



# The State of the Alaska Workers' Compensation Division Overview

January 27, 2016

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# Workers' Compensation Division Mission

- o Ensure the quick, efficient, fair and predictable delivery of indemnity, medical and vocational rehabilitation benefits to injured workers at a reasonable cost to employers.
- o AS 23.30.001.

# What do we do?

The Division of Workers' Compensation (Division) operates 13 programs statewide, with offices located in Fairbanks, Anchorage, and Juneau.

# Challenges

- o One of the primary challenges in the State of Alaska is premium costs.
- o Alaska continues to have one of the highest workers' compensation premium rates in the country. Continued statutory reform will be necessary to lower benefit cost drivers.

# How do Alaska's Premium Rates Compare?

2014 Ranking	2012 Ranking	State	Index Rate	Percent of study median
1	3	California	3.48	188%
2	2	Connecticut	2.87	155%
3	7	New Jersey	2.82	152%
4	5	New York	2.75	148%
5	1	Alaska	2.68	145%
6	6	Oklahoma	2.55	137%
7	4	Illinois	2.35	127%
8	14	Vermont	2.33	125%
9	30	Delaware	2.31	125%
10	15	Louisiana	2.23	120%

Source: 2014 Premium Rate Ranking, State of Oregon, Department of Consumer and Business Services,

o Calendar Year 2014 – 5<sup>th</sup> in the nation...

o Calendar Year 2012 – 1<sup>st</sup> in the nation...

o Calendar Year 2010 – 2<sup>nd</sup> in the nation...

o Calendar Year 2008 – 1<sup>st</sup> in the nation...

o Calendar Year 2006 – 1<sup>st</sup> in the nation...

o Calendar Year 2004 – 2<sup>nd</sup> in the nation...

o Calendar Year 2002 – 15<sup>th</sup> in the nation...

o Calendar Year 2000 – 28<sup>th</sup> in the nation...



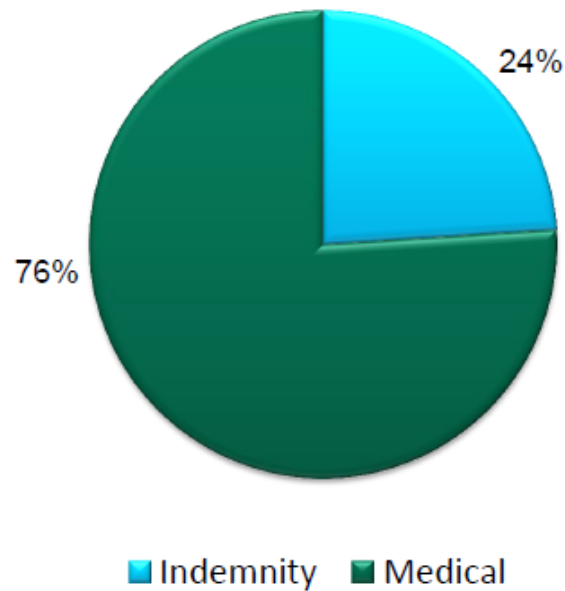
Alaska's workers' compensation premiums are ranked 5<sup>th</sup> highest in the nation, 145% higher than the median average of all other states.

## What's Driving Premium Costs?

- o Medical Costs
- o Indemnity Costs
- o Legal Costs
- o Reemployment Costs



## Medical Benefits Constitute the Majority of Total Benefit Costs in Alaska



Source: NCCI 2015 State Advisory Forum



# MSRC

As part of the legislative reforms in 2005, the legislature established the Medical Services Review Committee (MSRC): to assist and advise the department and the board in matters involving the appropriateness, necessity, and cost of medical and related services provided under the Alaska Workers' Compensation Act.

## MSRC

### AS 23.30.095(j)

- o one member who is a member of the Alaska State Medical Association;
- o one member who is a member of the Alaska Chiropractic Society;
- o one member who is a member of the Alaska State Hospital and Nursing Home Association;
- o one member who is a health care provider, as defined in AS 09.55.560;
- o four public members who are not within the definition of "health care provider" in AS 09.55.560 ; and
- o one member who is the designee of the commissioner and who shall serve as chair.

## New Fee Schedule and MSRC

- o In 2014, the legislature:
  - Prescribed the development of new fee schedules based on resource based relative value scale (RBRVS) produced by the Centers for Medicare and Medicaid Services (CMS)
  - Tasked the MSRC with developing and recommending proposed conversion factors to the Commissioner of Labor and Workforce Development and the Alaska Workers' Compensation Board for regulatory adoption.
  - Provided for an annual review.

# MSRC Actions

- o Collected data.
- o Selected a third party vendor to assist the Division and the MSRC in developing fee schedules.
- o Analyzed data and established conversion factors, transitioning maximum allowable reimbursement (MAR) rates from the 2010 usual, customary and reasonable (UCR) workers' compensation fee schedule to MAR rates based on the CMS resource based relative value system (RBRVS).
- o Obtained feedback on the proposed conversion factors from the MSRC member constituency groups
- o Submitted conversion factors to the Commissioner for review, and referral to the Workers' Compensation Board for adoption in regulation.

## Recommendations into Regulations

1. MSRC finalized its proposed recommendations at an April 20, 2015 meeting.
2. A final report was produced and sent to the Commissioner of Labor and Workforce Development.
3. Commissioner reviewed and took public comment.
4. MSRC met on September 3, 2015 to make changes based on public comment.
5. Recommendations forwarded to the Commissioner and the Alaska Workers' Compensation Board for adoption by regulation. The regulatory process included additional opportunities for public comment.
6. Regulations were drafted and have been submitted to the Commissioner, Department of Law and the Lt. Governor for final adoption.
7. Legislation provides for annual review.

# Impact of New Fee Schedule Regulations

National Council on Compensation Insurance (NCCI) estimates that the proposed changes to the Alaska Medical Fee Schedule will result in an estimated overall impact on Alaska workers compensation system costs of -3.8% or a savings of approximately \$11,000,000.



# Summary of Estimated Impacts

The estimated impacts on Alaska's workers compensation system costs due to the proposed changes are summarized in the table below:

	(A) Estimated Impact on Type of Service	(B) Medical Cost Distribution	(C) Estimated Impact On Medical Costs  (A) x (B)	(D) Estimated Impact on Overall Costs  (C) x (2)
Physician	-2.3%	50.0%	-1.2%	
Hospital Inpatient	-2.3%	12.7%	-0.3%	
Hospital Outpatient	-12.8%	12.8%	-1.6%	
ASC	-7.3%	10.4%	-0.8%	
Drugs	-14.5%	5.5%	-0.8%	
Air Ambulance	-16.5%	2.0%	-0.3%	
DME	-4.3%	1.0%	negligible	
(1) Total Estimated Impact on <b>Alaska</b> Medical Costs			<b>-5.0%</b>	
(2) Medical Costs as a Percentage of Overall Workers Compensation Benefit Costs in <b>Alaska</b>				76.9%
(3) Total Estimated Impact on Overall Workers Compensation System Costs in Alaska = (1) x (2)				<b>-3.8%</b>



# Questions?

