The State of the Alaska Workers’ Compensation System

October 15, 2013
Mike Monagle, Director
Division of Workers’ Compensation

Prepared by the Alaska Department of Labor and Workforce Development
The Good News....

Prepared by the Alaska Department of Labor and Workforce Development
The Bad News....

Prepared by the Alaska Department of Labor and Workforce Development
How do Alaska’s Premium Rates Compare?

<table>
<thead>
<tr>
<th>2012 Ranking</th>
<th>2010 Ranking</th>
<th>State</th>
<th>Index Rate</th>
<th>Percent of study median</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>Alaska</td>
<td>3.01</td>
<td>160%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>Connecticut</td>
<td>2.99</td>
<td>159%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>California</td>
<td>2.92</td>
<td>155%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>Illinois</td>
<td>2.83</td>
<td>151%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>5</td>
<td>13</td>
<td>New York</td>
<td>2.82</td>
<td>150%</td>
<td>October 1, 2011</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>Oklahoma</td>
<td>2.77</td>
<td>147%</td>
<td>11/1/11 State Fund, 1/1/12 Private</td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td>New Jersey</td>
<td>2.74</td>
<td>146%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
<td>Montana</td>
<td>2.50</td>
<td>133%</td>
<td>July 1, 2011</td>
</tr>
<tr>
<td>9</td>
<td>10</td>
<td>New Hampshire</td>
<td>2.40</td>
<td>128%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>10</td>
<td>8</td>
<td>Maine</td>
<td>2.24</td>
<td>119%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>12</td>
<td>14</td>
<td>Pennsylvania</td>
<td>2.15</td>
<td>114%</td>
<td>April 1, 2011</td>
</tr>
<tr>
<td>12</td>
<td>19</td>
<td>Wisconsin</td>
<td>2.15</td>
<td>114%</td>
<td>October 1, 2011</td>
</tr>
<tr>
<td>13</td>
<td>26</td>
<td>Washington</td>
<td>2.11</td>
<td>112%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>14</td>
<td>18</td>
<td>Vermont</td>
<td>2.07</td>
<td>110%</td>
<td>April 1, 2011</td>
</tr>
<tr>
<td>15</td>
<td>25</td>
<td>Louisiana</td>
<td>2.06</td>
<td>110%</td>
<td>October 1, 2011</td>
</tr>
</tbody>
</table>

Source: 2012 Oregon Workers’ Compensation Premium Ranking Survey
State of Oregon, Department of Consumer and Business Services

Prepared by the Alaska Department of Labor and Workforce Development
Prepared by the Alaska Department of Labor and Workforce Development
Calendar Year 2000 – 28th in the nation...
Calendar Year 2002 – 15th in the nation...
Calendar Year 2004 – 2nd in the nation...
Calendar Year 2006 – 1st in the nation...
Calendar Year 2008 – 1st in the nation...
Calendar Year 2010 – 2nd in the nation...
Calendar Year 2012 – 1st in the nation...

What’s Driving Premium Costs?

Prepared by the Alaska Department of Labor and Workforce Development
Cost Drivers

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

Prepared by the Alaska Department of Labor and Workforce Development
Medical Costs

- Fees for Services
- Over Utilization
- Prescription Drug Use
  - Use of opioid narcotics
  - Physician Dispensing

Prepared by the Alaska Department of Labor and Workforce Development
Medical Benefits Constitute the Majority of Total Benefit Costs in Alaska

- Region: 35% Indemnity, 65% Medical
- Alaska: 24% Indemnity, 76% Medical
- Countrywide: 41% Indemnity, 59% Medical

2012 NCCI State Advisory Forum
Prepared by the Alaska Department of Labor and Workforce Development
Alaska vs. Countrywide Average Medical Claim Severity

2012 NCCI State Advisory Forum

Prepared by the Alaska Department of Labor and Workforce Development
<table>
<thead>
<tr>
<th>Rank</th>
<th>Procedure Code</th>
<th>Description</th>
<th>AK WC Fee Schedule</th>
<th>Medicare Fee</th>
<th>Washington WC Fee</th>
<th>AK Average Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29881</td>
<td>Arthroscopy Knee w/ Meniscus Repair</td>
<td>$5,158.02</td>
<td>$673.11</td>
<td>$912.56</td>
<td>$2,531.85</td>
</tr>
<tr>
<td>2</td>
<td>23412</td>
<td>Repair of Rotator Cuff</td>
<td>$7,725.78</td>
<td>$1,063.39</td>
<td>$1,421.68</td>
<td>$3,980.57</td>
</tr>
<tr>
<td>3</td>
<td>29826</td>
<td>Arthroscopy shoulder surgical w/decompres</td>
<td>$5,436.83</td>
<td>$224.46</td>
<td>$288.87</td>
<td>$853.41</td>
</tr>
<tr>
<td>4</td>
<td>63030</td>
<td>Laminotomy w/ decompression</td>
<td>$10,391.15</td>
<td>$1,186.95</td>
<td>$1,605.97</td>
<td>$4,450.70</td>
</tr>
<tr>
<td>5</td>
<td>29807</td>
<td>Arthroscopy shoulder surgical; labral tear</td>
<td>$6,621.79</td>
<td>$1,292.78</td>
<td>$1,724.95</td>
<td>$4,833.41</td>
</tr>
<tr>
<td>6</td>
<td>29888</td>
<td>Arthroscopic ligament repair</td>
<td>$8,782.58</td>
<td>$1,239.28</td>
<td>$1,648.03</td>
<td>$4,637.14</td>
</tr>
<tr>
<td>7</td>
<td>64483</td>
<td>Injection anesthetic agent/steroid epidural</td>
<td>$2,364.74</td>
<td>$274.82</td>
<td>$392.91</td>
<td>$1,070.73</td>
</tr>
<tr>
<td>8</td>
<td>29880</td>
<td>Arthroscopy knee surgical; with meniscetor</td>
<td>$5,576.24</td>
<td>$700.17</td>
<td>$947.42</td>
<td>$2,642.16</td>
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<tr>
<td>9</td>
<td>22551</td>
<td>Arthrodesis anterior interbody; cervical</td>
<td>$13,973.36</td>
<td>$2,113.35</td>
<td>$2,827.87</td>
<td>$7,981.69</td>
</tr>
<tr>
<td>10</td>
<td>23430</td>
<td>Tenodesis of tendon</td>
<td>$5,837.26</td>
<td>$931.43</td>
<td>$1,252.34</td>
<td>$3,463.72</td>
</tr>
<tr>
<td>11</td>
<td>62311</td>
<td>Injection of diagnostic/therapeutic substance</td>
<td>$1,295.28</td>
<td>$248.65</td>
<td>$371.33</td>
<td>$920.00</td>
</tr>
<tr>
<td>12</td>
<td>23120</td>
<td>Claviculectomy; partial</td>
<td>$2,704.02</td>
<td>$722.91</td>
<td>$983.95</td>
<td>$2,679.98</td>
</tr>
<tr>
<td>13</td>
<td>22612</td>
<td>Arthrodesis posterior; lumbar</td>
<td>$12,952.83</td>
<td>$1,979.87</td>
<td>$2,635.84</td>
<td>$7,437.21</td>
</tr>
<tr>
<td>14</td>
<td>29827</td>
<td>Arthroscopy shoulder surgical w/cuff repair</td>
<td>$7,318.82</td>
<td>$1,346.27</td>
<td>$1,789.14</td>
<td>$5,050.22</td>
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<tr>
<td>15</td>
<td>29877</td>
<td>Arthroscopy w/debridement</td>
<td>$4,879.21</td>
<td>$774.76</td>
<td>$1,045.37</td>
<td>$2,881.03</td>
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<tr>
<td>16</td>
<td>29806</td>
<td>Arthroscopy shoulder surgical; capsulorrhaph</td>
<td>$6,970.30</td>
<td>$1,326.86</td>
<td>$1,768.67</td>
<td>$4,964.70</td>
</tr>
<tr>
<td>17</td>
<td>49505</td>
<td>Repair initial inguinal hernia</td>
<td>$3,460.61</td>
<td>$655.21</td>
<td>$863.30</td>
<td>$2,430.13</td>
</tr>
<tr>
<td>18</td>
<td>64415</td>
<td>Injection anesthetic agent; brachial plexus</td>
<td>$1,182.37</td>
<td>$149.52</td>
<td>$202.54</td>
<td>$576.26</td>
</tr>
<tr>
<td>19</td>
<td>64721</td>
<td>Neuroplasty and/or transposition</td>
<td>$5,187.82</td>
<td>$525.08</td>
<td>$724.40</td>
<td>$1,946.17</td>
</tr>
<tr>
<td>20</td>
<td>29822</td>
<td>Arthroscopy shoulder surgical; debridement</td>
<td>$4,739.80</td>
<td>$714.19</td>
<td>$965.13</td>
<td>$2,660.81</td>
</tr>
<tr>
<td>21</td>
<td>20610</td>
<td>Arthrocentesis aspiration and/or injection</td>
<td>$382.66</td>
<td>$74.60</td>
<td>$100.72</td>
<td>$318.33</td>
</tr>
<tr>
<td>22</td>
<td>23420</td>
<td>Reconstruction of complete shoulder</td>
<td>$9,871.83</td>
<td>$1,208.38</td>
<td>$1,616.48</td>
<td>$4,516.47</td>
</tr>
<tr>
<td>23</td>
<td>63650</td>
<td>Percutaneous implantation of neurostimulator</td>
<td>$6,791.60</td>
<td>$564.80</td>
<td>n/a</td>
<td>$2,082.27</td>
</tr>
<tr>
<td>24</td>
<td>12001</td>
<td>Simple repair of superficial wounds</td>
<td>$489.30</td>
<td>$109.18</td>
<td>$154.95</td>
<td>$415.91</td>
</tr>
<tr>
<td>25</td>
<td>63042</td>
<td>Laminotomy with decompression</td>
<td>$11,681.55</td>
<td>$1,609.81</td>
<td>$2,154.94</td>
<td>$6,040.11</td>
</tr>
</tbody>
</table>
Motor vehicle traffic, poisoning, and drug overdose death rates, US, 1980-2010

Opioids: The Problem and the Urgency
Dr. Karin Mack, Centers for Disease Control
February 2013

Prepared by the Alaska Department of Labor and Workforce Development
Drug overdose deaths by selected drug type
US, 1999-2010

Opioids: The Problem and the Urgency
Dr. Karin Mack, Centers for Disease Control
February 2013

Prepared by the Alaska Department of Labor and Workforce Development
Unintentional Overdose Deaths Involving Opioid Analgesics Parallel Opioid Sales United States, 1997–2007

- Distribution by drug companies
  - 96 mg/person in 1997
  - 698 mg/person in 2007
    - Enough for every American to take 5 mg Vicodin every 4 hrs for 3 weeks

- Overdose deaths
  - 2,901 in 1999
  - 11,499 in 2007

NCCI Report on Opioid Use
November 2011

Prepared by the Alaska Department of Labor and Workforce Development
Many States Have Substantial Physician Dispensing

Physician-Dispensed Rx Dollar Share of All Rx
Service Year 2009

Workers’ Compensation Prescription Drug Study
National Council on Compensation Insurance – August 2011

Prepared by the Alaska Department of Labor and Workforce Development
Indemnity Costs

- Indemnity Distribution

- Indemnity Frequency

- Indemnity Costs

Prepared by the Alaska Department of Labor and Workforce Development
Indemnity Payments

Alaska Workers’ Compensation Division 2012 Annual Report

Prepared by the Alaska Department of Labor and Workforce Development
Alaska’s Indemnity Loss Distribution by Injury Type

Region
- Temporary Total: 68.1%
- Permanent Partial: 20.7%
- Permanent Total/Fatal: 11.2%

Alaska
- Temporary Total: 25.8%
- Permanent Partial: 8.4%
- Permanent Total/Fatal: 65.8%

Countrywide
- Temporary Total: 65.4%
- Permanent Partial: 8.4%
- Permanent Total/Fatal: 26.2%

2012 NCCI State Advisory Forum

Prepared by the Alaska Department of Labor and Workforce Development
Alaska vs. Countrywide
Average Indemnity Claim Severity

National Council on Compensation Insurance
State Advisory Forum - October 2012

Prepared by the Alaska Department of Labor and Workforce Development
Legal Costs

- Legal Costs
- Dispute Litigation
- Formal Proceedings

Prepared by the Alaska Department of Labor and Workforce Development
Legal Payments

Alaska Workers’ Compensation Division 2012 Annual Report

Prepared by the Alaska Department of Labor and Workforce Development
Reemployment Costs

- Reemployment Costs
- Plan Completion

Prepared by the Alaska Department of Labor and Workforce Development
Take Away...

- Alaska’s workers’ compensation premium rates are among the highest in the nation.
- Alaska’s declining claim frequency rate has kept loss costs down, but the rate of decline has slowed.
- Medical costs are the largest workers’ compensation cost driver in Alaska and continue to rise.
- Despite the declining number of disputes, legal costs continue to rise.
- Very few injured workers complete a reemployment benefits retraining plan.

Prepared by the Alaska Department of Labor and Workforce Development
Questions?

A copy of this presentation is available online at
http://www.labor.state.ak.us/wc/