

**California Orthopedic Association**

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**Current Issues in the  
California Workers' Compensation System**

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California Workers' Compensation Institute  
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Exhibit 2

**CWCI: Background**

- Established in 1964;
- Private, nonprofit organization of self-insured employers and insurers representing over 90% of premium dollars;
- Dedicated to improving the California workers' compensation system through four primary functions:
  - ✓ Education
  - ✓ Information
  - ✓ Representation
  - ✓ Research

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Exhibit 3

**Agenda**

- CWCI Research Primer
- Data, Benchmarks and Scorecards
- Current Industry Trends
- Examples of System Cost Drivers
  - Back Injuries, Surgery and Surgical Hardware
  - Schedule II Opioids

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## Agenda

### Industry Claim Information System (ICIS)



- Voluntary Data Submissions
- Collaborative Research Model
- Industry Trends and Benchmarks

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## Industry Claim Information System (ICIS)



### ICIS Database Segments

#### A. Segment: Policy

- Employer Characteristics

#### B. Segment: Claim

- Employee Characteristics
- Injury Characteristics

#### C. Payment Transactions

- Temp Disability
- Perm Disability
- Voc Rehab
- Litigation

#### D. Segment: Medical Services

- Outpatient
- Inpatient

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## Measuring Trends and Benchmarks

### •Scorecard Series

- Injury and Industry Outcomes

### •Cost Drivers

- Injury Rates and Descriptors
- Litigation
- Return-to-Work
- Regional Differences
- Medical Utilization and Cost
- Pharmacy




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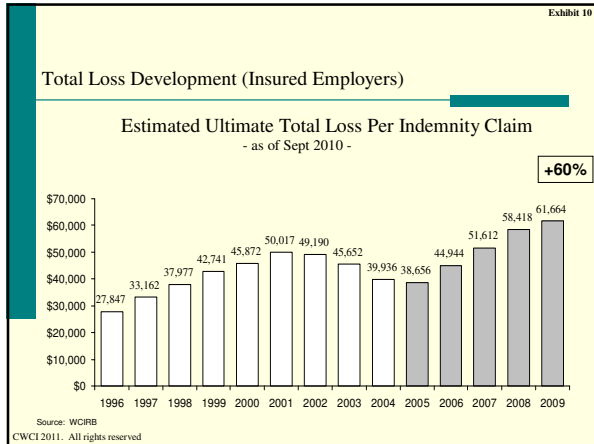
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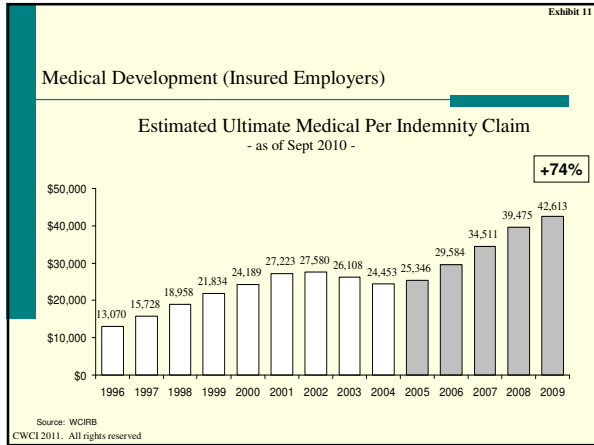
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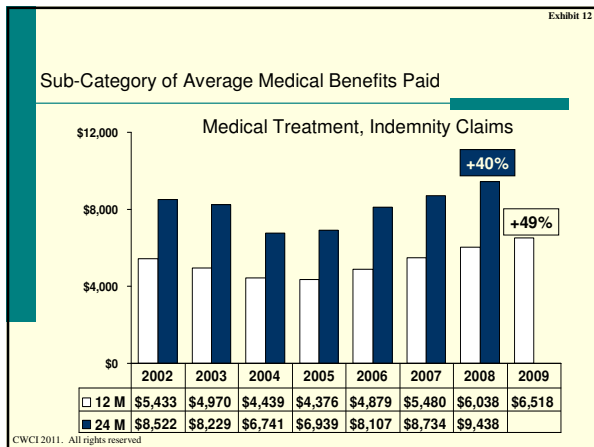
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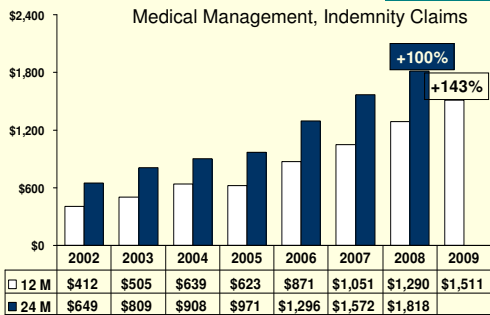
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### Sub-Category of Average Medical Benefits Paid




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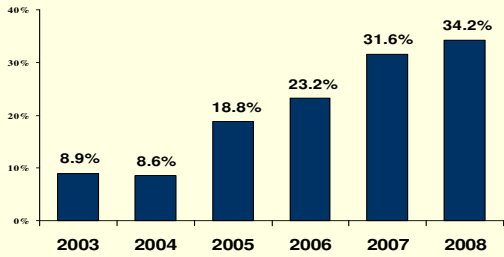
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### Medical Management

Utilization Review as a Percent of MCC @ 24M




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### Managing Medical Management

Why is workers compensation medical so much harder to manage?

1. Rules, regs and institutional memory
2. Benefit variation
3. Lack of supply and demand side controls:
  - Co-payments & deductibles
  - Contractual language
  - Dispute resolution
4. Liens

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### Changes in Inpatient Utilization

- Follow-up to 2001 study
- Utilization of Inpatient Services
- Analysis of Back Surgery
- Comparison to other health systems
  - Group Health
  - MediCare
  - Medi-Cal

→ Surgical Implants



Source: CWCI 2008  
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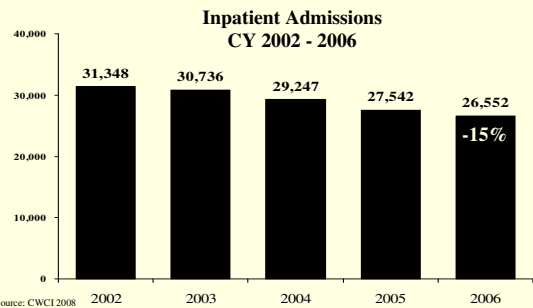
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### Changes in Inpatient Utilization



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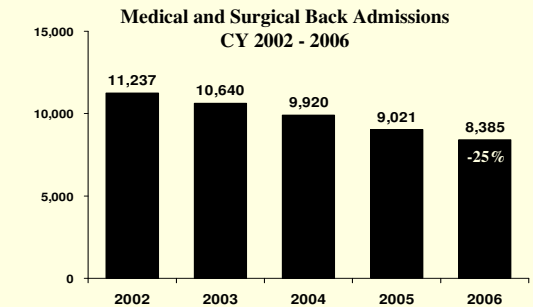
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### Changes in Inpatient Utilization



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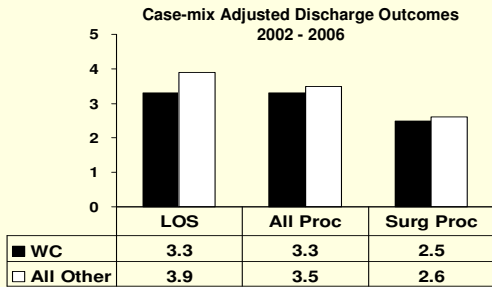
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### WC vs. Non-WC Inpatient Surgical Back Profile



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### Double Payment for Surgical Implants

Inpatient Hospital Fee Schedule pays 120% Medicare's global FS (includes surgical implants)

Plus

Pass-through payment for surgical implants  
Documented paid cost plus 10%

- Studies suggests pass-through diminishes incentives to manage selection or cost of implants
- Formula under review for revision

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### Cost Analysis of Surgical Implants: Preliminary Results

- Special database with implants (2005-2007)
- Compare implant costs against 2001 Study<sup>1</sup>
- OSHPD discharge database

Back DRGs Eligible for Pass-through	2006 Cases
496 - Combined Anterior/Posterior Fusion	731
497 - Spinal Fusion Except Cervical w cc	967
498 - Spinal Fusion Except Cervical w/o cc	1378
519 - Cervical Spinal Fusion w cc	359
520 - Cervical Spinal Fusion w/o cc	1341
	4,776

<sup>1</sup> Kominsky & Gardner, CHSWC, 2001  
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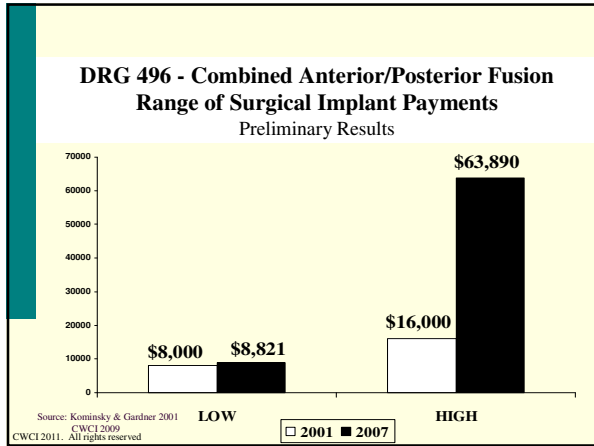
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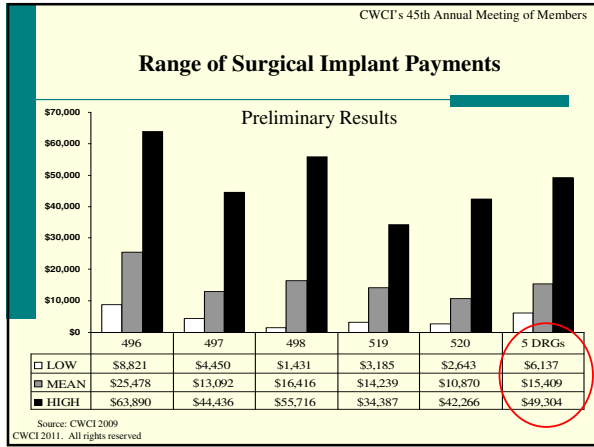
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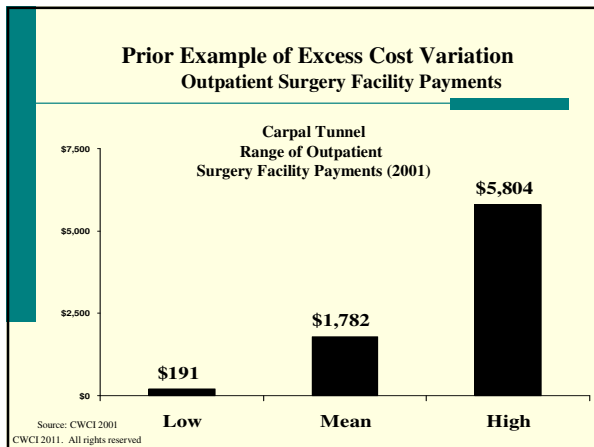
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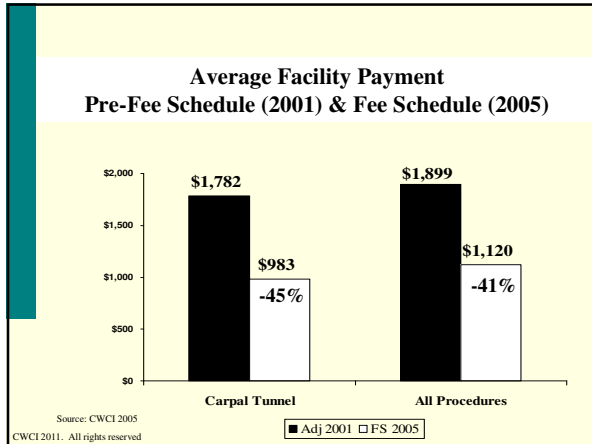
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Exhibit 26

### Areas of CWCI Rx Research

#### Changing Role of Rx in Workers' Compensation

1. Growing use of pharmaceuticals  
2002: 5% of medical benefits  
2010: 13% of medical benefits (NCCI estimate)
2. Reforms in pricing and fee schedules
3. Growing influence of pain management practices
4. Legislative, administrative and payor responses

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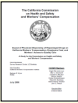

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Exhibit 27

### Areas of CWCI Rx Research

1. Repackaged Drugs
2. Opioids & Schedule-II Rx

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### Repackaged Drugs (pre-reform)

- Exempt from MediCal fee schedule
- Reimbursement level reverts to prior FS
  - 110% of AWP for brand
  - 140% of AWP for generics
- Repackagers set AWP

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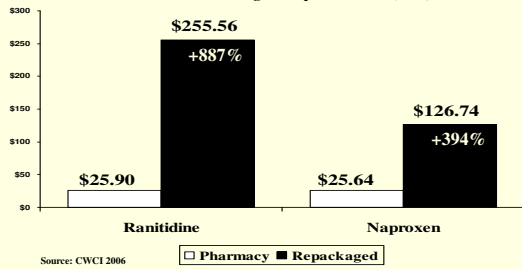
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### Before...

#### Pharmacy vs. Repackaged Drugs

Average Paid per 100 Units (2006)



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### Repackaged Drugs Update

- DWC regulation implemented March 2007
- Eliminates the repackage “loop-hole”
- Sets price at pharmacy fee schedule

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## Top Schedule-II Drugs by Active Ingredient

CWCI Research Spotlight Report (Sept 2009)  
Schedule II Prescription & Payments in CA Workers' Comp

CWCI Research Spotlight Report (Sept 2009)  
Schedule II Prescription & Payments in CA Workers' Comp  
This report is based on data from the California Workers' Compensation Claims Database (CWCCD) for the period of January 1, 2008 to December 31, 2008. The data was analyzed using the following methodology:  
1. All Schedule II drugs were identified from the CWCCD database.  
2. The total number of prescriptions and total prescription dollars for each drug were calculated.  
3. The percentage of total Schedule II prescriptions and total prescription dollars for each drug was calculated.  
4. The top 10 drugs by percentage of total Schedule II prescriptions and total prescription dollars were identified.  
5. The data was sorted by percentage of total Schedule II prescriptions and total prescription dollars in descending order.  
6. The top 10 drugs were identified and listed in the following table.  
7. The data was verified for accuracy and completeness.  
8. The report was prepared and reviewed for accuracy and completeness.  
9. The report was approved for publication.  
10. The report was published.

Schedule II Drug Category	% Schedule-II Prescriptions	% Schedule-II Prescription \$
Oxycodone	53.1%	45.4%
Morphine	18.6%	16.9%
Fentanyl	14.6%	32.2%
Methadone	6.3%	0.6%
Hydromorphone	3.7%	1.3%
Oxymorphone	1.7%	2.8%
Other Schedule II	1.6%	0.8%

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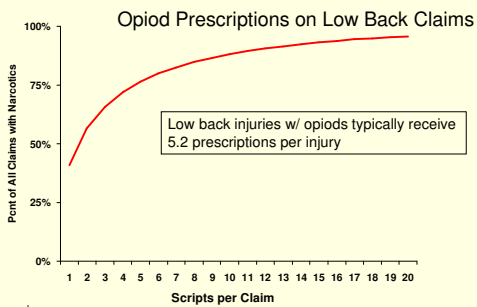
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## Background on Pain Management



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## ACOEM Insights on Opioids

- Opioids in the management of chronic pain do not consistently and reliably relieve pain.
- It also overall demonstrates a decrease in quality of life and functional status
- The use of opioids during the sub-acute and chronic phases of an injury, especially in the absence of an objectively identifiable pain generator, cannot be recommended.

Genovese, Harris, Korevaar 2007

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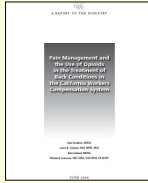
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## Rx & Pain Management

### Report to the Industry

What is the association between the use of opioids on low back pain on:

- Average Benefit Costs
  - Medical
  - Indemnity
- Return To Work




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## Pain Mgt and the Use of Opioids

### Study Population

- 166,336 California injured workers
- Medical back conditions without spinal cord involvement
- Dates of Injury: 2002 through 2005
- A total of 854,244 opioid prescriptions were dispensed
- Controls (morphine equivalents) for different types of opioids
- Case-mix adjusted outcomes

Source: CWCI 2008

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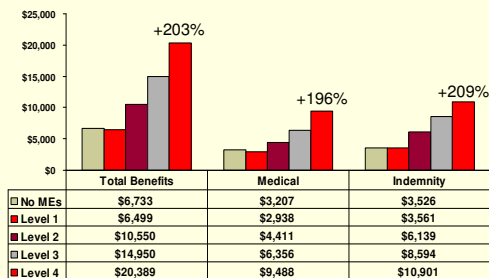
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## Pain Mgt and the Use of Opioids

### Average Benefit Cost Outcomes



Source: CWCI 2008

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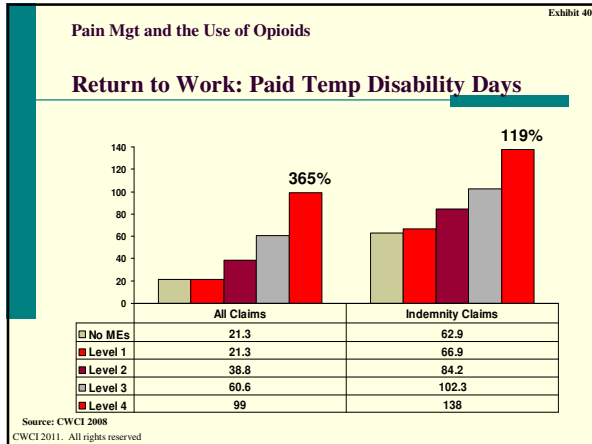
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Exhibit 41

### Pain Mgt and the Use of Opioids

#### Summary of Results

- Opioid use back injury frequently exceeded recommended guidelines
- High levels of opioids were associated with detrimental effects on injured workers with medical back conditions.
- The preponderance of evidence suggests that prolonged administration of opioids impedes, rather than facilitates, injured workers' recovery from disabling back conditions.

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Exhibit 42

### Pain Mgt and the Use of Opioids

#### Analysis of Prescribing Patterns Schedule II Opioids

RESEARCH UPDATE

Prescribing Patterns of Schedule II Opioids in California Workers' Compensation

CWCI March 2011

Analysis of:

1. Injury Characteristics
2. Physician Prescribing Patterns
3. Injured Worker Characteristics

PBM and ICIS Data:

- 16,890 Claims
- 9,174 Prescribing physician DEA code
- 233,276 Prescriptions
- Script, dosage and days
- Pharmaceutical characteristics
- DOS, billed and paid amount
- ER and EE characteristics

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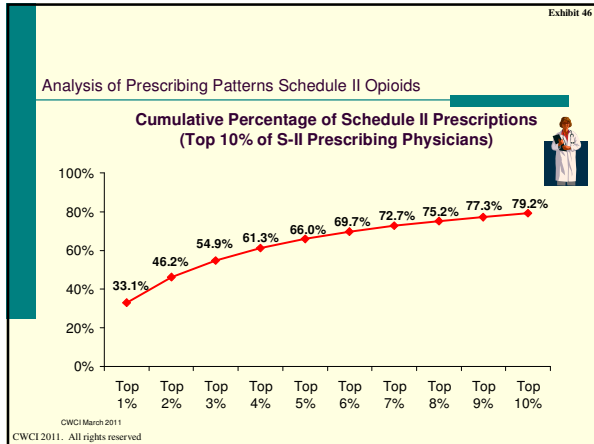
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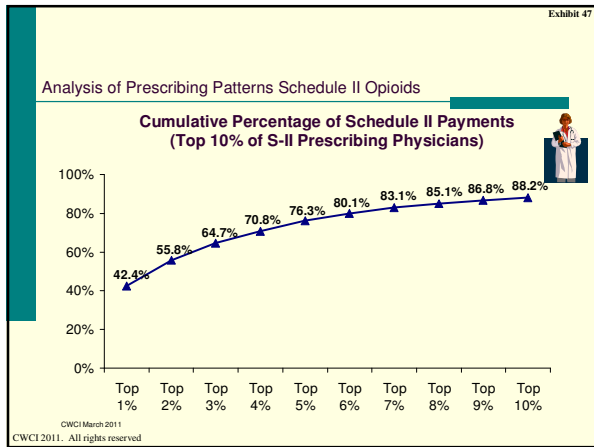
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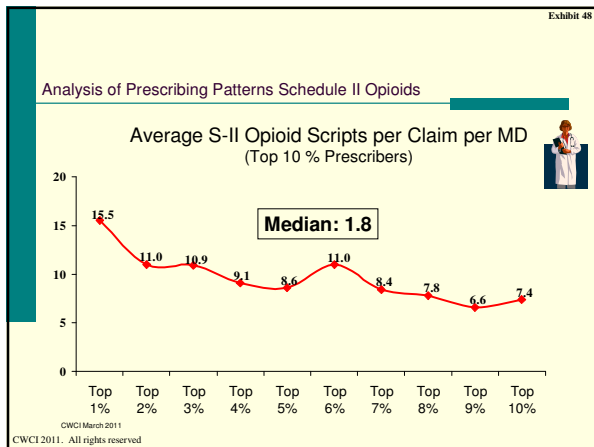
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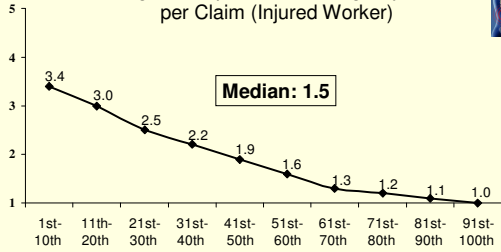
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Analysis of Prescribing Patterns Schedule II Opioids

Average S-II Opioid Prescribing Physicians per Claim (Injured Worker)



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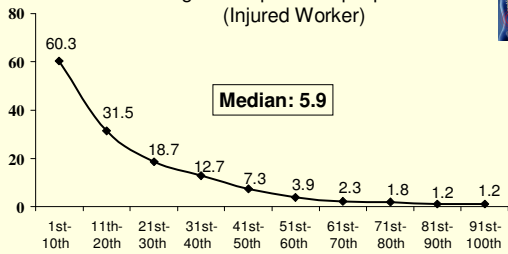
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Analysis of Prescribing Patterns Schedule II Opioids

Average S-II Opioid Scripts per Claim (Injured Worker)



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Analysis of Prescribing Patterns Schedule II Opioids

Summary

- Rapid growth in S-II opioids use ;
- The top 3 percent S-II prescribing MDs account for:
  - More than half the S-II prescriptions,
  - 2 out of 3 morphine equivalents and payments;
- Top 10 percent of injured workers obtain scripts from 3.4 different physicians.
- Over half of S-II prescriptions are for minor back injuries that ACOEM describes as "typically not useful in the sub-acute and chronic phases."
- Growing interest in state-wide and federal intervention.

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