92	104%	January 1, 2016	107%
20	20	New Mexico	1.92	104%	January 1, 2016	108%
22	20	Minnesota	1.91	104%	January 1, 2016	107%
22	27	North Carolina	1.91	103%	April 1, 2015	100%
23	31	Wyoming	1.87	101%	January 1, 2016	95%
24	24	Iowa	1.86	101%	January 1, 2016	101%
25	29	Alabama	1.85	100%	March 1, 2015	97%
26	17	Pennsylvania	1.84	100%	April 1, 2015	108%
27	32	Georgia	1.80	98%	March 1, 2015	95%
28	14	Idaho	1.79	97%	January 1, 2016	109%
29	38	Mississippi	1.70	92%	March 1, 2015	85%
30	22	Tennessee	1.68	91%	March 1, 2015	105%
32	30	Nebraska	1.67	91%	February 1, 2015	96%
32	25	South Dakota	1.67	91%	July 1, 2015	100%
33	28	Florida	1.66	90%	January 1, 2016	98%
34	34	Michigan	1.57	85%	January 1, 2015	91%
35	41	Colorado	1.56	84%	January 1, 2016	81%
36	40	Kentucky	1.52	82%	October 1, 2015	82%
38	37	Arizona	1.50	82%	January 1, 2016	86%
38	35	Maryland	1.50	82%	January 1, 2016	88%
40	36	Texas	1.45	79%	July 1, 2015	87%
40	33	Ohio	1.45	79%	July 1, 2015	94%
41	39	Kansas	1.41	77%	January 1, 2016	83%
42	45	District of Columbia	1.37	74%	November 1, 2015	70%
43	46	Nevada	1.31	71%	March 1, 2015	68%
44	48	Massachusetts	1.29	70%	April 1, 2014	63%
45	43	OREGON	1.28	69%	January 1, 2016	74%
46	45	Utah	1.27	69%	December 1, 2015	71%
47	48	Virginia	1.24	67%	April 1, 2015	63%
48	43	West Virginia	1.22	66%	November 1, 2015	74%
49	49	Arkansas	1.06	57%	July 1, 2015	58%
50	50	Indiana	1.05	57%	January 1, 2016	57%
51	51	North Dakota	0.89	48%	July 1, 2015	47%

Montana's Historical Ranking

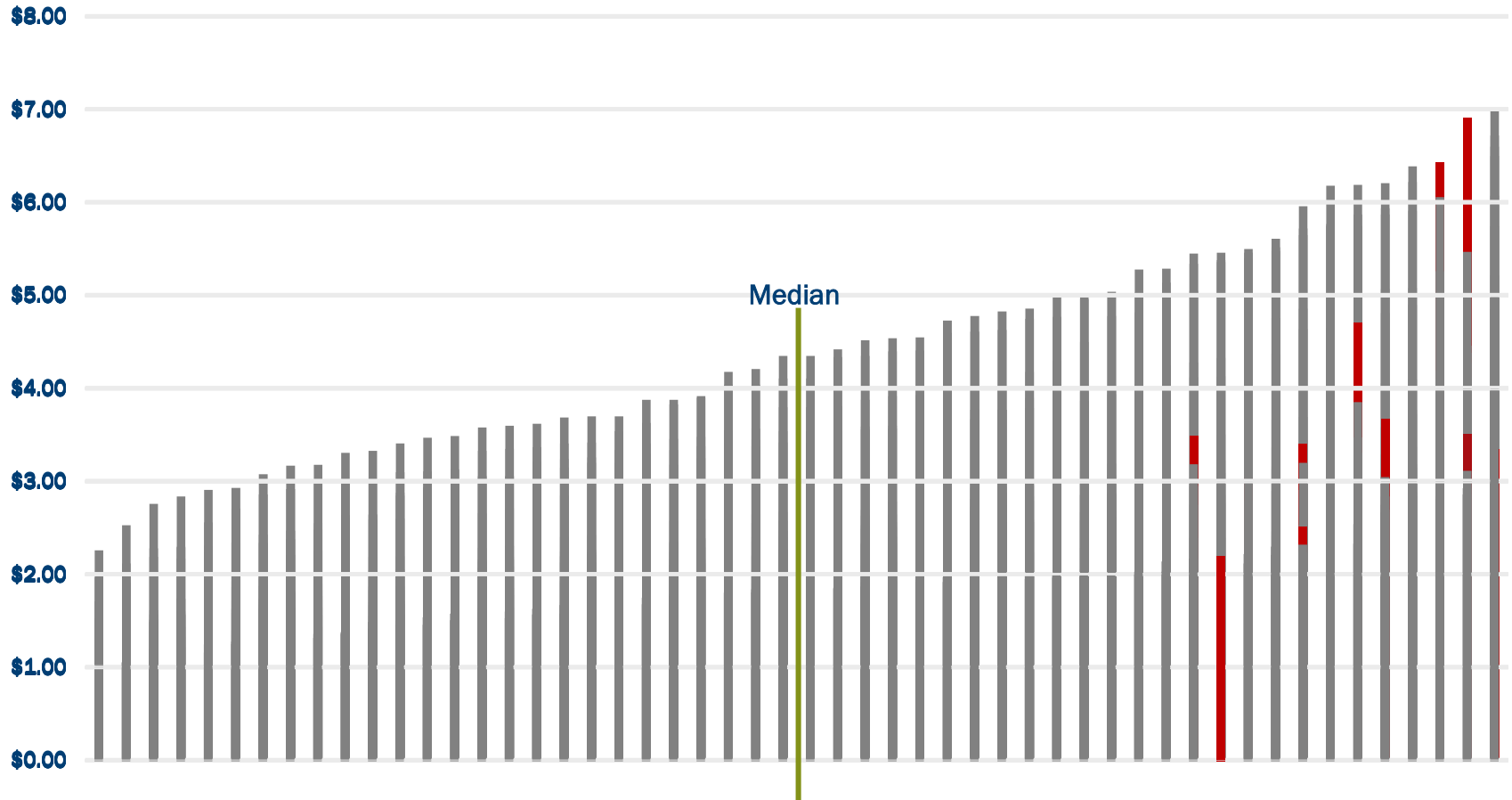


Employer Premium Index Rates Per \$100 Payroll by State (1988-2016)

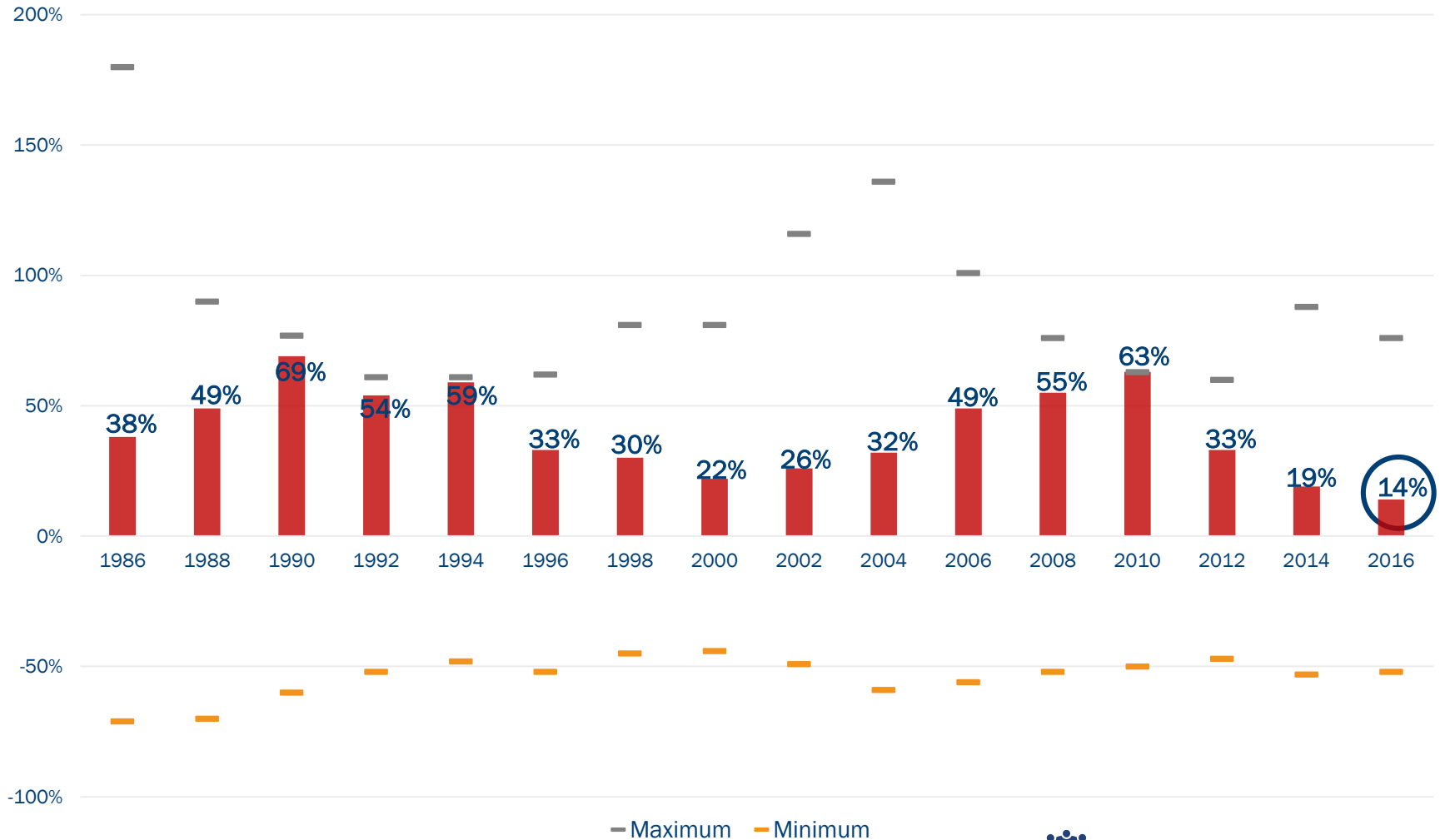


Employer Premium Index Rates by Year

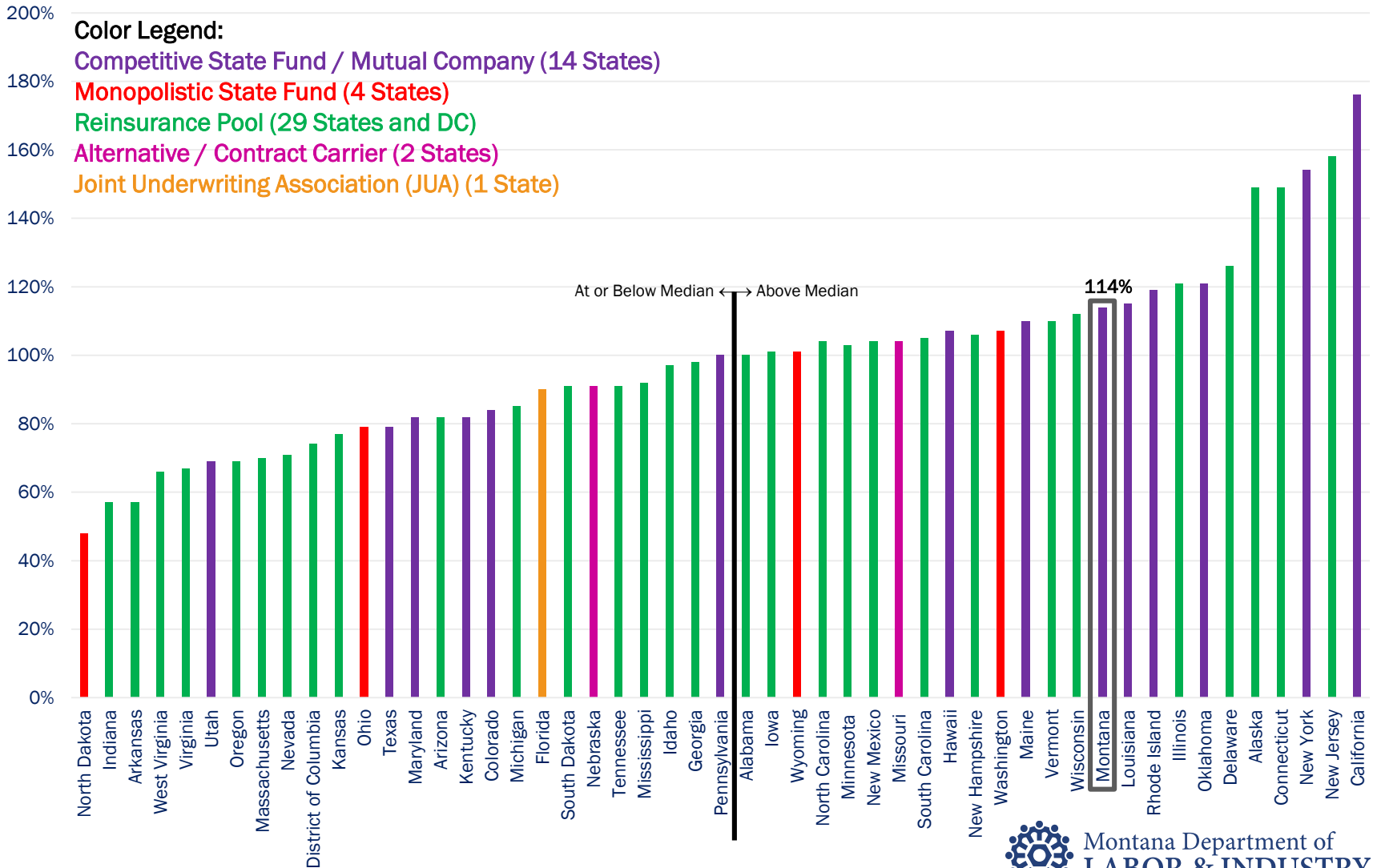
Year - 2000



Montana Percent Above National Median by Year (1986-2016)



Percent of Premium Median by State and by Structure of Workers' Compensation Insurance Market (2016)



Factors that may affect the system, costs, and premium:

Claim Frequency

Wage Loss Benefits

Wage Loss and Medical Average Costs

Medical Fee Schedules

Fatalities

Administration of Claims

Payor Types

SAW/RTW

Premium (Oregon Ranking)

Industry Classifications/Mix

System Funding (MT-Assessment)

Economy – Wages and Payroll

Attorney Involvement

Alternative Structures (Opt-out)

Independent Contractors

Utilization and Treatment Guidelines

Prescription Drug Formulary

Experience Modifications/Ratings

Court rulings

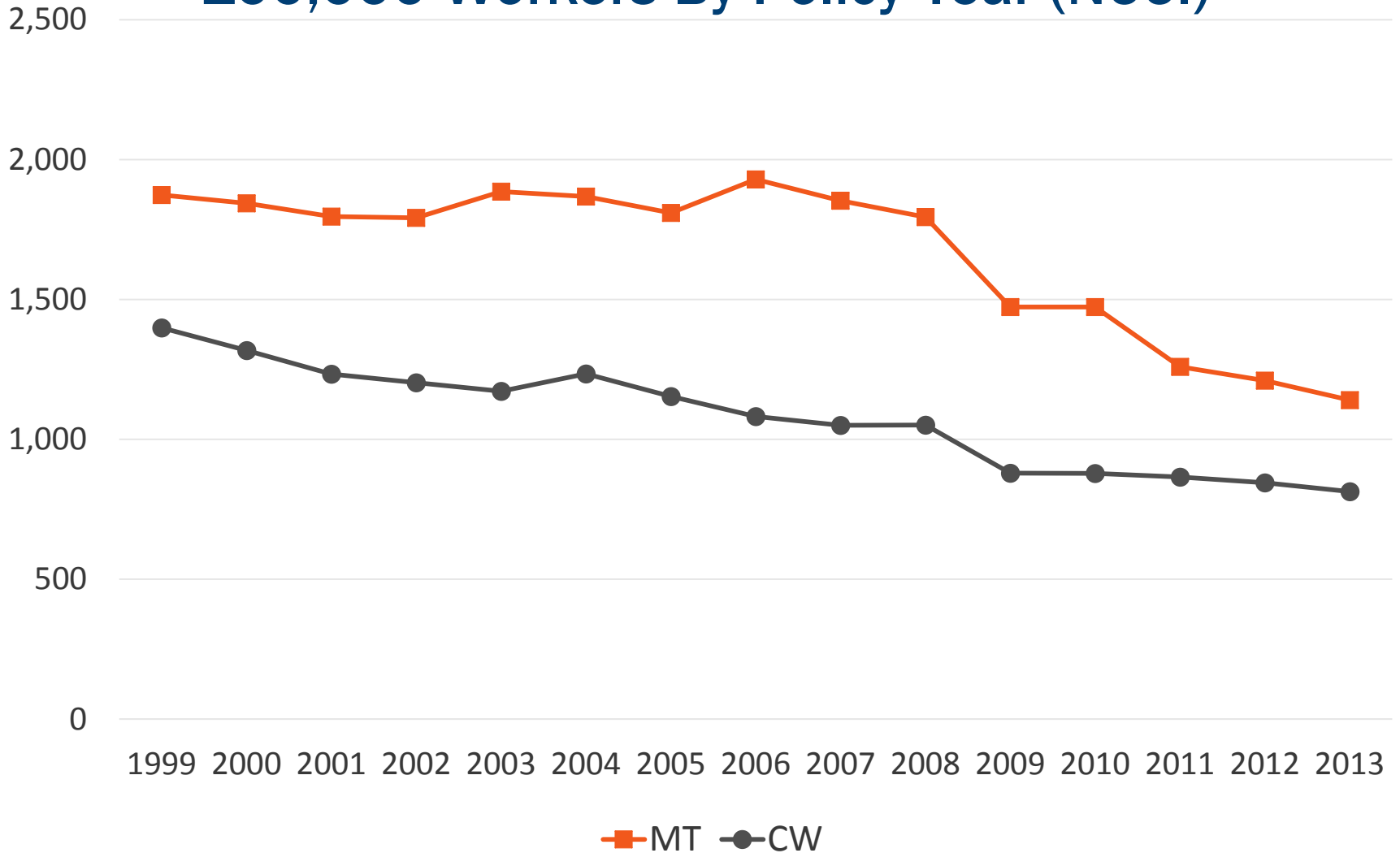
Legislation

Montana Measurements

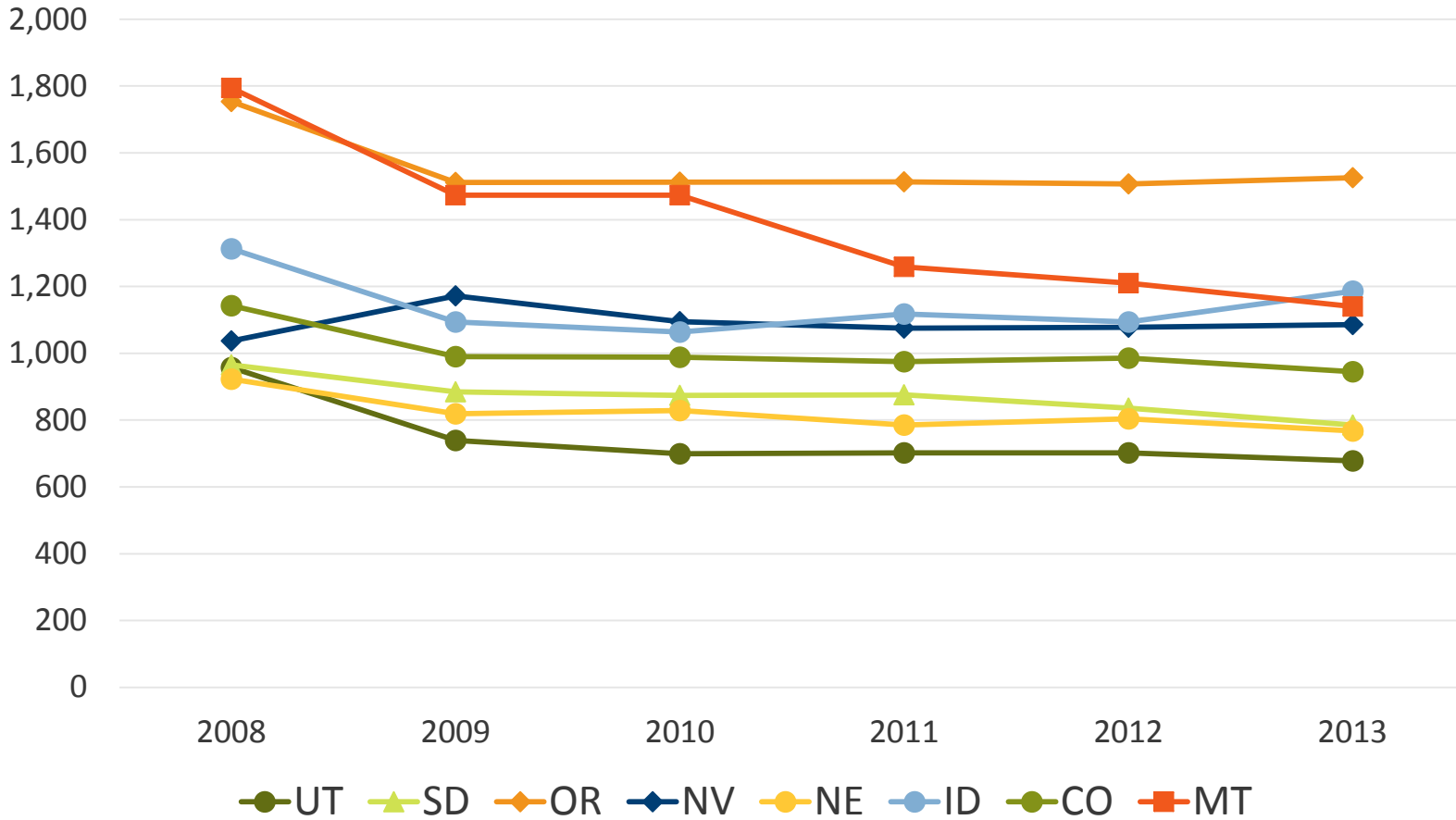
Claim Frequency

- Claim frequency is declining in Montana at a greater rate than the national average
- Montana is moving toward the middle of the pack
- Frequency has big impact on loss cost changes (-7.8% in 2017)

Average Lost-Time Claim Frequency per 100,000 Workers By Policy Year (NCCI)



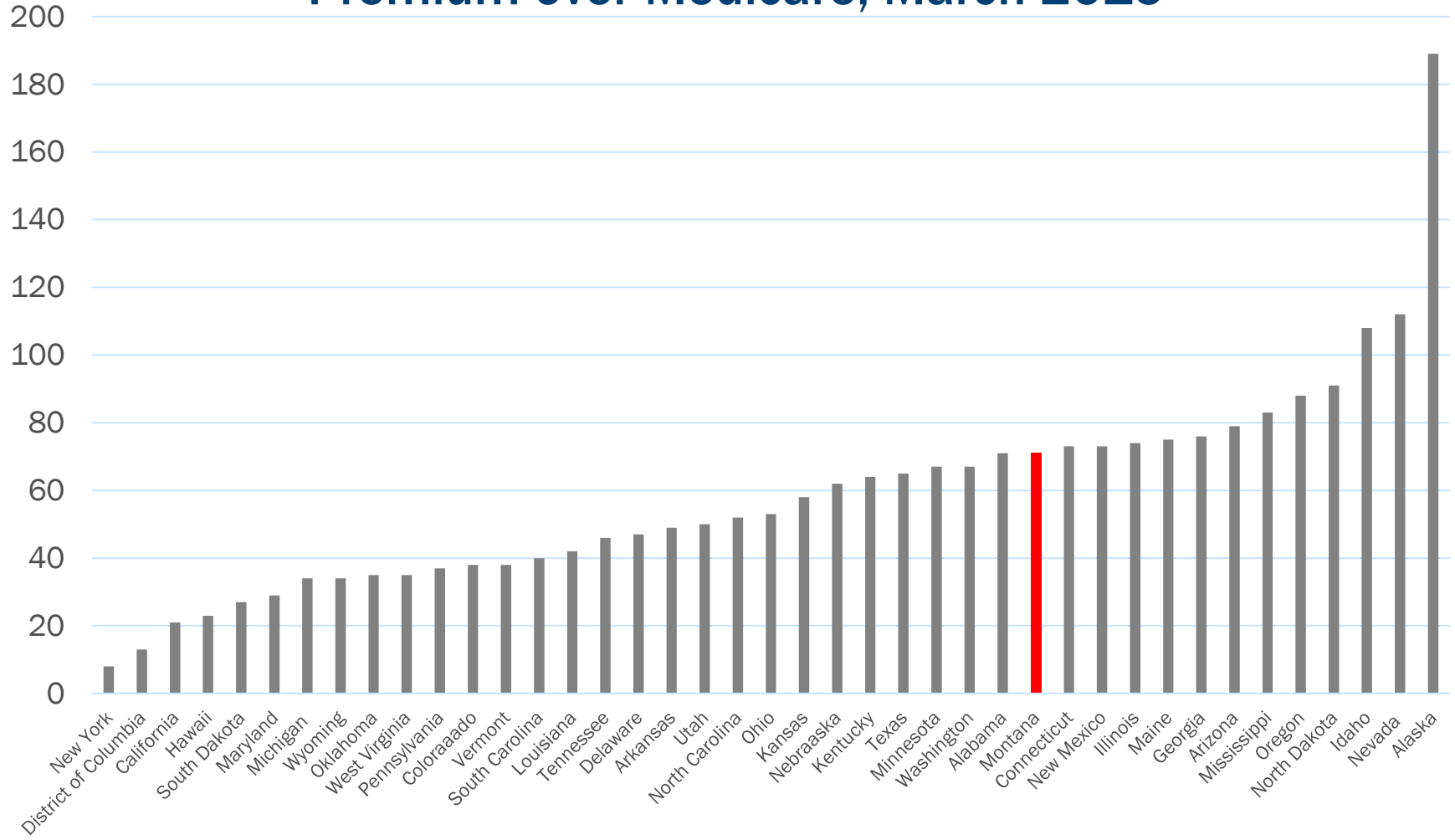
Average Lost-Time Claim Frequency per 100,000 Workers By State and Policy Year (NCCI)



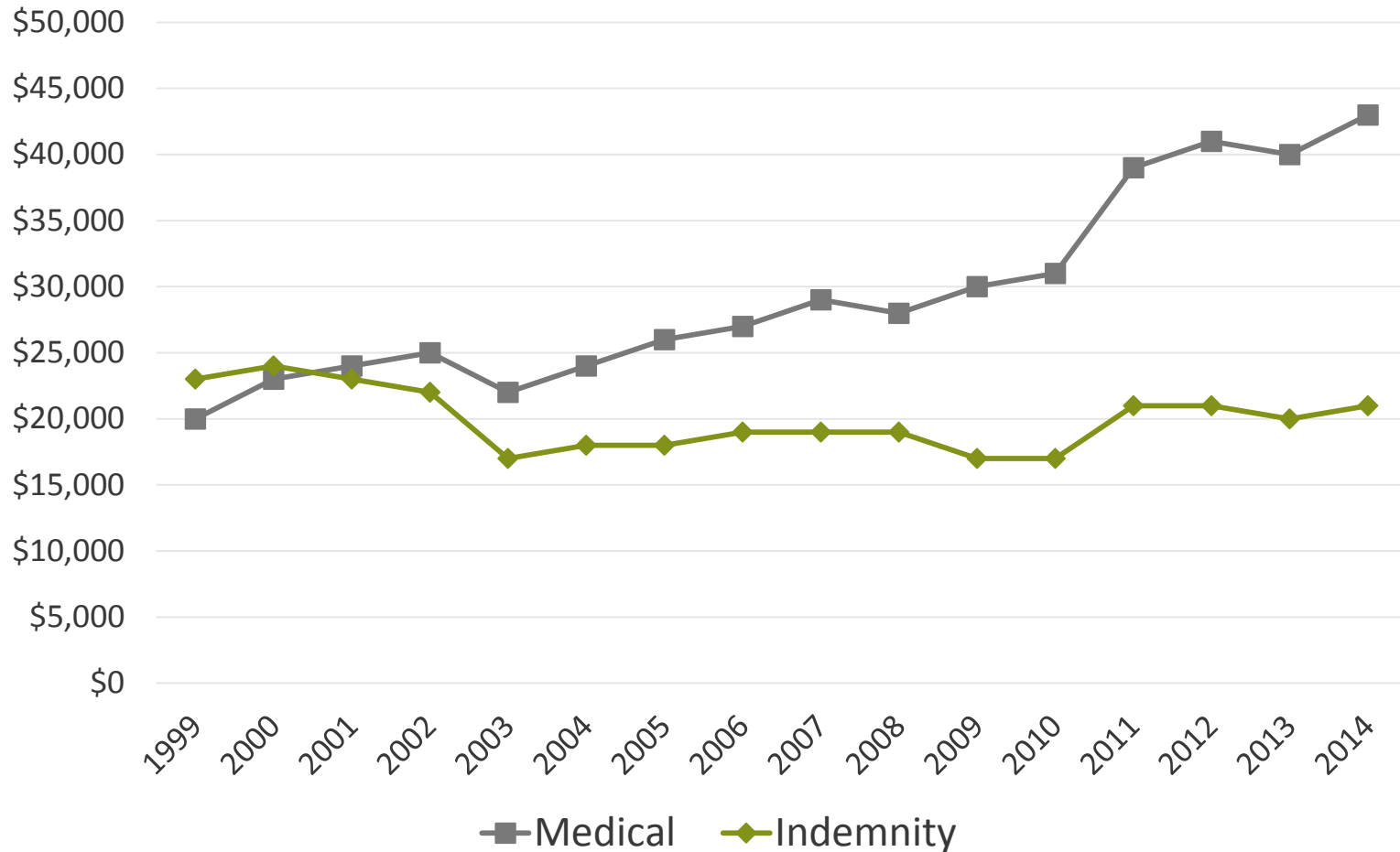
Average Medical Costs

- Average cost per claim is increasing along with the number of services per claim
 - Higher cost may be short term impact due to settling of future medical
- Pain related primary diagnosis in Montana vs other states with diagnosis related to knee and shoulder injuries
- Montana has had modest increases, less than 1% annually, in medical fee schedules, starting in 2013
 - Montana's medical fee schedule was measured at 71% percent above Medicare which puts it in the middle to upper half compared to other states (NCCI at 155-160%)

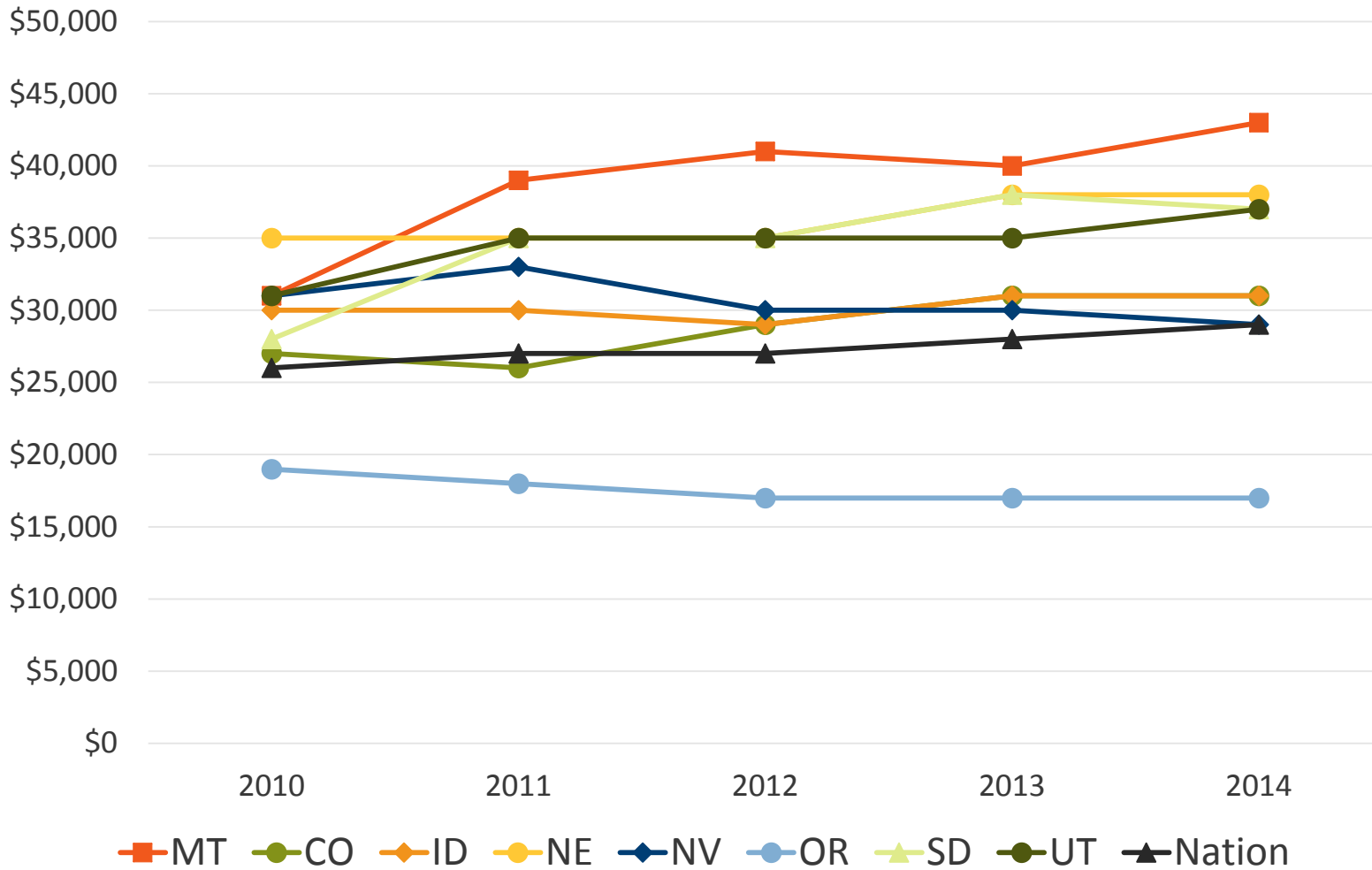
WCRI Workers' Compensation Percent of Premium over Medicare, March 2016



MT Average Cost per Lost-Time Claim by Policy Year (NCCI)



Average Medical Cost per Lost-Time Claim by State and Policy Year (NCCI)

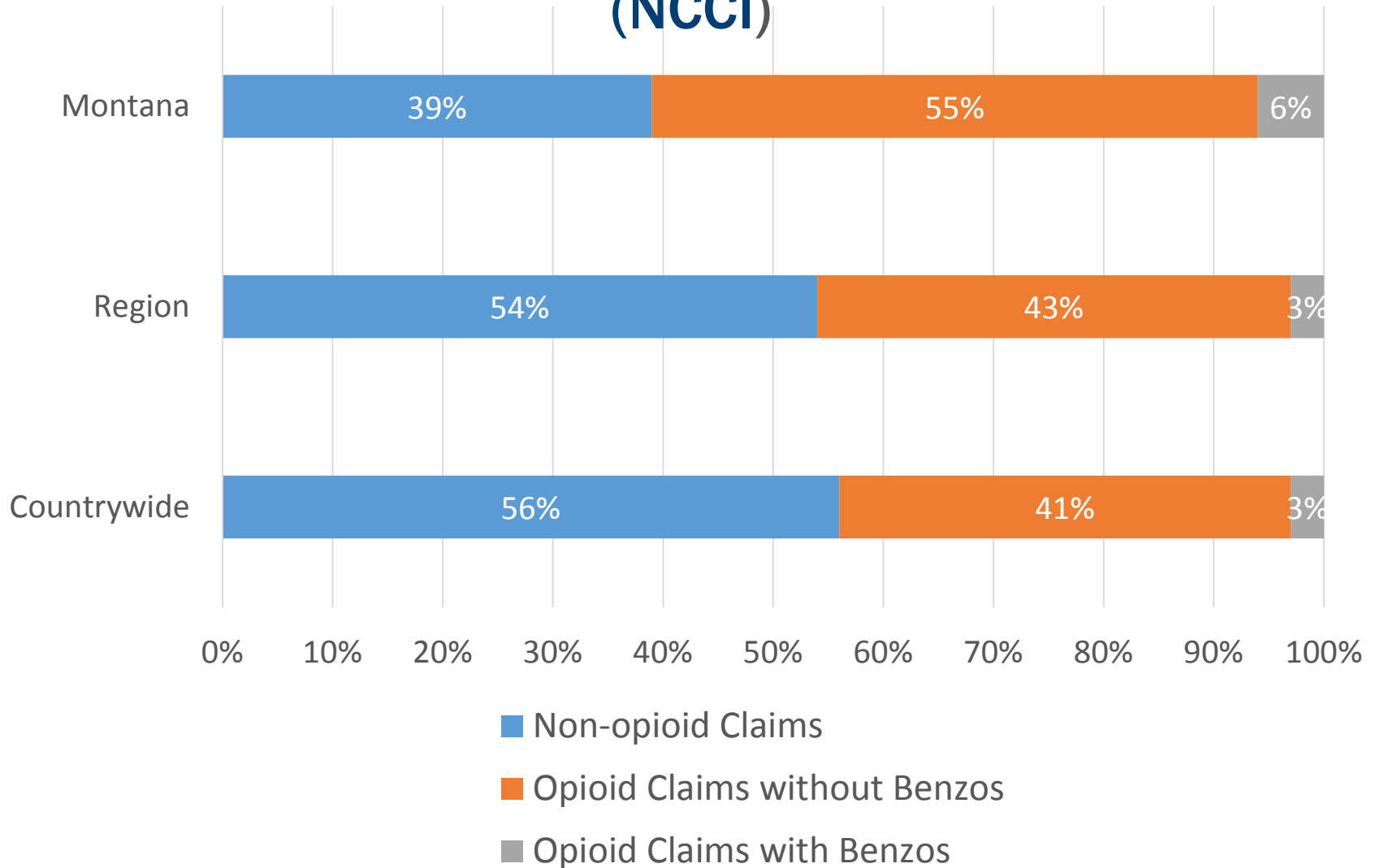


Work Comp Prescriptions

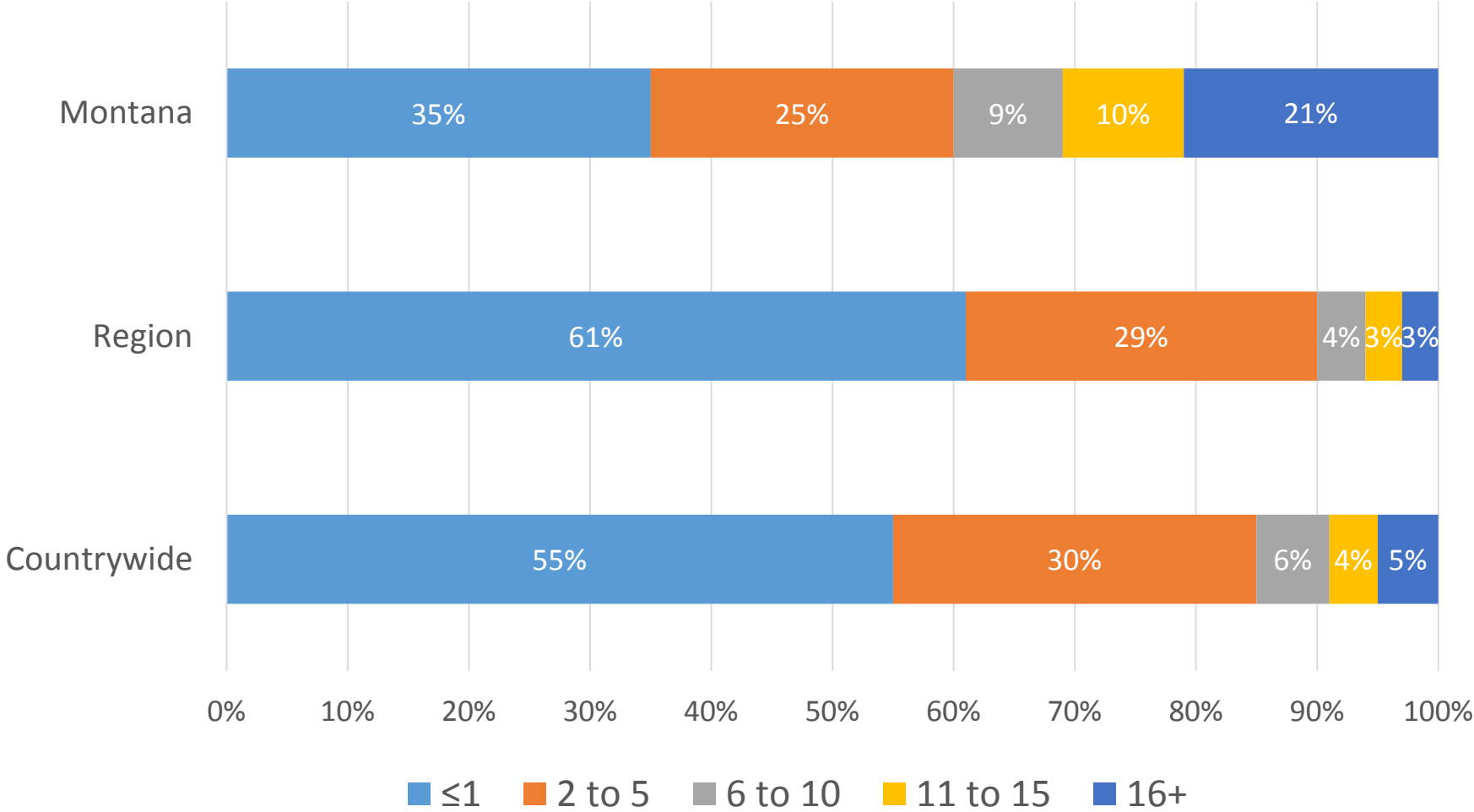
- Average number of prescriptions per claim is higher than the region or countrywide but down for Montana
- Average number of opioid prescriptions per opioid claim is down
- Workers receiving opioid prescriptions much later in the claim compared region and countrywide (16+ years)
- Generic is prescribed more than brand name

39-71-727, MCA

Service Year 2016 Rx Claim Distributions (NCCI)



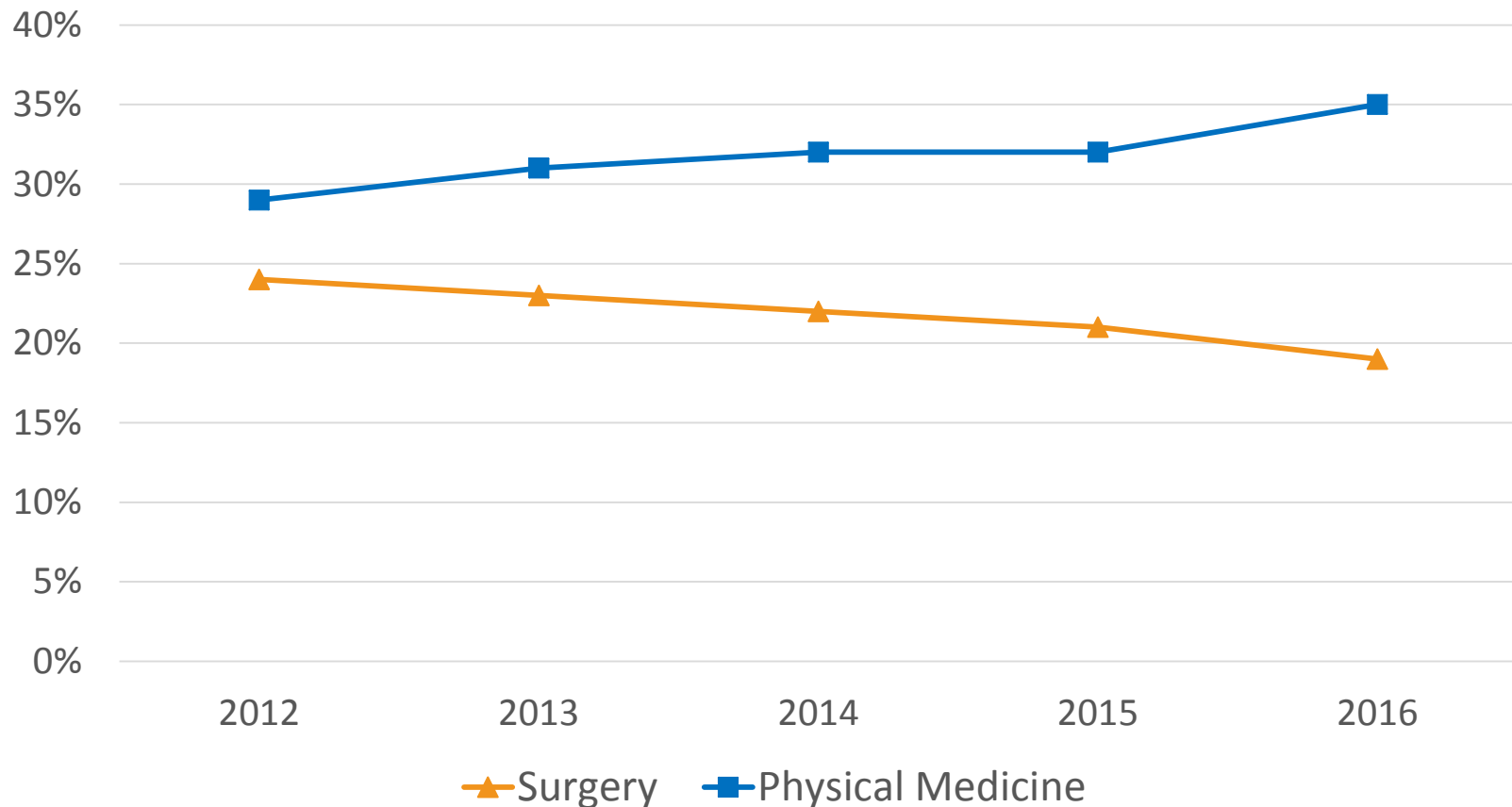
Service Year 2016 Opioid Claim Distribution by Years Claim Maturity (NCCI)



Utilization and Treatment Guidelines changing treatment behavior...

- Percentage of surgery is down and physical medicine is up
 - Medical providers are maximizing treatment ex. physical therapy, occupational therapy, and chiropractic care
- Less invasive procedures are thought to lead to better injured worker outcomes
- Provides recommendations for treatment of chronic pain

Distribution of Physician Payments by AMA Service Category for Montana (NCCI)



Wage Loss Benefits

- **Montana is similar to other states in their benefit calculations**
 - Some are more or less restrictive (Anne Clayton)
- **Provisions in HB334 limited PPD benefits**
 - Post reform PPD paid has decreased but is still higher than other states (NCCI)
- **Economic recovery has impacted wages**
 - Montana unemployment rates below the national rate (3.9%)
 - Employment growth is above the national rate
 - Education and health services account for most of the increase
 - Natural resources and mining declining
 - Montana wage growth is just below the national average

Montana is unique...

Small Business in MT

According to a study by Research and Analysis, MT has the 2nd highest percentage of small employers (less than 20 employees), compared to other states, only one tenth of a point less than Wyoming

Small employers may face these challenges:

- little opportunity for return to work in a modified job position
- lack of resources to accommodate or redesign work space for injured employee
- little retention for a permanently injured worker who can't return to their pre-injury position
- loss of employee who decides they do not want to return to work after an injury
- less opportunity for safety education and safety programs

These restrictions impact the rate of claims, type of claim (i.e wage loss) and the length of a claim

<http://lmi.mt.gov/Portals/135/Publications/LMI-Pubs/Articles/2017/0317-IsSmallBusinessBigInMT.pdf>

Opportunity for further improvement...

Safety and Education

Stay-at-work/Return-to-work

Education and resources for small employers

Further education to treating and prescribing health care professionals

Continue to monitor frequency, costs, and characteristics of claims and benefits

Continue to look at other states and national averages

Implement the work comp formulary

Independent Contractor Survey

Injured Worker Survey

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