

The State of the Alaska Workers' Compensation System

October 15, 2013

Mike Monagle, Director

Division of Workers' Compensation

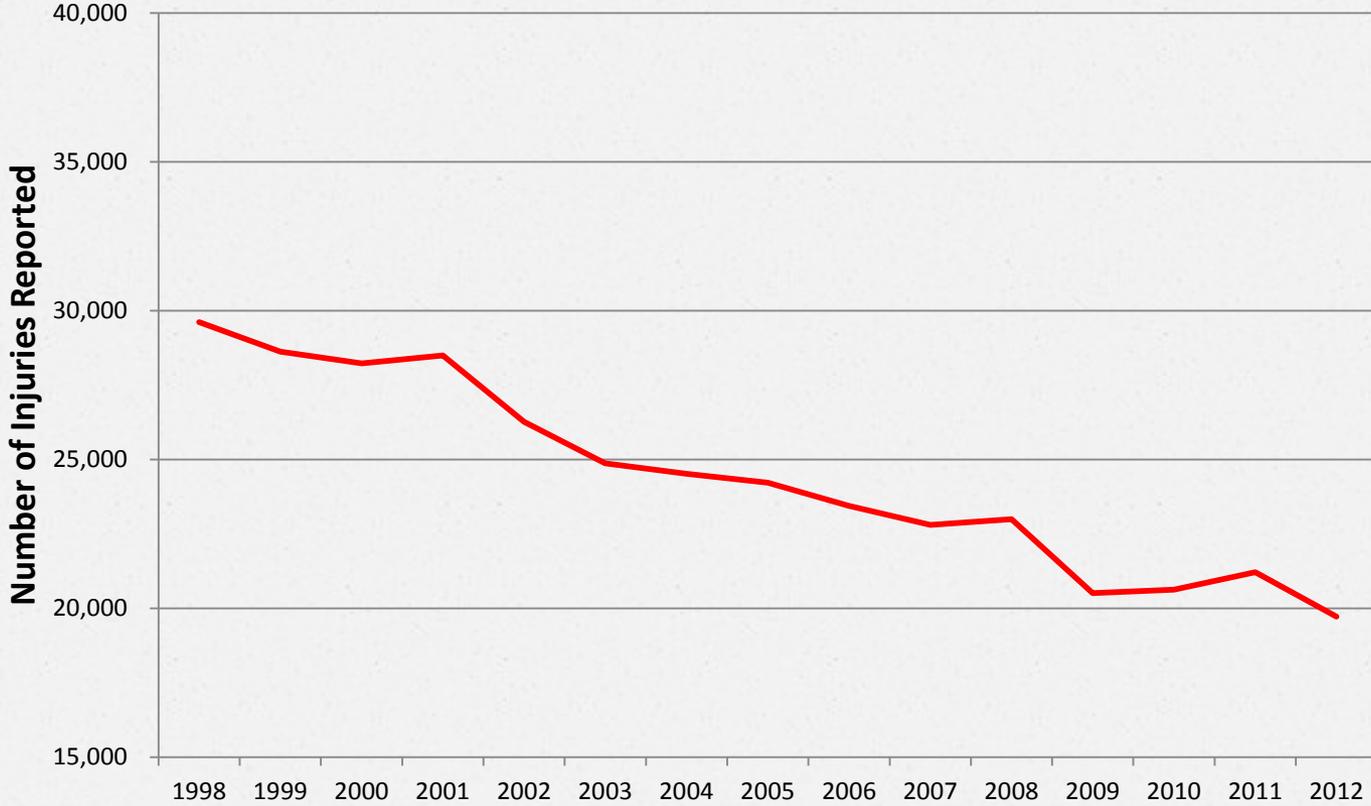
Prepared by the Alaska Department of Labor and Workforce Development



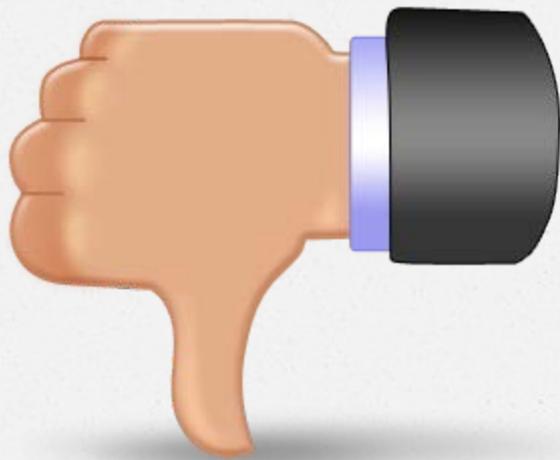
The Good News....

Prepared by the Alaska Department of Labor and Workforce Development

Alaska Injury Frequency



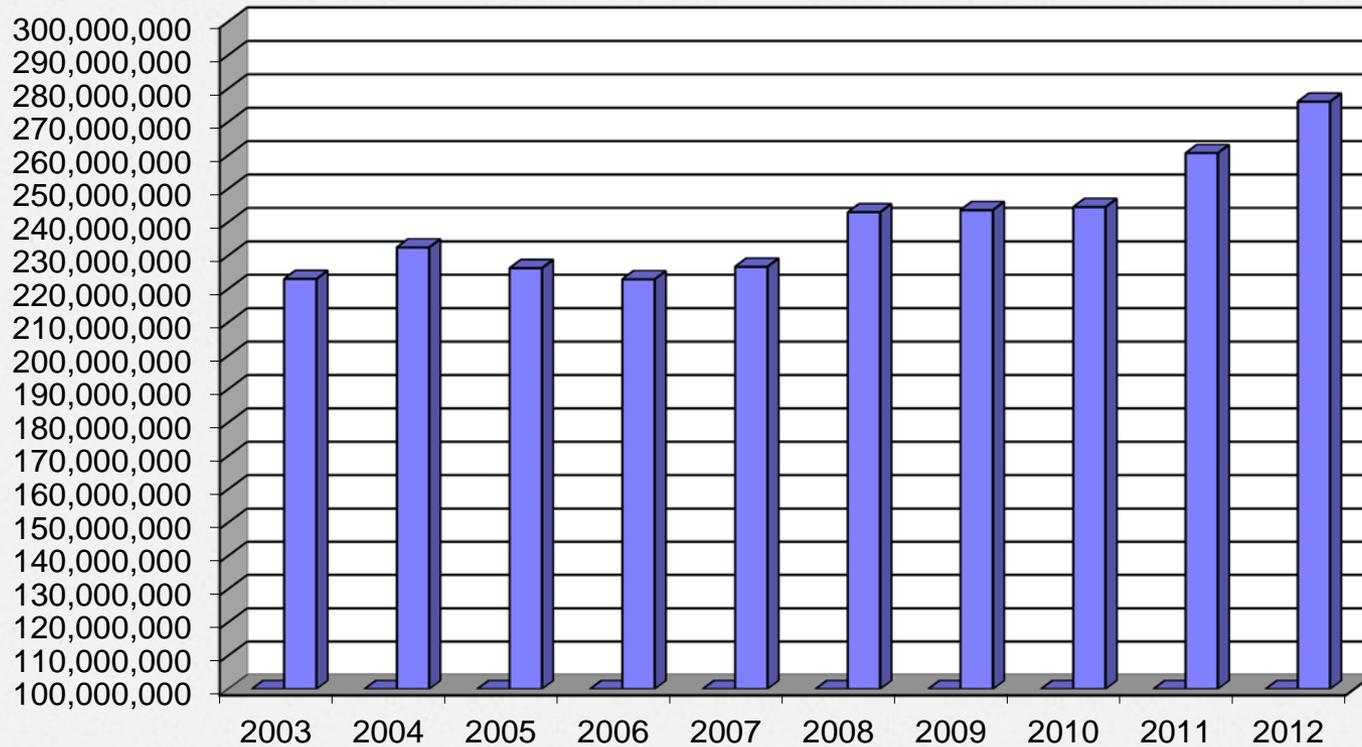
2012 Workers' Compensation Annual Report



The Bad News....

Prepared by the Alaska Department of Labor and Workforce Development

Total Compensation Payments



2012 Workers' Compensation Annual Report

How do Alaska's Premium Rates Compare?

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

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

- 
- o Calendar Year 2000 – 28th in the nation...
 - o Calendar Year 2002 – 15th in the nation...
 - o Calendar Year 2004 – 2nd in the nation...
 - o Calendar Year 2006 – 1st in the nation...
 - o Calendar Year 2008 – 1st in the nation...
 - o Calendar Year 2010 – 2nd in the nation...
 - o Calendar Year 2012 – 1st in the nation...

What's Driving Premium Costs?

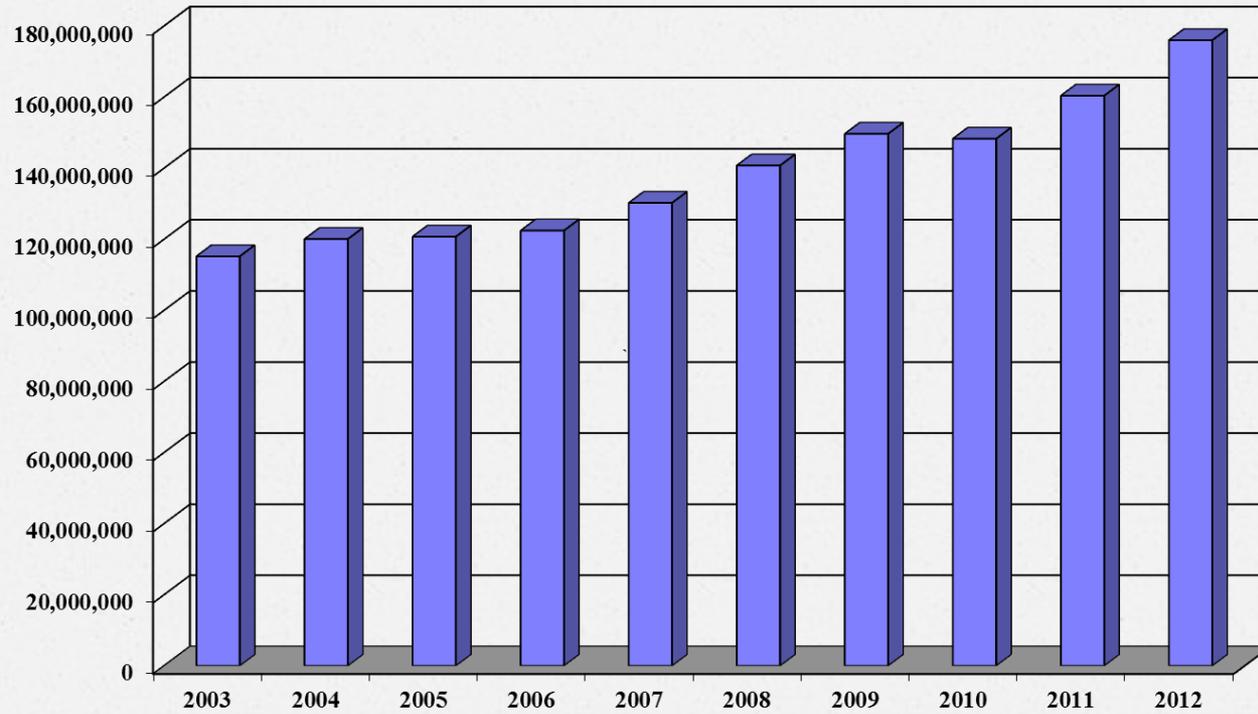
Cost Drivers

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

Medical Costs

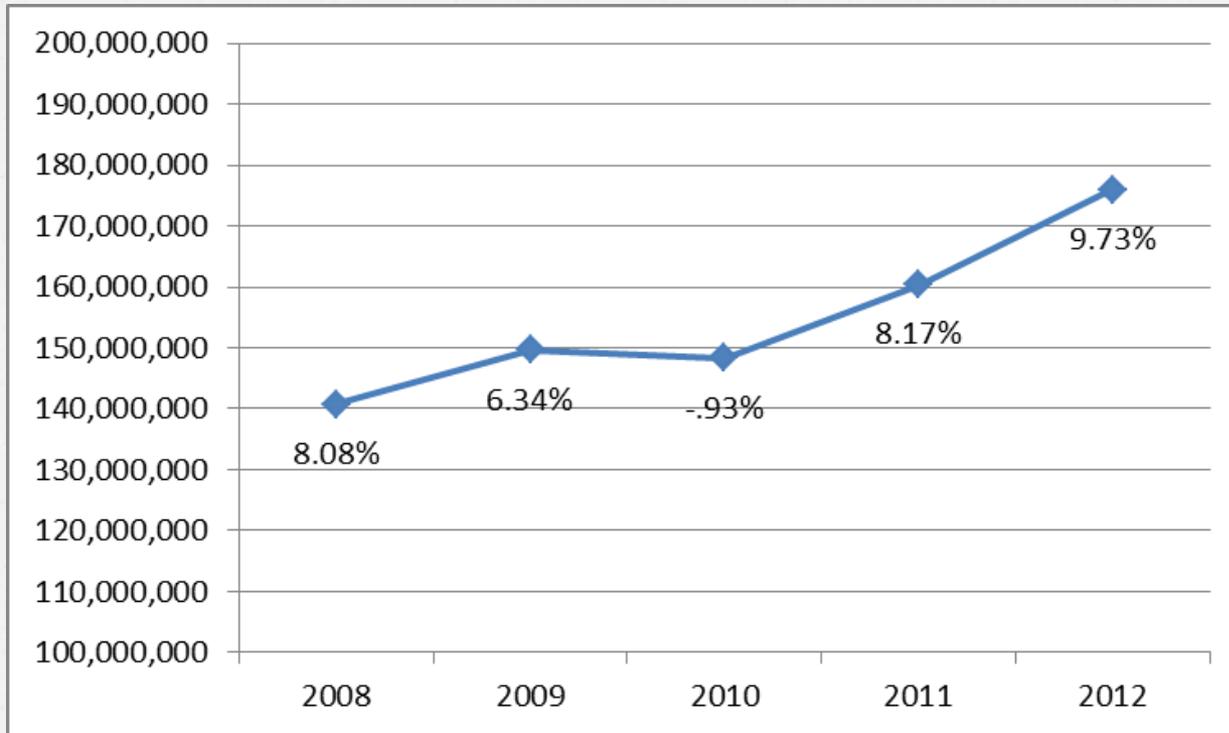
- o Fees for Services
- o Over Utilization
- o Prescription Drug Use
 - Use of opioid narcotics
 - Physician Dispensing

Medical Payments



Alaska Workers' Compensation Division 2012 Annual Report

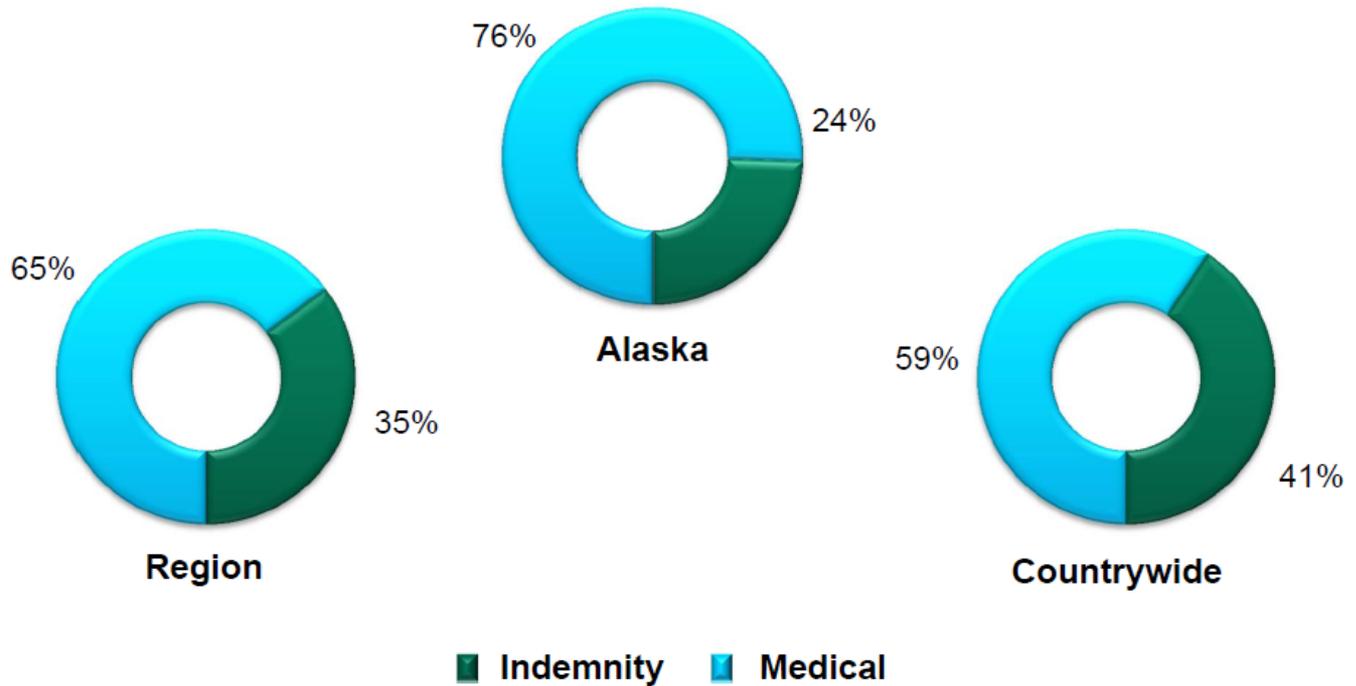
Medical Cost Changes



Source: Alaska Workers' Compensation Division 2012 Annual Report

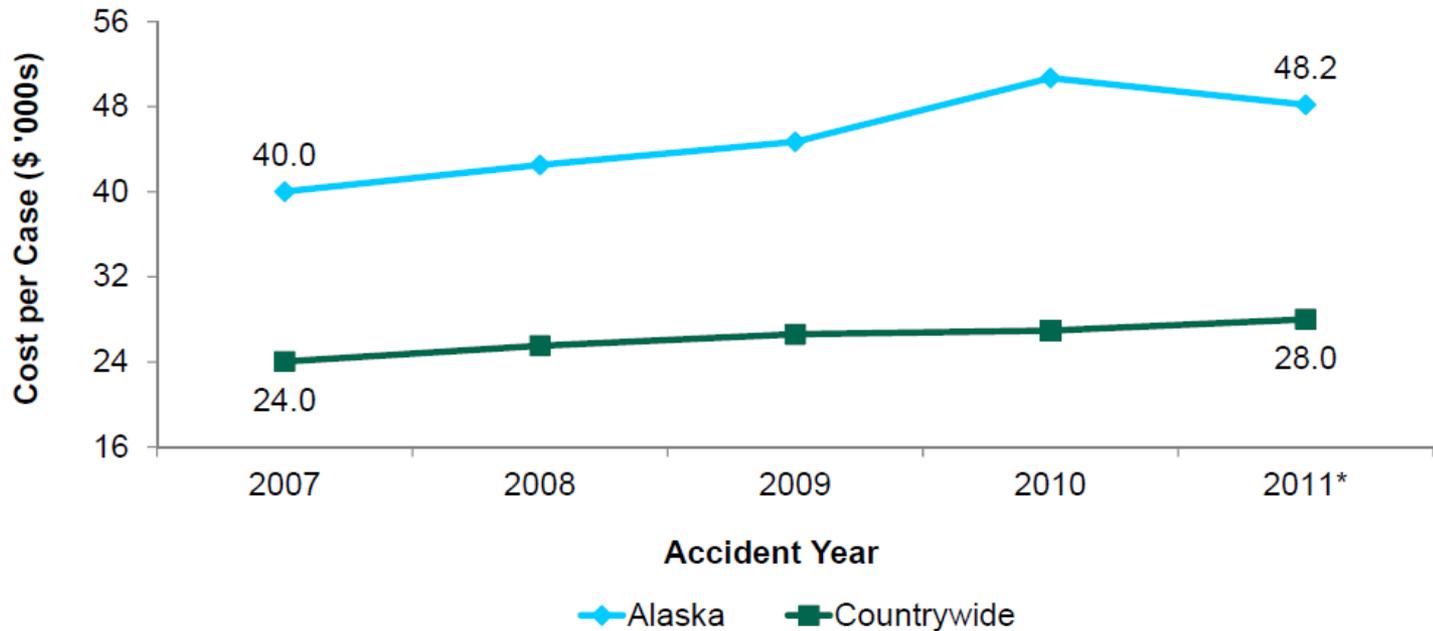
Prepared by the Department of Labor and Workforce Development

Medical Benefits Constitute the Majority of Total Benefit Costs in Alaska



2012 NCCI State Advisory Forum

Alaska vs. Countrywide Average Medical Claim Severity

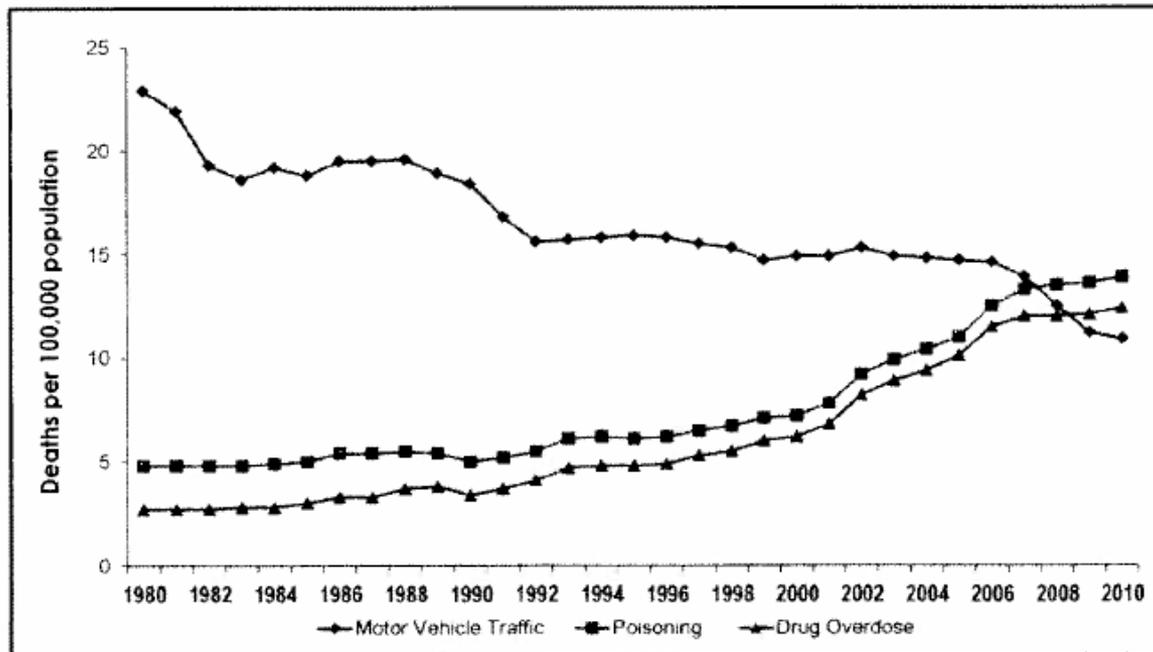


2012 NCCI State Advisory Forum

Top 25 Surgery Procedure Codes Ranked by Paid Amounts for Alaska (47% of total payments)						
Rank	Procedure Code	Description	AK WC Fee Schedule	Medicare Fee	Washington WC Fee	AK Average Healthcare
1	29881	Arthroscopy Knee w/ Meniscus Repair	\$ 5,158.02	\$ 673.11	\$ 912.56	\$ 2,531.85
2	23412	Repair of Rotator Cuff	\$ 7,725.78	\$ 1,063.39	\$ 1,421.68	\$ 3,980.57
3	29826	Arthroscopy shoulder surgical w/decompres	\$ 5,436.83	\$ 224.46	\$ 288.87	\$ 853.41
4	63030	Laminotomy w/ decompression	\$ 10,391.15	\$ 1,186.95	\$ 1,605.97	\$ 4,450.70
5	29807	Arthroscopy shoulder surgical; labral tear	\$ 6,621.79	\$ 1,292.78	\$ 1,724.95	\$ 4,833.41
6	29888	Arthroscopic ligament repair	\$ 8,782.58	\$ 1,239.28	\$ 1,648.03	\$ 4,637.14
7	64483	Injection anesthetic agent/steroid epidural	\$ 2,364.74	\$ 274.82	\$ 392.91	\$ 1,070.73
8	29880	Arthroscopy knee surgical; with meniscectom	\$ 5,576.24	\$ 700.17	\$ 947.42	\$ 2,642.16
9	22551	Arthrodesis anterior interbody; cervical	\$ 13,973.36	\$ 2,113.35	\$ 2,827.87	\$ 7,981.69
10	23430	Tenodesis of tendon	\$ 5,837.26	\$ 931.43	\$ 1,252.34	\$ 3,463.72
11	62311	Injection of diagnostic/therapeutic substanc	\$ 1,295.28	\$ 248.65	\$ 371.33	\$ 920.00
12	23120	Claviclectomy; partial	\$ 2,704.02	\$ 722.91	\$ 983.95	\$ 2,679.98
13	22612	Arthrodesis posterior; lumbar	\$ 12,952.83	\$ 1,979.87	\$ 2,635.84	\$ 7,437.21
14	29827	Arthroscopy shoulder surgical w/cuff repair	\$ 7,318.82	\$ 1,346.27	\$ 1,789.14	\$ 5,050.22
15	29877	Arthroscopy w/debridement	\$ 4,879.21	\$ 774.76	\$ 1,045.37	\$ 2,881.03
16	29806	Arthroscopy shoulder surgical; capsulorrhap	\$ 6,970.30	\$ 1,326.86	\$ 1,768.67	\$ 4,964.70
17	49505	Repair initial inguinal hernia	\$ 3,461.14	\$ 655.21	\$ 863.30	\$ 2,430.13
18	64415	Injection anesthetic agent; brachial plexus	\$ 1,182.37	\$ 149.52	\$ 202.54	\$ 576.26
19	64721	Neuroplasty and/or transposition	\$ 5,187.82	\$ 525.08	\$ 724.40	\$ 1,946.17
20	29822	Arthroscopy shoulder surgical; debridement	\$ 4,739.80	\$ 714.19	\$ 965.13	\$ 2,660.81
21	20610	Arthrocentesis aspiration and/or injection	\$ 382.66	\$ 74.60	\$ 100.72	\$ 318.33
22	23420	Reconstruction of complete shoulder	\$ 9,871.83	\$ 1,208.38	\$ 1,616.48	\$ 4,516.47
23	63650	Percutaneous implantation of neurostimula	\$ 6,791.60	\$ 564.80	n/a	\$ 2,082.27
24	12001	Simple repair of superficial wounds	\$ 489.30	\$ 109.18	\$ 154.95	\$ 415.91
25	63042	Laminotomy with decompression	\$ 11,681.55	\$ 1,609.81	\$ 2,154.94	\$ 6,040.11

Prepared by the Department of Labor and Workforce Development

Motor vehicle traffic, poisoning, and drug overdose death rates US, 1980-2010

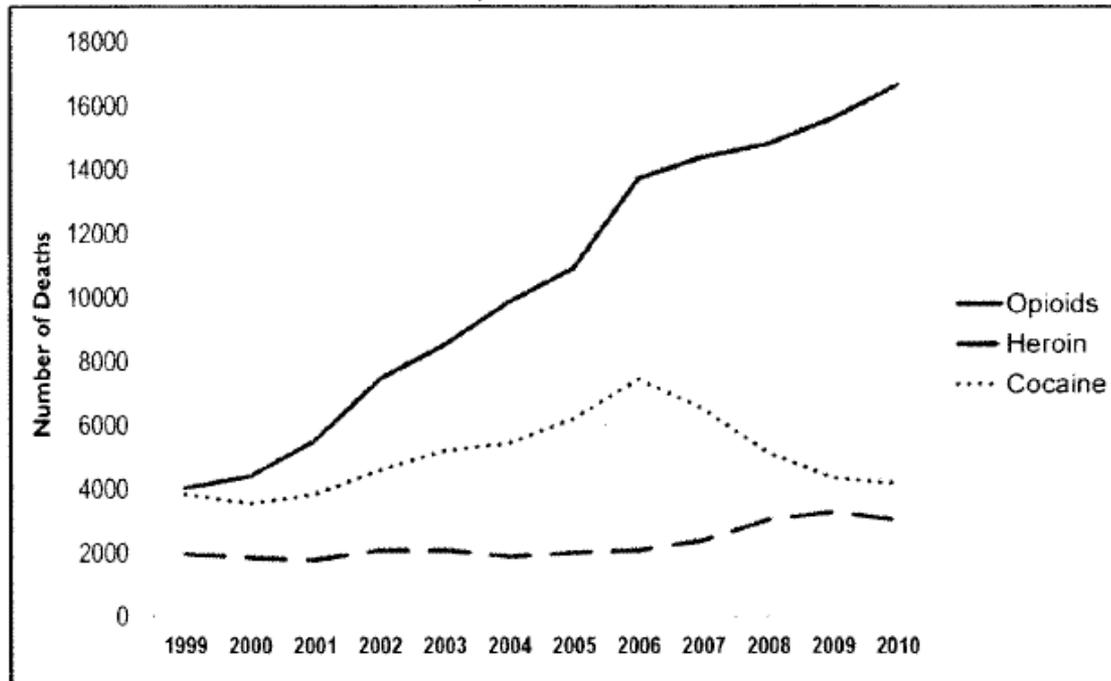


Source: NCHS Data Brief, December, 2011, updated with 2010 mortality data.

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



Source: CDC/NCHS National Vital Statistics System, CDC Wonder

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

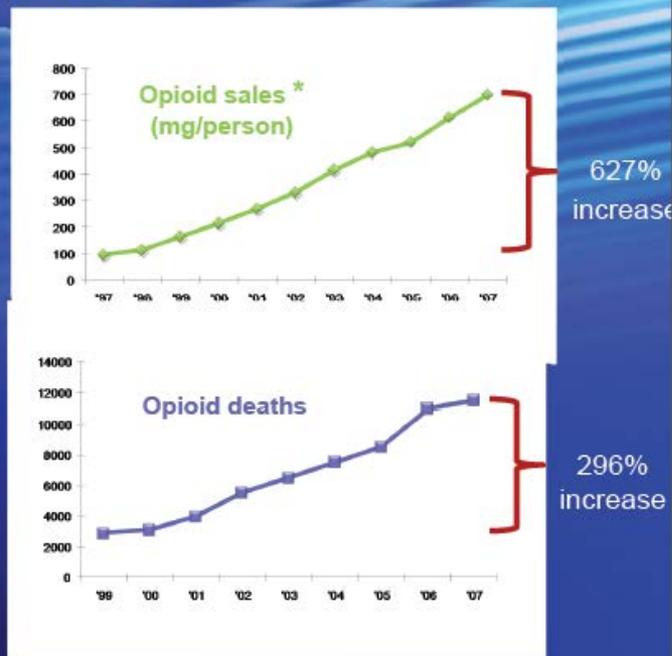
Unintentional Overdose Deaths Involving Opioid Analgesics Parallel Opioid Sales United States, 1997–2007

□ 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



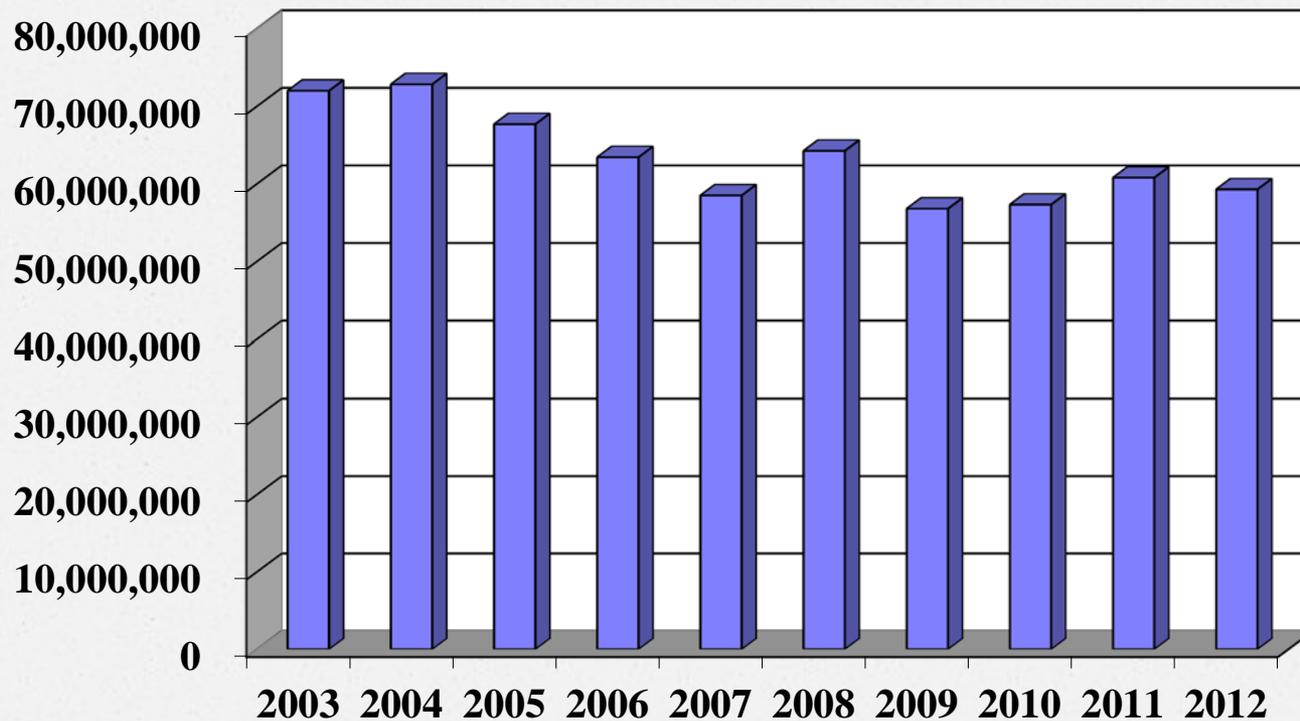
National Vital Statistics System, multiple cause of death data set, and Drug Enforcement Administration ARCOS system; 2007 opioid sales figure is preliminary 13

NCCI Report on Opioid Use
November 2011

Indemnity Costs

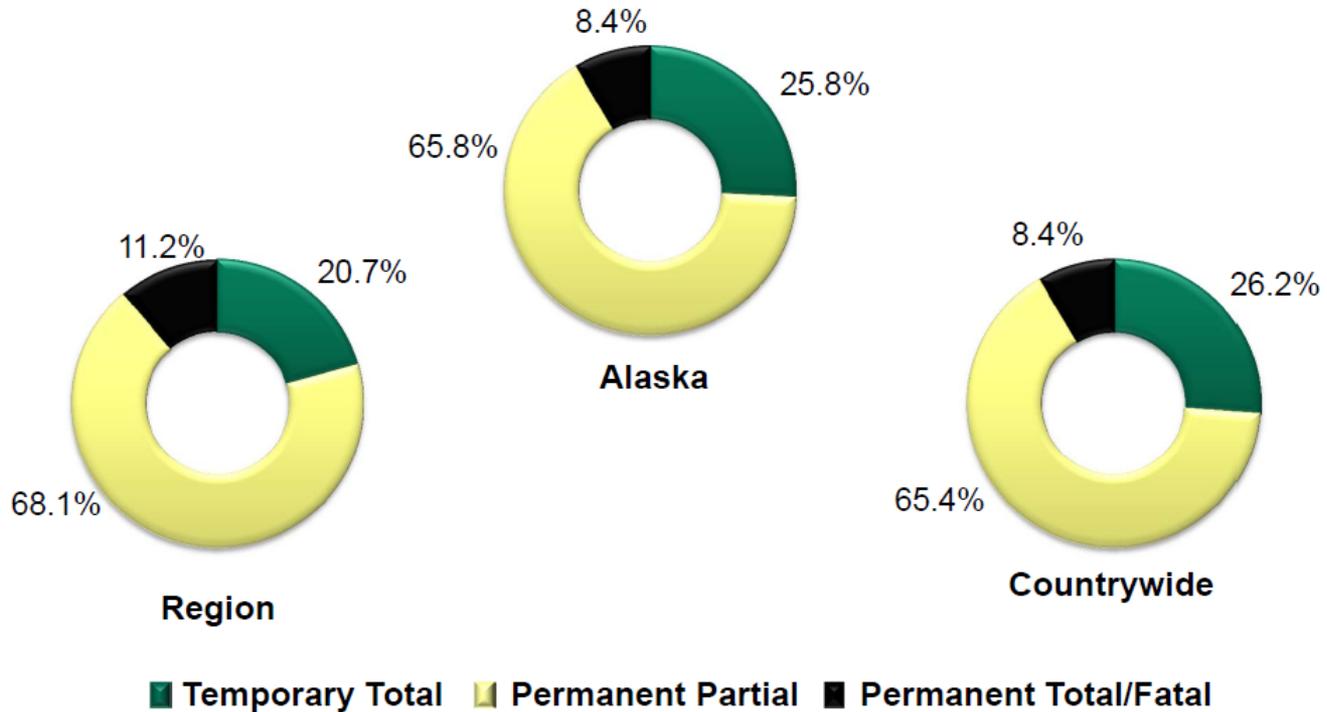
- o Indemnity Distribution
- o Indemnity Frequency
- o Indemnity Costs

Indemnity Payments



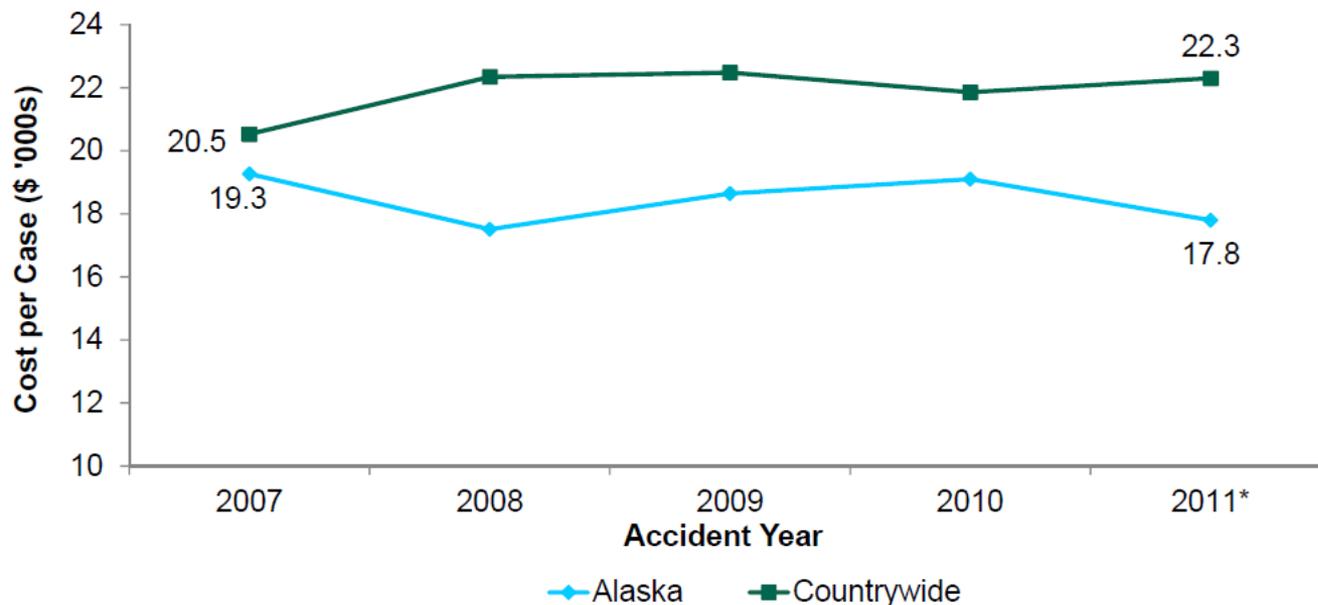
Alaska Workers' Compensation Division 2012 Annual Report

Alaska's Indemnity Loss Distribution by Injury Type



2012 NCCI State Advisory Forum

Alaska vs. Countrywide Average Indemnity Claim Severity

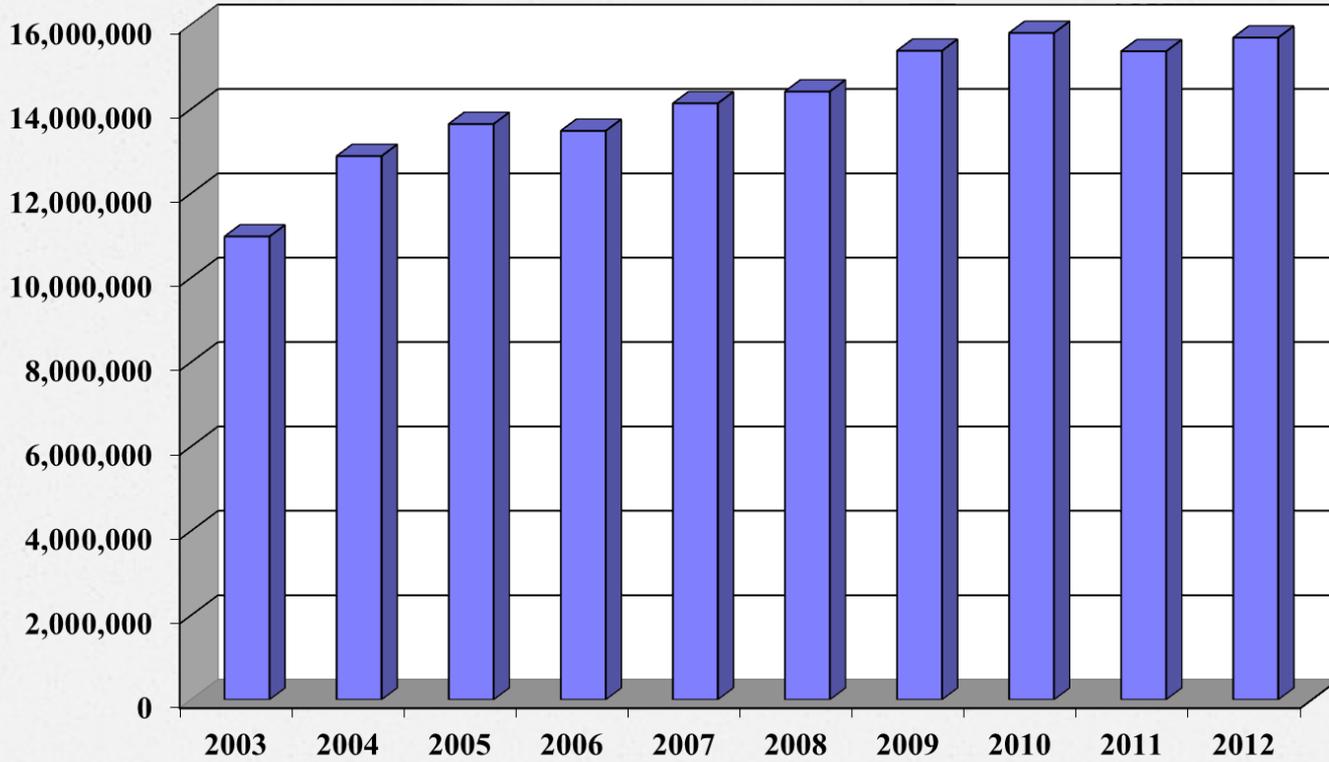


National Council on Compensation Insurance
State Advisory Forum - October 2012

Legal Costs

- o Legal Costs
- o Dispute Litigation
- o Formal Proceedings

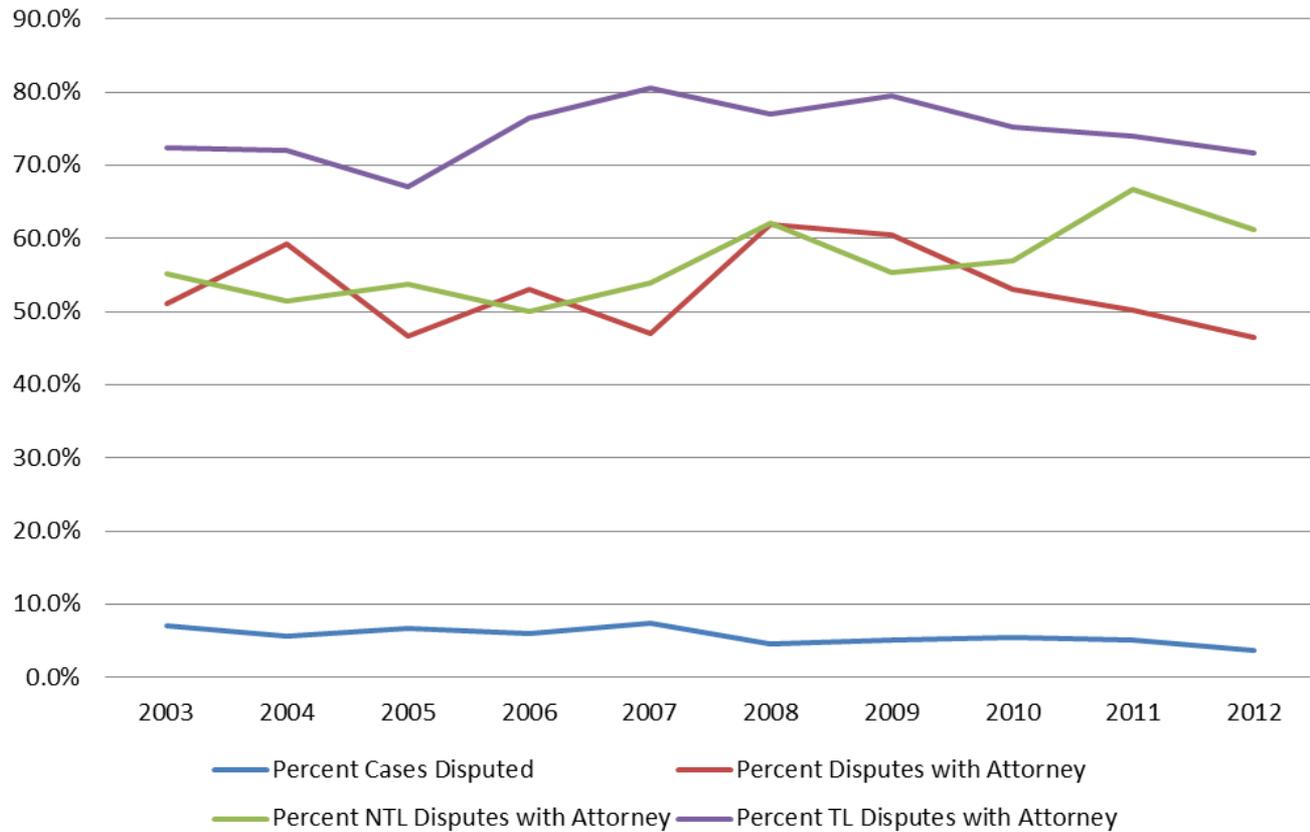
Legal Payments



Alaska Workers' Compensation Division 2012 Annual Report

Prepared by the Alaska Department of Labor and Workforce Development

Dispute Litigation



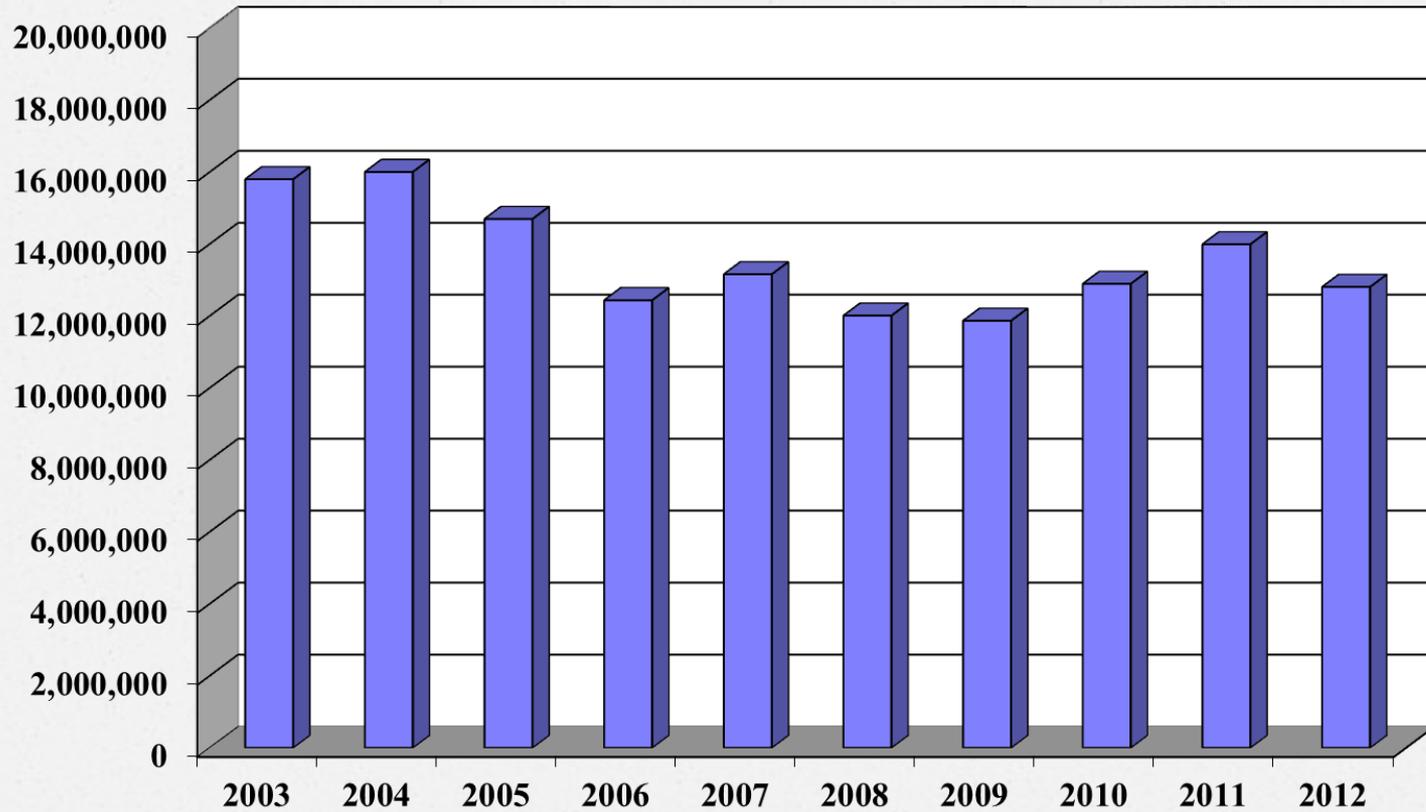
Alaska Workers' Compensation Division 2012 Annual Report

Prepared by the Alaska Department of Labor and Workforce Development

Reemployment Costs

- o Reemployment Costs
- o Plan Completion

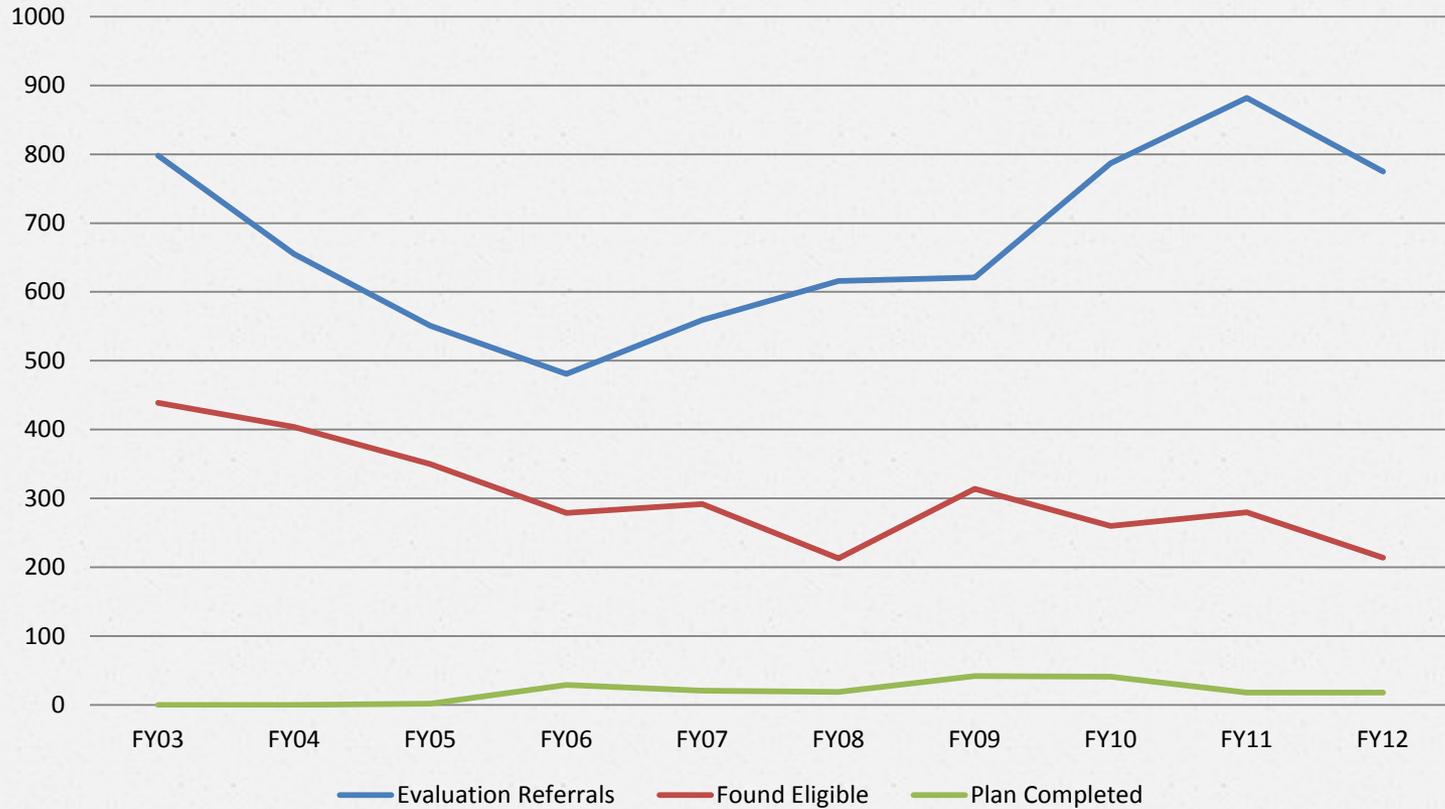
Rehab Payments



Alaska Workers' Compensation Division 2011 Annual Report

Prepared by the Alaska Department of Labor and Workforce Development

Reemployment Outcomes



Take Away...

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



Questions?

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