Webinar: Highlights From Recent CompScope™ Studies For Pennsylvania

January 30, 2020
About WCRI

• Independent, not-for-profit research organization providing high-quality, objective information about public policy issues involving workers’ compensation systems
• Serve as a resource for public officials and stakeholders, but we do not make recommendations or take positions
• Studies are peer-reviewed with a focus on benefit delivery
• Diverse membership support, including gov’t agencies, employers, insurers, labor unions, service providers, etc.
About The Webinar

• The presentation is 30 minutes long: 25 minutes of slides and 5 minutes for your questions
• To submit a question, use the “Questions” box located on the right-hand side of your screen
• If you are having issues with your connection or audio, please call GoToWebinar at 1-800-263-6317
About The Webinar (Cont.)

• A copy of the slides can be downloaded under “Handouts” on the right-hand side of your screen
• Today’s presentation is being recorded and will be provided within 48 hours
• At the end of the webinar we ask that you take a short online survey. For every completed survey, WCRI will donate $2.00 to Kids’ Chance
Mr. Monnin-Browder studies the performance of state workers’ compensation systems as part of WCRI’s CompScope™ benchmarking team.

He previously served as executive director of the Massachusetts Workers’ Compensation Advisory Council and as legal counsel to the Massachusetts Legislature’s Joint Committee on Labor and Workforce Development.

Mr. Monnin-Browder received his B.A. from Tufts University and his J.D. from Suffolk University Law School.
Webinar: Highlights From Recent CompScope™ Studies For Pennsylvania

January 30, 2020
Main Questions Addressed Today

• What are the major cost drivers in Pennsylvania’s workers’ compensation system?
• How does Pennsylvania compare to other states on different system performance metrics?
• How have those system performance metrics changed over time?
What Is CompScope™?

• Annual benchmarking studies that compare state WC benefit delivery systems
• Contains 18 larger-than-average states representing over 60% of U.S. WC benefits paid
• Goals:
  • Facilitate continuous improvement of state WC systems
  • Monitor the impact of reforms
  • Ground public policy debates in facts that are based on data
### Scope Of CompScope™ Multistate Benchmarks

<table>
<thead>
<tr>
<th>CompScope™</th>
<th>CompScope™ Medical</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Benefit amounts</td>
<td>• Medical costs</td>
</tr>
<tr>
<td>• Timeliness</td>
<td>• Medical prices</td>
</tr>
<tr>
<td>• Medical costs</td>
<td>• Utilization of services</td>
</tr>
<tr>
<td>• Disability duration</td>
<td>• By provider type</td>
</tr>
<tr>
<td>• Attorney involvement</td>
<td>• By service type</td>
</tr>
<tr>
<td>• Vocational rehabilitation use</td>
<td></td>
</tr>
<tr>
<td>• Benefit delivery expenses</td>
<td></td>
</tr>
</tbody>
</table>
Findings From Recent WCRI CompScope™ Reports For Pennsylvania

• Total costs per claim and key components higher in PA compared with other study states
  • Higher indemnity benefits per claim: Drivers were longer duration of temporary disability and larger settlements
  • Higher medical payments per claim: Higher utilization partially offset by lower-to-typical prices paid for medical services
  • Litigation expenses per claim were among the highest of study states, likely related to system features and processes

• Total costs per claim increased 2-3 percent per year since 2012; key components stable or grew moderately

Findings included in this presentation are based on claims with more than seven days of lost time
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PA Total Costs Per Claim With > 7 Days Lost Time Among Highest Of Study States

2015/2018 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix And Wages

Median State: $41,888

Average Total Cost Per Claim

- MI
- TN
- TX
- MA
- AR
- MN
- IN
- FL
- WI
- NJ
- CA
- GA
- IA
- IL
- NC
- VA
- PA
- LA

- $0
- $10,000
- $20,000
- $30,000
- $40,000
- $50,000
- $60,000
- $70,000

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Indemnity, Medical, & Expenses All Contributed To Higher Total Costs Per Claim In Pennsylvania

**Total Costs Per Claim:** 30% Higher Than Median Study State

- **Indemnity Benefits/Claim:** 52% Higher Than Median
- **Medical Payments/Claim:** 20% Higher Than Median
- **Benefit Delivery Expenses/Claim***: 25% Higher Than Median
  - **Medical Cost Containment Expenses Per Claim:** Typical
  - **Litigation Expenses/Claim:** Higher

* With Expenses
2015/2018 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix And Wages

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Indemnity Benefits Per Claim In Pennsylvania Among Highest Of Study States

2015/2018 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix And Wages
Indemnity benefits include settlements, which may include some amount for future medical payments.
Factors Contributing To Higher-Than-Typical Indemnity Benefits Per Claim In Pennsylvania

• Longer duration of temporary disability compared with other study states
• Higher average temporary total disability benefit rate
• Larger lump-sum settlements and a higher percentage of claims with lump sums compared with most other wage-loss states
General Classification Of Indemnity Benefit Systems: Wage-Loss Versus PPD States

Indemnity Benefit Systems

- Wage-Loss Benefit Systems
  - Attributes Of Both Wage-Loss And PPD
    - 5 Study States: LA, MA, MI, PA, VA
- PPD Benefit Systems
  - Attributes Of Both Wage-Loss And PPD
    - 2 Study States: GA, NC
  - 11 Study States: AR, CA, FL, IA, IL, IN, MN, NJ, TN, TX, WI
Longer Duration Of Temporary Disability Contributed To Higher Indemnity Benefits Per Claim In PA

2015/2018 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix And Wages
### PA Had Highest Weekly TTD Benefit Rate; Contributed To Higher Indemnity Benefits/Claim

<table>
<thead>
<tr>
<th>Measure (2017/18)</th>
<th>PA</th>
<th>Range Of Study States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average TTD Weekly Benefit Rate</td>
<td>$545</td>
<td>$444  $513  $545</td>
</tr>
<tr>
<td>Maximum TTD Benefit As % SAWW*</td>
<td>100%</td>
<td>75%  100%  200%</td>
</tr>
<tr>
<td>Maximum Statutory TTD Benefit**</td>
<td>$995</td>
<td>$575  $970  $1,720</td>
</tr>
<tr>
<td>AWW Of Injured Workers</td>
<td>$852</td>
<td>$716  $804  $914</td>
</tr>
<tr>
<td>Statutory TTD Benefit Rate as % Of AWW***</td>
<td>66(\frac{2}{3})%</td>
<td>60%  66(\frac{2}{3})%  70%</td>
</tr>
<tr>
<td>% Workers With Benefits Limited By Maximum</td>
<td>11%</td>
<td>0.1%  10%  30%</td>
</tr>
</tbody>
</table>

*Georgia and Indiana have no provisions; the maximum benefit as a percentage of the SAWW is calculated.

**Maximum Statutory Weekly Benefit As Of July 1, 2017

***Some states use 80% of spendable earnings.

Note: In Texas, the maximum weekly statutory TTD benefit is set at the state average wage, which is 88% of the average weekly wage in covered employment as computed by the Texas Workforce Commission.

2017/18 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix
The Study States

18% 2015/2018 Claims With Lump-Sum Payments As % Of Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix And Wages

+ No/Little Lump Sum Of Future Medical Payments

Average Lump-Sum Payment Per Claim With Lump Sum

$80,000

$60,000

$40,000

$20,000

$0

TX MN NJ IN TN FL WI CA IL AR MA VA PA LA

PPD Benefit System

Wage-Loss & PPD

Wage-Loss Benefit System

$57,781

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Findings From Recent WCRI CompScope™ Reports For Pennsylvania

• Total costs per claim and key components higher in PA compared with other study states
  • Higher indemnity benefits per claim: Drivers were longer duration of temporary disability and larger settlements
  ➢ Higher medical payments per claim: Higher utilization partially offset by lower-to-typical prices paid for medical services
  • Litigation expenses per claim were among the highest of study states, likely related to system features and processes
• Total costs per claim increased 2-3 percent per year since 2012; key components stable or grew moderately

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PA Medical Payments/Claim Were In Middle Group Of Study States For 12- & 36-Month Claims

Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix
## Offsetting Components Resulted In Typical Medical Payments Per Claim In PA (2017/2018 Claims)

<table>
<thead>
<tr>
<th>2017/2018 Claims</th>
<th>PA Relative To Other Study States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payments Per Claim</td>
</tr>
<tr>
<td>Hospital Outpatient</td>
<td>Higher</td>
</tr>
<tr>
<td>Hospital Inpatient*</td>
<td>Typical</td>
</tr>
<tr>
<td>Physician</td>
<td>Lower</td>
</tr>
<tr>
<td>Providers Of Physical Medicine*</td>
<td>Higher</td>
</tr>
</tbody>
</table>

* Hospital inpatient is based on 2016/2018 claims. Physical medicine: PT/OTs were the largest provider of these services in terms of payments and volume of provided services.
Findings From Recent WCRI CompScope™ Reports For Pennsylvania

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PA Had Highest Litigation Expenses Per Claim Of All Study States

Median State: $5,120

Litigation Expenses Include:
- Defense Attorney
- Medical-Legal
- Ancillary Legal

Note: Litigation expenses include payments that are allocated to individual claims.

2015/2018 Claims With > 7 Days Of Lost Time With Litigation Expenses, Adjusted For Injury/Industry Mix
# Many Components Of Litigation Expenses Were Higher Than Typical In Pennsylvania

<table>
<thead>
<tr>
<th>Measure</th>
<th>PA</th>
<th>Median State</th>
<th>% Or PPT Difference (relative to median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Of Claims With Defense Attorney (payments &gt; $500)</td>
<td>33.8%</td>
<td>32.5%</td>
<td>1.3 ppt (typical)</td>
</tr>
<tr>
<td>Defense Attorney Payments/Claim (payments &gt; $500)</td>
<td>$7,452</td>
<td>$5,721</td>
<td>30% (higher)</td>
</tr>
<tr>
<td>% Of Claims With Medical-Legal Expenses</td>
<td>31.7%</td>
<td>22.4%</td>
<td>9.2 ppt (higher)</td>
</tr>
<tr>
<td>Medical-Legal Expenses/Claim</td>
<td>$3,105</td>
<td>$2,035</td>
<td>53% (higher)</td>
</tr>
<tr>
<td>% Of Claims With Ancillary Legal Expenses</td>
<td>38.6%</td>
<td>43.0%</td>
<td>-4.4 ppt (lower)</td>
</tr>
<tr>
<td>Ancillary Legal Expenses/Claim</td>
<td>$2,294</td>
<td>$1,186</td>
<td>93% (among highest)</td>
</tr>
</tbody>
</table>

Note that the values shown for Pennsylvania and the median state reflect rounding; differences were calculated based on unrounded numbers.

2015/2018 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

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Possible Reasons For Higher-Than-Typical Litigation Expenses Per Claim In Pennsylvania

- Defense attorney representation required at formal hearing
- Litigation and discovery—often involves multiple hearings to collect all of the evidence
- Medical evidence often provided through depositions rather than medical reports
Findings From Recent WCRI CompScope™ Reports For Pennsylvania

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Total Costs Per Claim In PA Increased 3%/Year At Most Maturities Since 2012

Claims With > 7 Days Of Lost Time, Not Adjusted For Injury/Industry Mix

Average Total Cost Per Claim

<table>
<thead>
<tr>
<th>AAPC</th>
<th>2000–2012</th>
<th>Since 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Mos.</td>
<td>6.9%</td>
<td>3.1%</td>
</tr>
<tr>
<td>24 Mos.</td>
<td>6.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td>36 Mos.</td>
<td>6.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>48 Mos.</td>
<td>6.1%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
PA Total Costs/Claim & Key Components Grew 3-4% Year Since 2012 (36 Mos.); Mostly Similar To Other States

Claims With > 7 Days Of Lost Time At 36 Months Of Experience, Not Adjusted For Injury/Industry Mix And Wages
### Increases In Wages & % Of Lump Sums Contributed To Growth In Indemnity Benefits/Claim Since 2012

<table>
<thead>
<tr>
<th>Key Indemnity Metrics In PA</th>
<th>2012/2015</th>
<th>2015/2018</th>
<th>Annual Avg. % or PPT Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity Benefits Per Claim</td>
<td>$25,837</td>
<td>$28,261</td>
<td>3.0%</td>
</tr>
<tr>
<td>AWW Of Injured Workers</td>
<td>$768</td>
<td>$807</td>
<td>1.7%</td>
</tr>
<tr>
<td>Duration Of Temporary Disability</td>
<td>22.8 weeks</td>
<td>21.8 weeks</td>
<td>-1.5%</td>
</tr>
<tr>
<td>% Of Lump-Sum Claims</td>
<td>22.6%</td>
<td>25.4%</td>
<td>0.9 ppt</td>
</tr>
<tr>
<td>Average Lump-Sum Settlement Per Claim</td>
<td>$59,915</td>
<td>$60,253</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Claims With > 7 Days Of Lost Time, Not Adjusted For Injury/Industry Mix And Wages
Payments/Claim To Hospital Outpatient Providers Grew More In PA Than In Other Study States

Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix
Conclusion: Findings From Recent WCRI CompScope™ Reports For Pennsylvania

- Total costs per claim and key components higher in PA compared with other study states
  - Higher indemnity benefits per claim: Drivers were longer duration of temporary disability and larger settlements
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