

New Hampshire Insurance Department

WC Medical Cost Analysis

presentation to the Governor's
Commission to Recommend Reforms to Reduce Workers' Compensation Medical Costs

Workers' Compensation Legislation Related to Medical Costs

For more information about any of the bills listed, including any bill's full history, use the "Quick Bill Status Search" located at: http://www.gencourt.state.nh.us/bill_status/quick_search.html

To review reports issued by any legislative study committee, use the "Statutory and Study Committee Search" located at: <http://www.gencourt.state.nh.us/statstudcomm/>

Session Year: 2014

Bill Number: SB 204

This bill as first introduced would have increased the medical conditions that are covered as a permanent impairment for workers' compensation. The bill was amended to create instead a "First Responder Critical Injury Benefit" for certain limited permanent impairments. As amended, the bill also created a commission to study soft tissue injuries and the feasibility of creating a first responders' fund. The commission will report on its findings on or before November 1, 2014.

Bill Number: HB 1489

This bill originally was to establish a heart, lung and cancer fund for firefighters, which would have been funded by an assessment against self-insureds and insurance policies protecting businesses and homes. The bill was amended to instead create a study committee to study the establishment of such a fund and potential funding methods, as well as to determine the constitutionality of the provisions of RSA 281-A:17, II (establishing presumption that cancer disease in a firefighter, is occupationally related). The committee will report on its findings on or before November 1, 2014.

Bill Number: HB 255

As originally introduced in the 2013 legislative session, HB 255 would have amended workers' compensation laws to:

- Allow an employer to select a health care provider during the first ten days of an employee's injury
- Establish a three-year pilot program in three counties for a 90-day preferred provider network
- Require pharmacies to substitute generic drugs unless the prescribing physician indicates that the brand name drug is medically necessary
- Allow an employer to provide a pharmacy benefits management program
- Change the amount of the payment, in the absence of any contract setting reimbursement rates, to be a reasonable fee for services and reimbursement for necessary services

The bill was retained by the House and brought forward into the 2014 Legislative Session. At that time, the House amended the bill to establish a commission to study medical costs and payments under current workers' compensation law. The commission will report on its findings on or before November 1, 2014.

Fiscal Impact Analysis by NCCI: This bill, if passed and approved as originally filed, would have reduced the workers' compensation cost by about \$1.5 million. If enacted, the other provisions of HB 255 had the potential to produce additional system cost savings.

Bill Number: HB 1468

The bill would have established a committee to study the effects of increasing workers' compensation benefits and to study payment schedules for medical reimbursement. The bill was killed with the bill sponsor's agreement, in light of the creation of a commission under SB 255 (see above).

Session Year: 2013**Bill Number: HB 439**

In the state of New Hampshire, the indemnity benefit for workers' compensation is set at 60% of the workers average weekly wage. This bill would have increased that rate to 66 2/3%, which would be comparable to most other states. The bill was retained into the 2014 legislative session, but ultimately killed by the Senate.

Fiscal Impact Analysis by NCCI: This bill, if passed and approved as filed originally, would have increased the workers' compensation cost between \$6 million and \$9 million.

Bill Number: SB 95

This bill was introduced to give a workers' compensation claimant a choice of pharmacy and to establish a formula for reimbursements to health care providers or pharmacy processing agents for prescription drugs. The bill was amended to eliminate the prescription drug fee schedule but retain the worker's right of pharmacy choice and was passed.

Bill Number: SB 71

This bill established a committee to study the use and misuse of prescription drugs in workers' compensation cases. A report was issued on November 1, 2013.

Session Year: 2012**Bill Number: SB 71**

This bill was introduced in 2011. The bill would have allowed the Labor Commissioner to establish a fee schedule for all medical services with a conversion factor up to 150% of Medicare rates. The bill was retained by the Senate into the 2012 legislative session then killed by the Senate, voting it was "inexpedient to legislate." The bill never reached the House.

Session Year: 2010**Bill Number: SB 420**

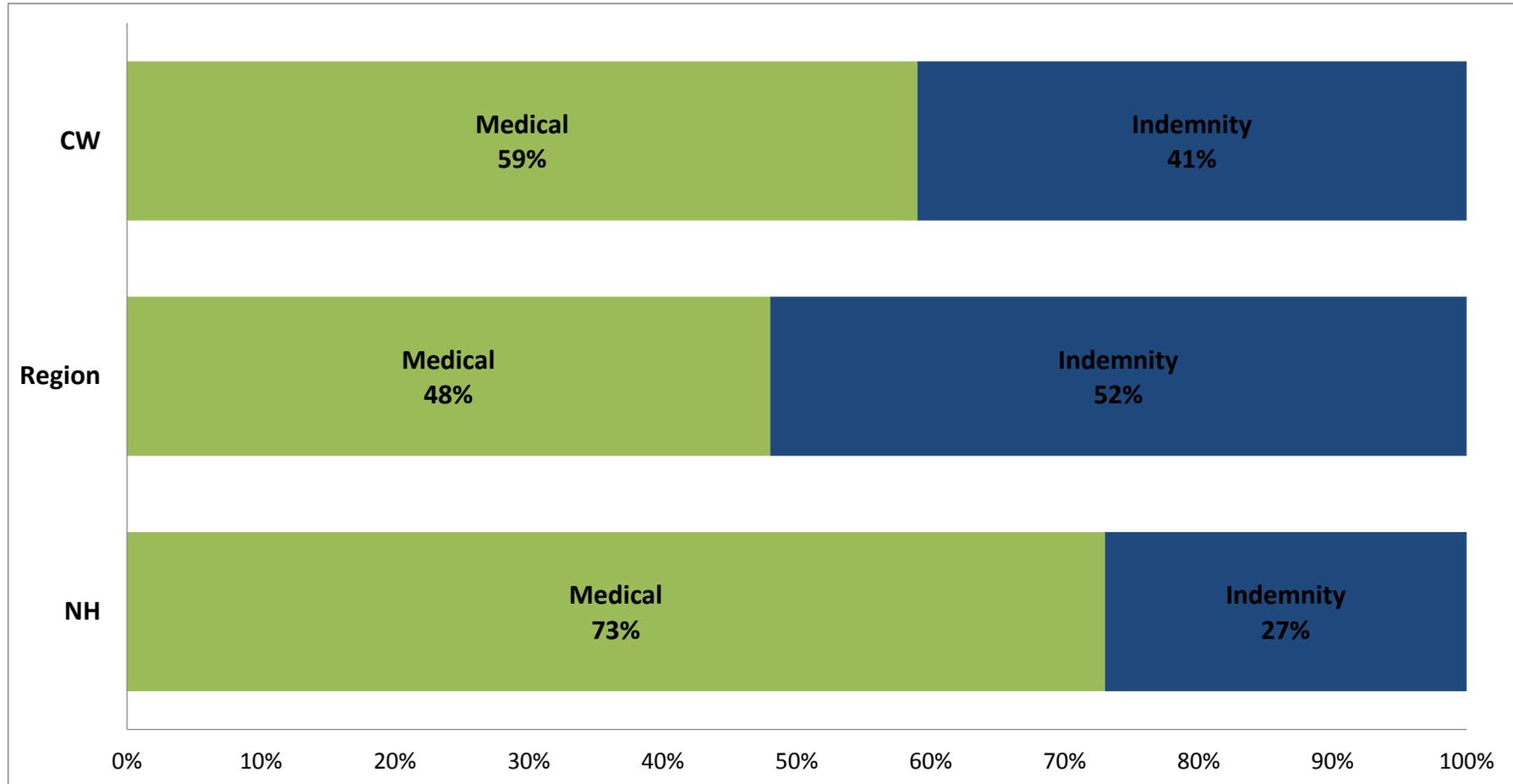
This bill established a committee to study pharmacy benefits management for injured workers covered by workers' compensation. The committee ultimately had various recommendations for legislation related to pharmacy benefits as set forth in a November 2010 report.

Session Year: 2006**Bill Number: SB 172**

Originally, this bill was introduced in the 2005 legislative session to establish a committee to study a medical fee schedule for workers' compensation. After being retained to the 2006 legislative session, the bill was killed by the House.

2012 Medical Share of Total WC Benefit Costs

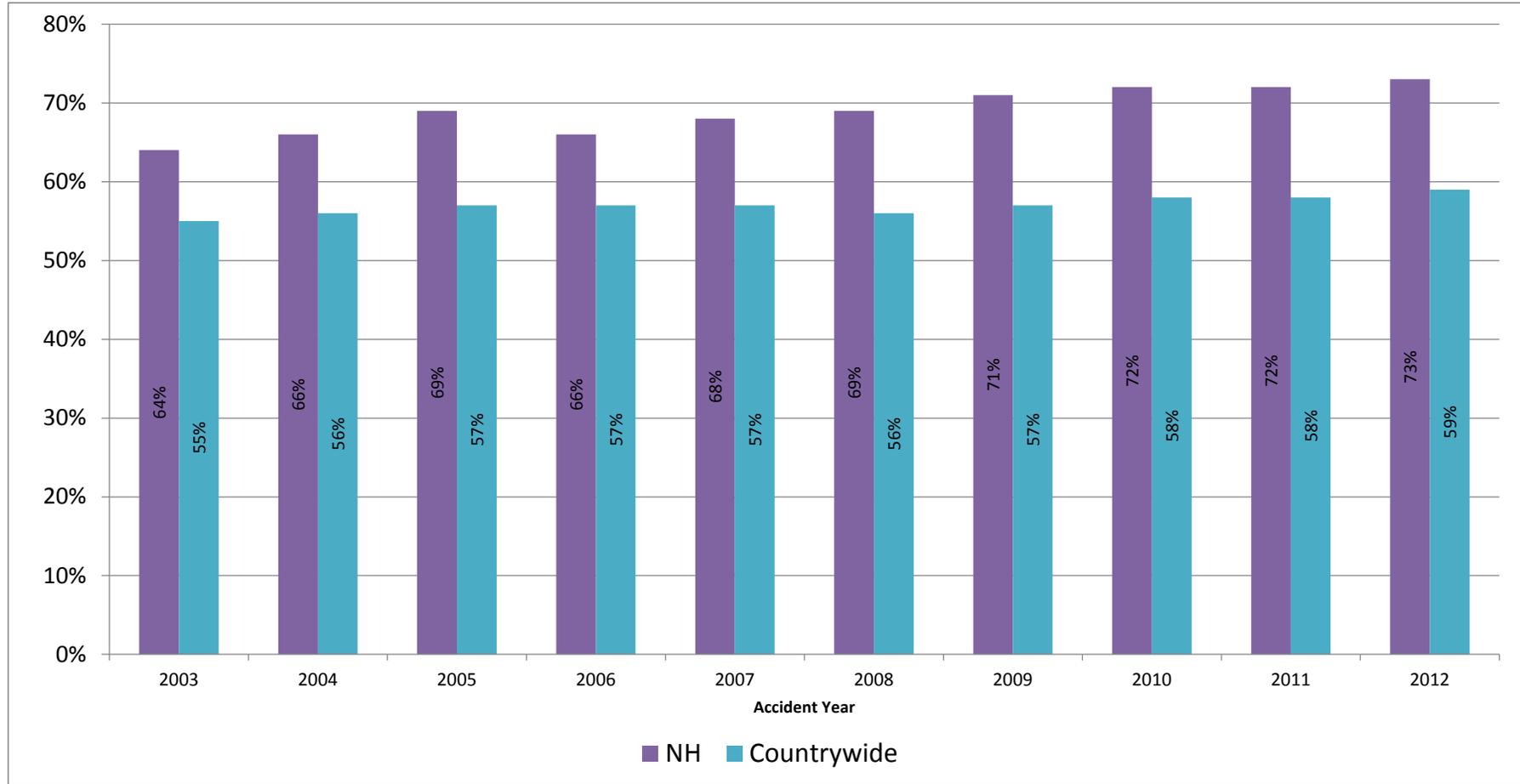
Workers Compensation policies cover 2 types of benefit payments: indemnity (lost wages) and medical costs. Medical makes up 73% of the total in NH, compared to 59% Countrywide.



From the NCCI 2014 Medical Data Report for the State of New Hampshire.

Medical Share of Total WC Benefit Costs

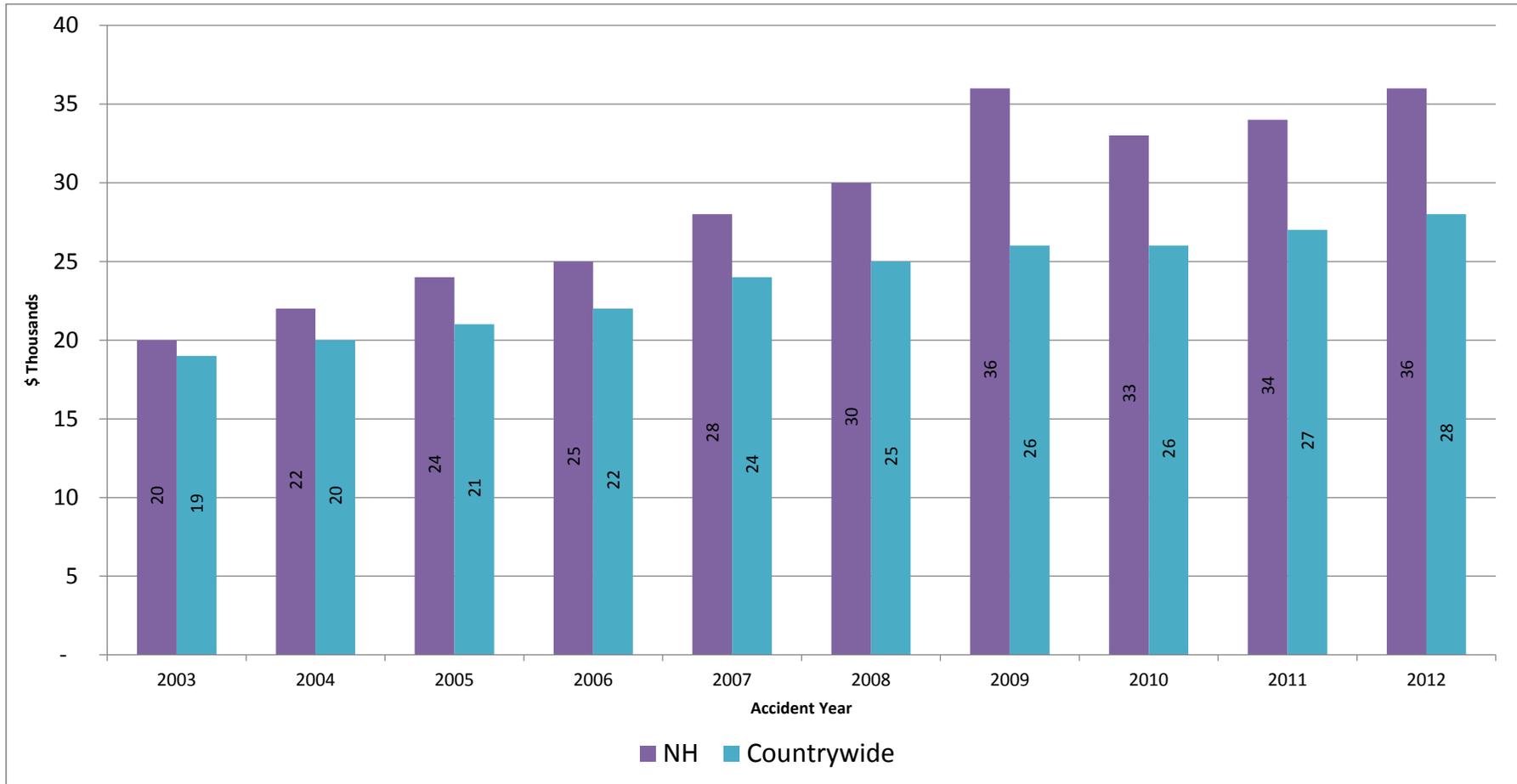
The proportion of Medical in NH has increased over the years, while the countrywide proportion has been relatively stable.



From the NCCI 2014 Medical Data Report for the State of New Hampshire.

Average Medical Cost per Claim

Medical Losses are shown at historical benefit levels and dollar values with no adjustments for inflation. The average increase in NH was nearly 7% per year, compared to less than 5% countrywide.

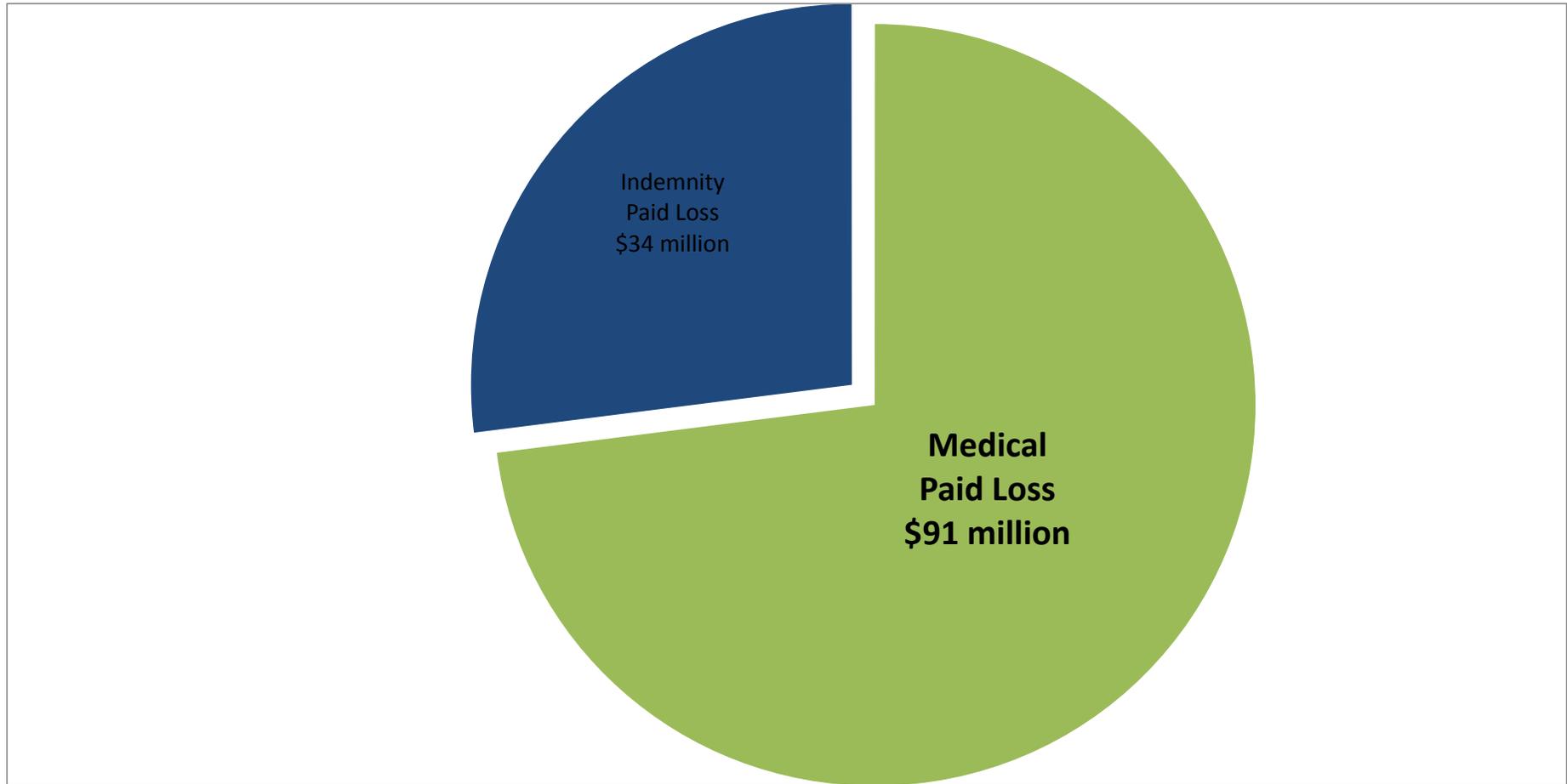


From the NCCI 2014 Medical Data Report for the State of New Hampshire.

Countrywide includes AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, and WV.

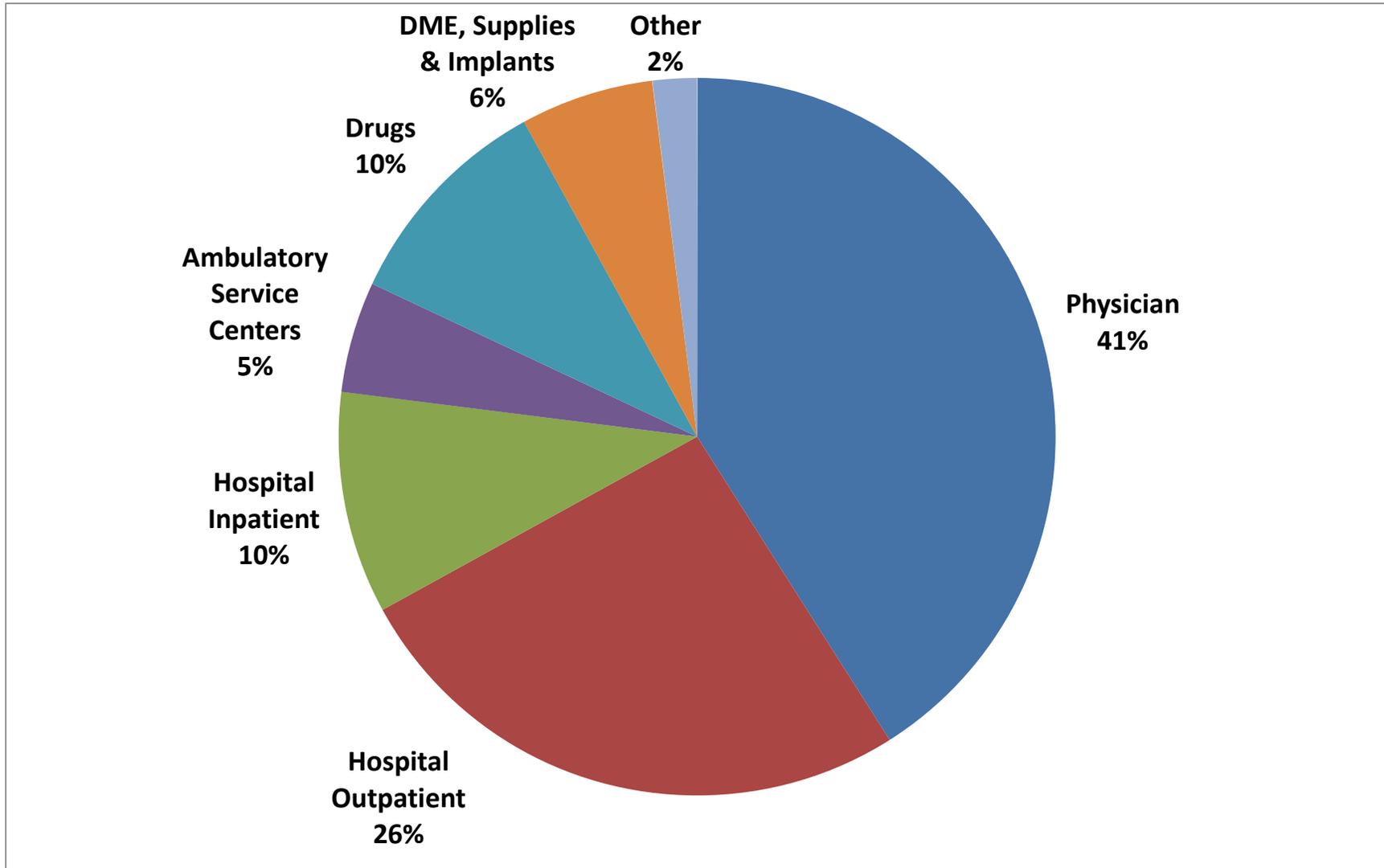
How big is the WC market in New Hampshire?

In calendar year 2013, total WC losses paid were \$125 million.



Total Medical Payments distributed by Type of Service

In New Hampshire, doctors received 41% of WC medical payments (about \$38 million in 2012)
Hospitals received 36% (about \$33 million in 2012)



From the NCCI 2014 Medical Data Report for the State of New Hampshire, service year 2013.

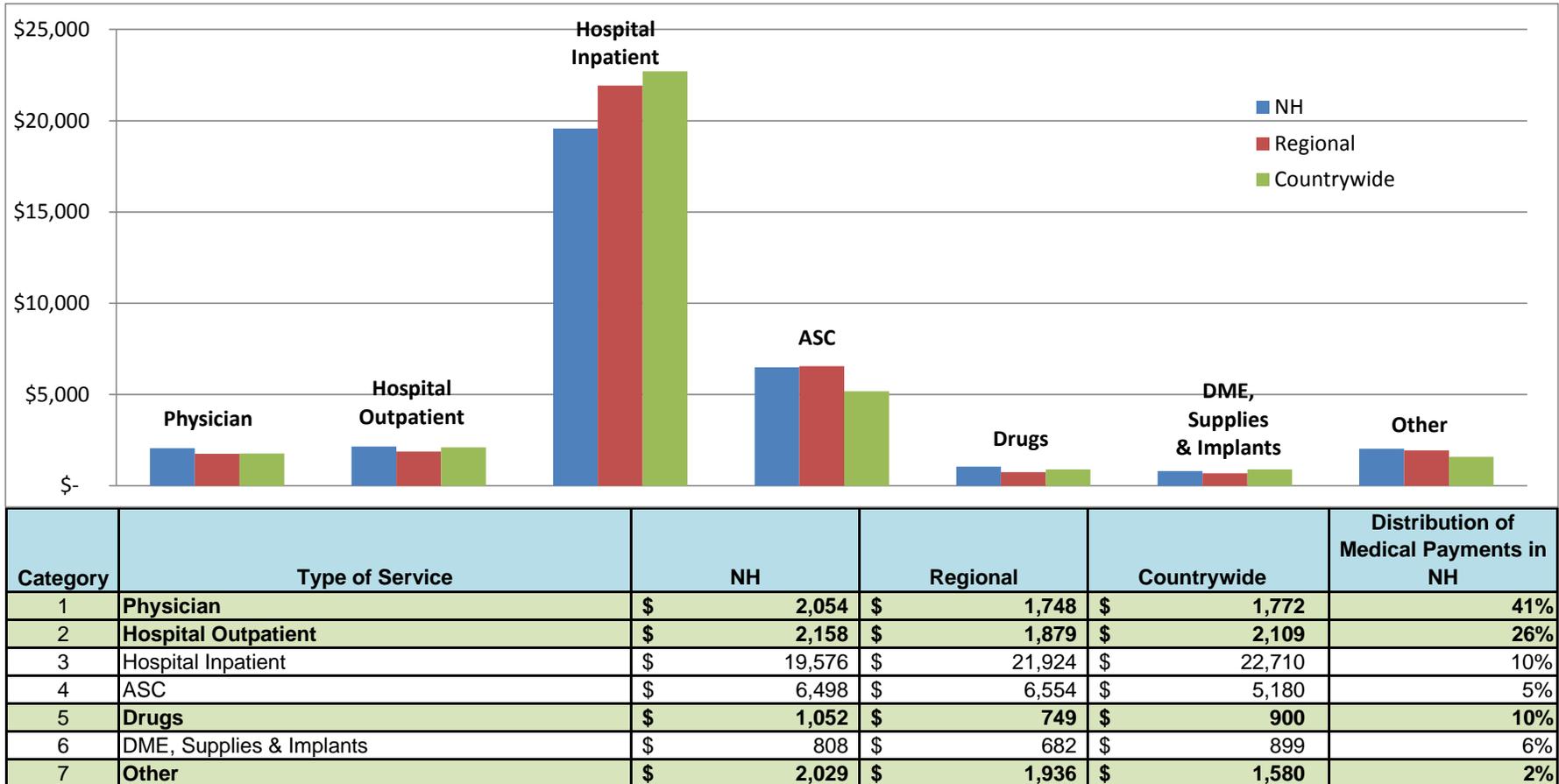
NH Insurance Department

Average Paid per Claim by Type of Service

Physician Services cost an average of 18% more in NH than the surrounding Region, and 16% more than countrywide. Hospital Outpatient Services cost an average of 11% less in NH than the surrounding Region, and 14% less than countrywide.

However, there are no controls on the data for mix of diagnosis or severity of injury between jurisdictions. Hospital Outpatient costs are 26% of total medical in NH, versus 20% regionally and 17% nationally. That is due to a higher usage of hospital outpatient facilities for radiology and PT in NH. The greater proportion of less expensive procedures lowers the cost of an average hospital visit.

Drug costs were 41% higher in NH than the surrounding Region, and 17% more than countrywide.



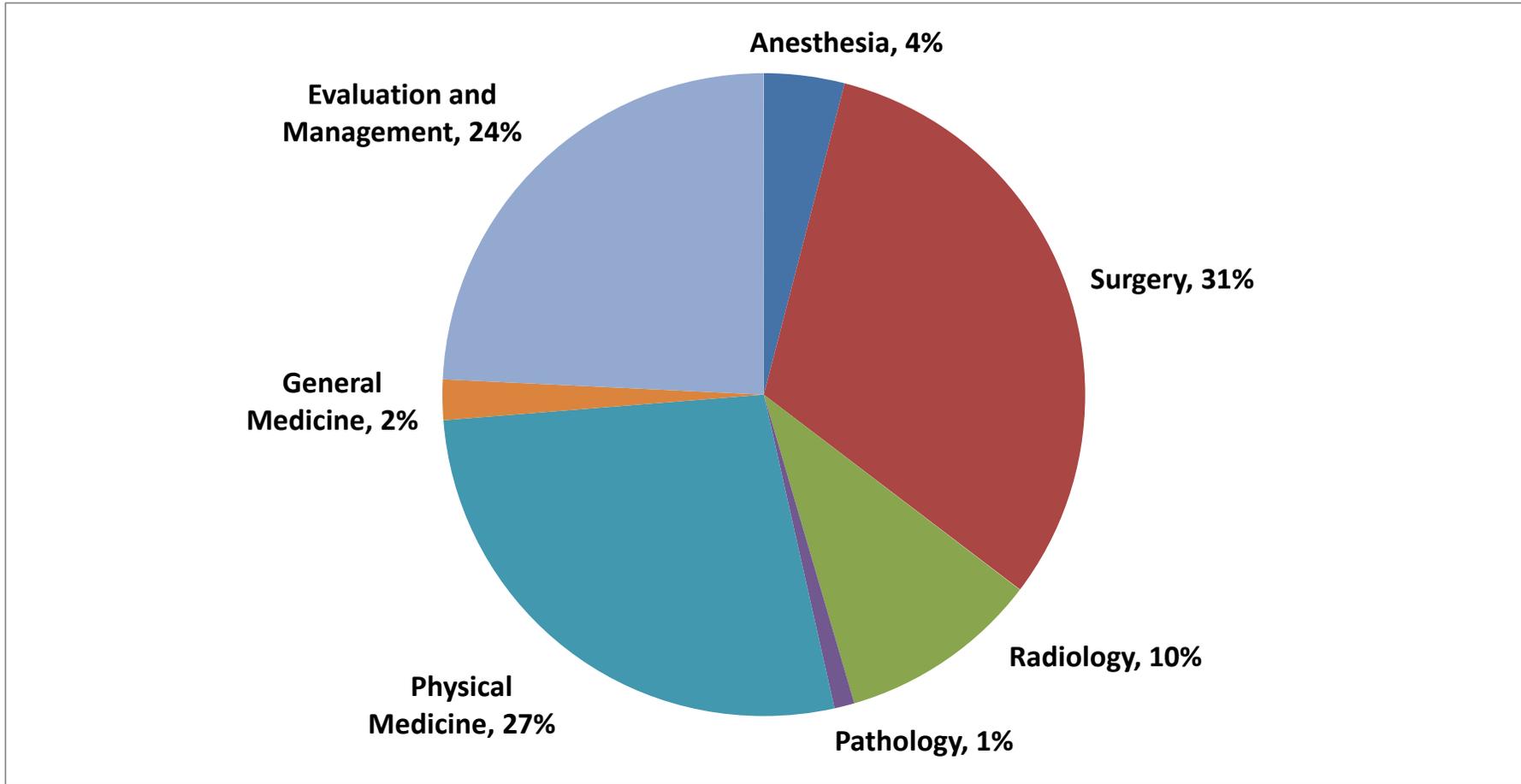
¹ The surrounding region includes CT, ME, RI, VT. NCCI does not collect data for the state of Massachusetts.

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Source: NCCI Medical Data Call, Service Year 2013.

Physician Payments distributed by Service Category

Surgery represents 31% of physician costs. This compares to 26% countrywide.

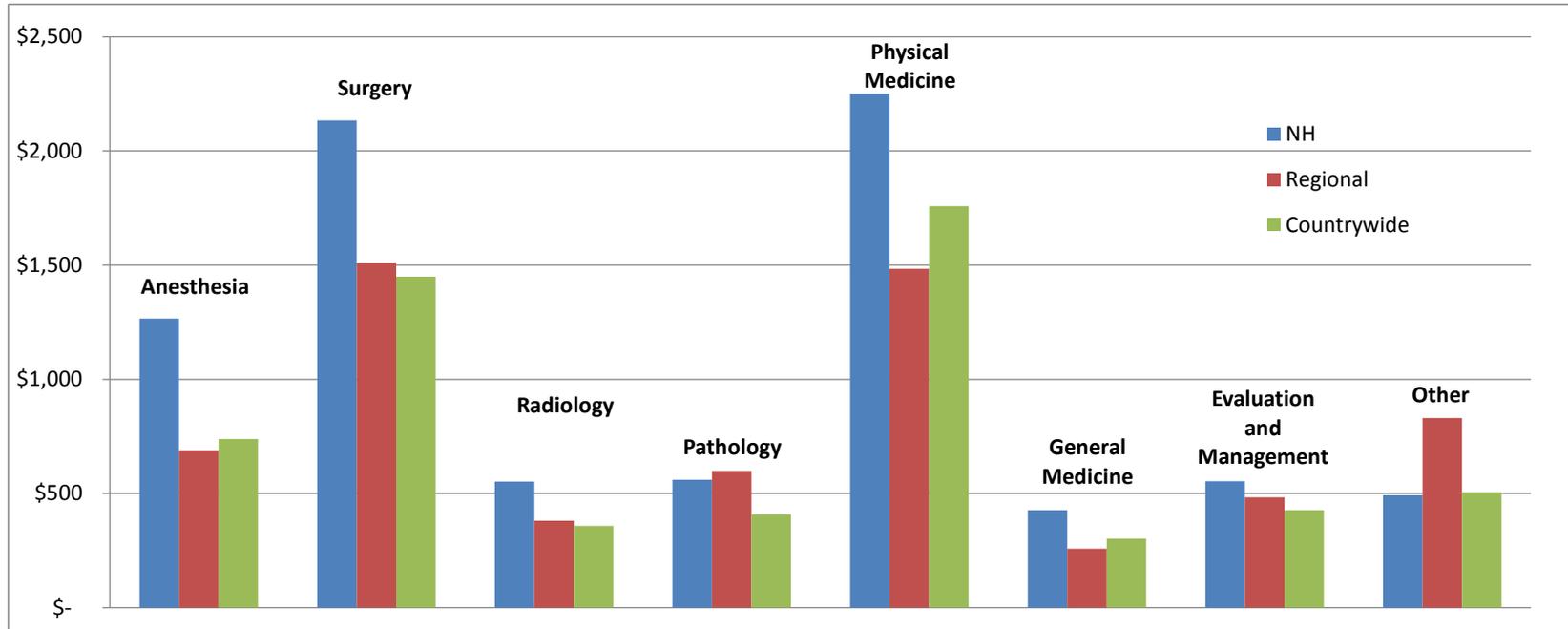


From the NCCI 2014 Medical Data Report for the State of New Hampshire, service year 2013.

Average Paid per Claim by AMA Service Category (Physician Costs)

Physician Services cost more in most categories. Overall Physician costs per claim were 39% more expensive than regionally or countrywide.

There are no controls on the data for mix of diagnosis or severity of injury between jurisdictions.



Category	AMA Service Category	NH	Regional	Countrywide	Distribution of Physician Payments by AMA Category in NH
1	Anesthesia	\$ 1,266	\$ 689	\$ 739	4%
2	Surgery	\$ 2,133	\$ 1,508	\$ 1,450	31%
3	Radiology	\$ 552	\$ 381	\$ 358	10%
4	Pathology	\$ 561	\$ 599	\$ 409	1%
5	Physical Medicine	\$ 2,251	\$ 1,484	\$ 1,758	27%
6	General Medicine	\$ 427	\$ 258	\$ 302	2%
7	Evaluation and Management	\$ 554	\$ 483	\$ 427	24%
8	Other	\$ 492	\$ 830	\$ 506	1%

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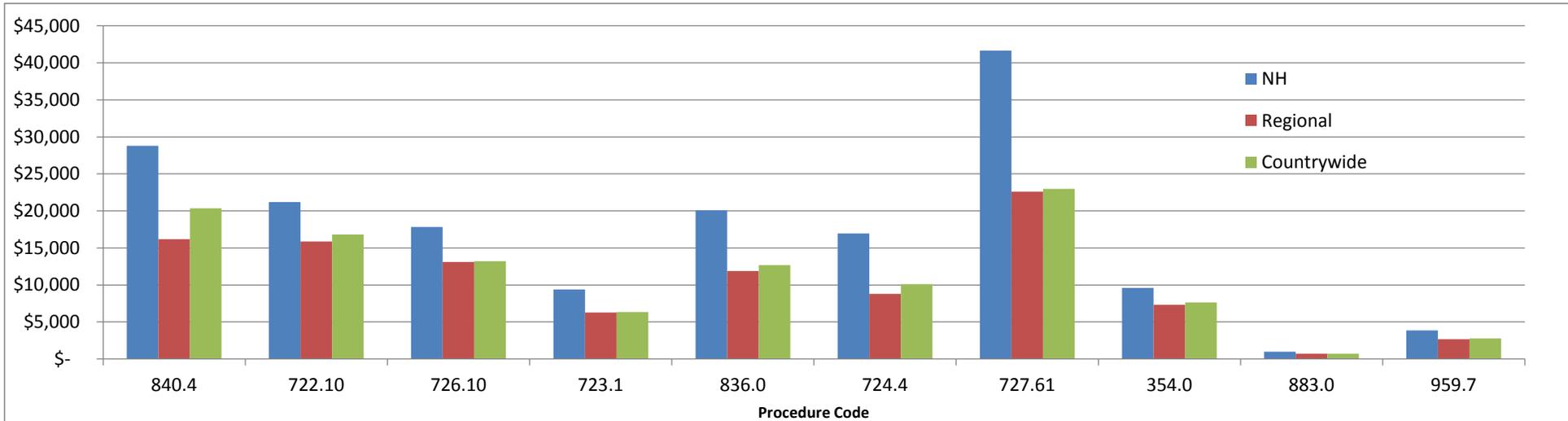
Source: NCCI Medical Data Call, Service Year 2013.

100.0%

Top 10 WC Injuries

This chart includes all medical costs associated with an injury: hospital, physician, drugs, therapy, etc.

On average, the total costs for claims with these injuries in NH are 58% more expensive than the surrounding region, and 45% more expensive than New Hampshire was more expensive for all 10 of the procedures studied.



Rank	Procedure Code	NH	Regional	Countrywide	Description	
1	840.4	\$ 28,799	\$ 16,197	\$ 20,359	Rotator cuff (capsule) sprain and strain	6.2%
2	722.10	\$ 21,200	\$ 15,869	\$ 16,815	Displacement of lumbar intervertebral disc without myelopathy	4.6%
3	726.10	\$ 17,841	\$ 13,119	\$ 13,196	Unspecified disorders of the bursae and tendons in the shoulder region	4.1%
4	723.1	\$ 9,388	\$ 6,286	\$ 6,351	Cervicalgia	3.9%
5	836.0	\$ 20,066	\$ 11,875	\$ 12,673	Tear of medial cartilage or meniscus of knee, current	3.8%
6	724.4	\$ 16,942	\$ 8,787	\$ 10,103	Thoracic or lumbosacral neuritis or radiculitis, unspecified	3.0%
7	727.61	\$ 41,641	\$ 22,600	\$ 22,993	Complete rupture of rotator cuff	2.5%
8	354.0	\$ 9,612	\$ 7,328	\$ 7,627	Carpal Tunnel Syndrome	2.4%
9	883.0	\$ 1,004	\$ 708	\$ 692	Open wound of finger(s), without mention of complication	1.8%
10	959.7	\$ 3,870	\$ 2,660	\$ 2,768	Injury, other and unspecified, knee, leg, ankle, and foot	1.7%

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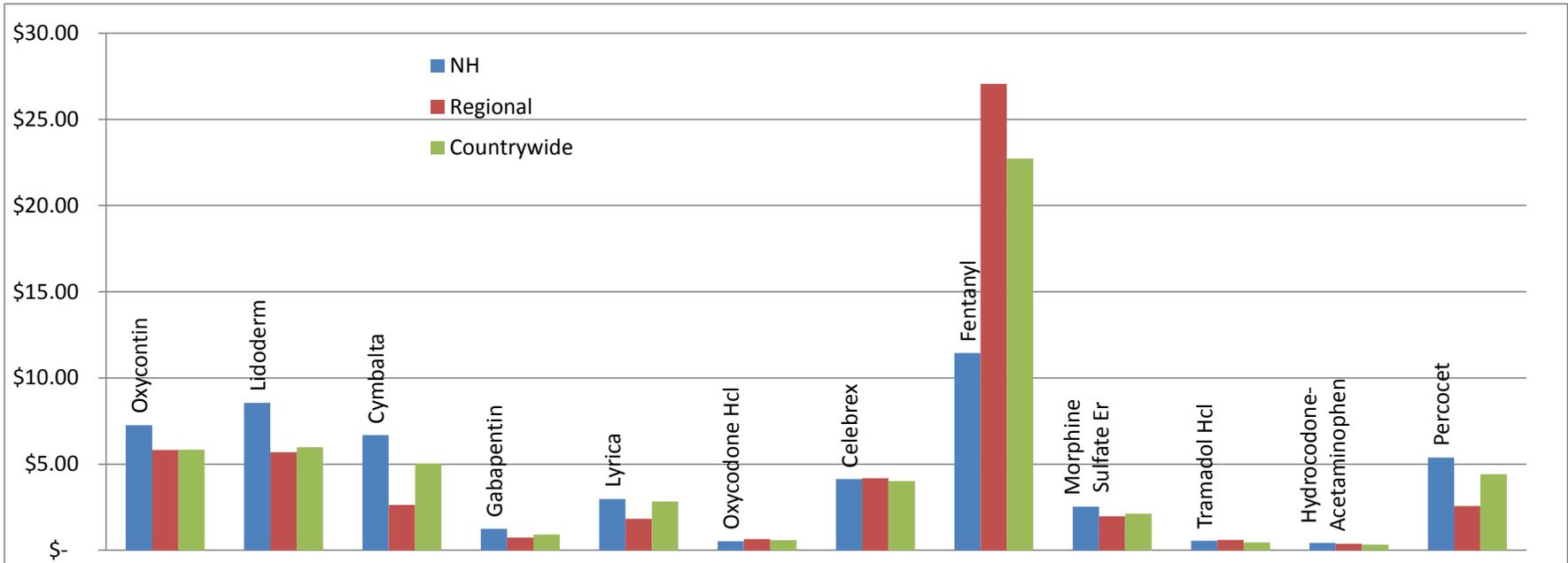
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Source: 2014 NCCI Medical Data Call, Injury Dates in 2012.

34.0%

Top 50% of Drugs prescribed

Of the top 12 drugs prescribed in WC injuries, 8 are more expensive in NH than regionally or nationally. On average, these drugs are 43% more expensive than they are regionally, and 20% more than they are nationally. 6 of them are narcotics.



Rank	Name of Drug	NH	Regional	Countrywide	% of Paid Dollars
1	Oxycontin	\$ 7.26	\$ 5.82	\$ 5.83	15.4%
2	Lidoderm	\$ 8.55	\$ 5.69	\$ 5.99	6.2%
3	Cymbalta	\$ 6.68	\$ 2.63	\$ 5.03	5.8%
4	Gabapentin	\$ 1.24	\$ 0.73	\$ 0.92	4.7%
5	Lyrica	\$ 2.98	\$ 1.83	\$ 2.82	3.8%
6	Oxycodone Hcl	\$ 0.52	\$ 0.65	\$ 0.58	2.8%
7	Celebrex	\$ 4.13	\$ 4.18	\$ 4.02	2.7%
8	Fentanyl	\$ 11.44	\$ 27.06	\$ 22.73	2.3%
9	Morphine Sulfate Er	\$ 2.54	\$ 1.97	\$ 2.13	2.2%
10	Tramadol Hcl	\$ 0.56	\$ 0.61	\$ 0.46	1.9%
11	Hydrocodone-Acetaminophen	\$ 0.42	\$ 0.38	\$ 0.33	1.5%
12	Percocet	\$ 5.38	\$ 2.56	\$ 4.42	1.5%

50.8%

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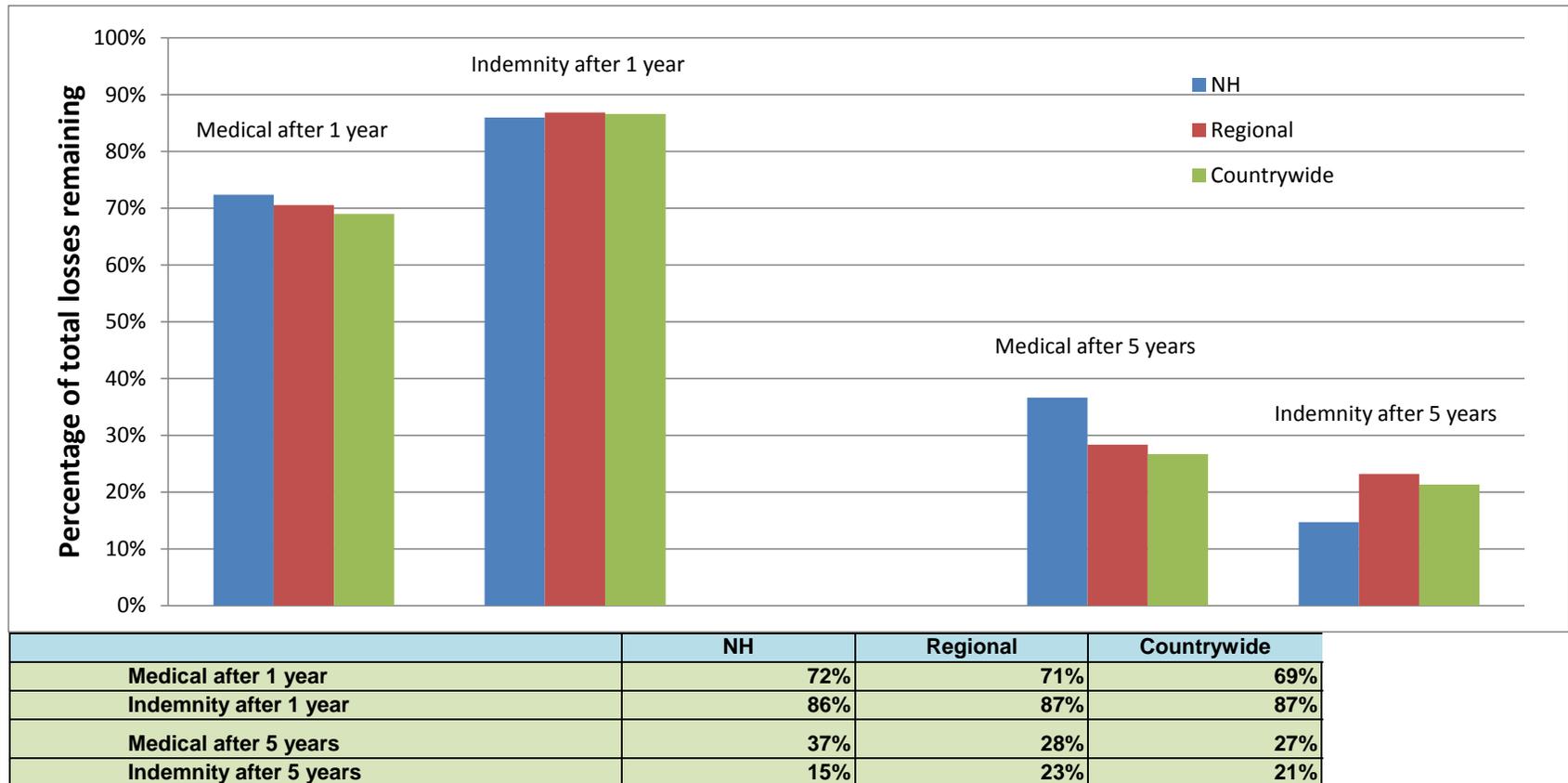
Losses Unpaid

WC claims develop over many years, up to the remaining life of someone with a permanent total injury.

Unpaid losses are a measure of how quickly claims are settled. Indemnity unpaid losses are one indicator of how quickly people return to work.

Medical claims settle substantially more slowly in NH than regionally or CW. This is indicated by the higher unpaid percentage after 5 years. This is partially driven by the fact that NH does not allow medical settlements.

Indemnity claims settle more quickly in NH than regionally or nationally. The lower indemnity unpaid percentage after 5 years indicates a quicker return to work.

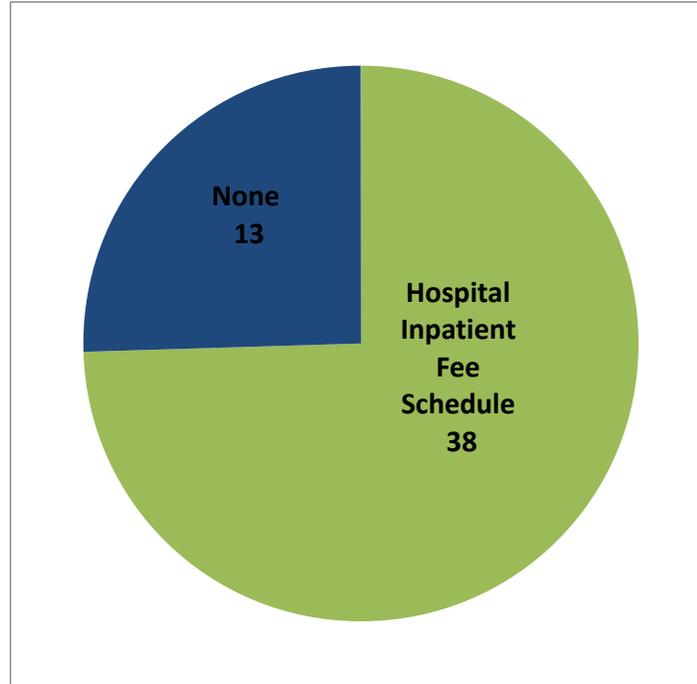
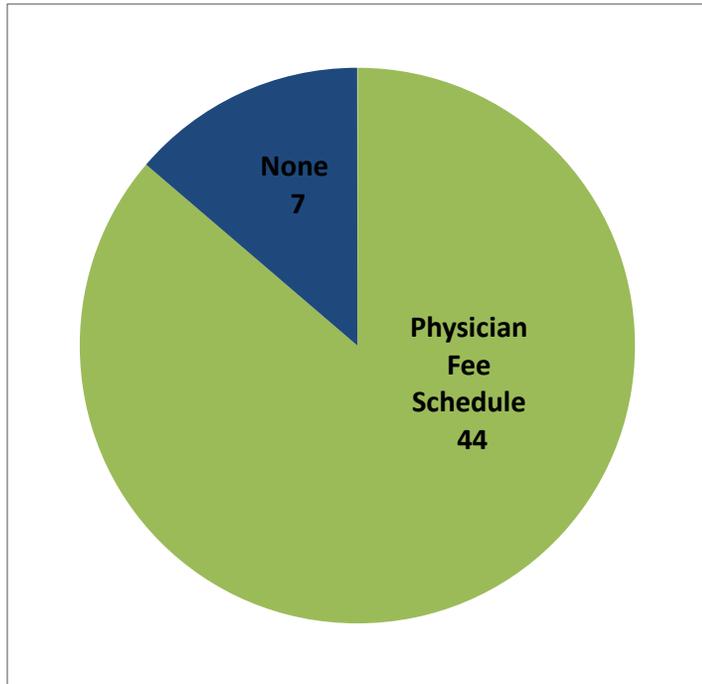


From the NCCI 2013 Statistical Bulletin

States with Fee Schedules

New Hampshire is one of only 7 states without a Physician Fee Schedule.

The other 6 states are Indiana, Iowa, Missouri, New Jersey, Washington, and Wisconsin.



Arizona, Connecticut, DC, Hawaii, Pennsylvania, and Utah have a Physician Fee Schedule, but no Hospital Inpatient Fee Schedule.