

September 1, 2021 Pure Premium Rate Filing WCIRB Executive Summary

June 7, 2021

California Department of Insurance Public Hearing



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WCIRB September 1, 2021 Pure Premium Rate Filing

Presentation Agenda

-  Opening Remarks
-  Executive Summary
-  Pandemic Impacts
-  Key Underlying Assumptions
-  Advisory Pure Premium Rate Comparison


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Executive Summary




September 1, 2021 Pure Premium Rate Filing – Executive Summary


Key considerations



2020 Wages, Premiums and Claims Impacted by Pandemic



Wage, Frequency and Severity Projections



New Medical Fee Schedules

\$1.50

9/1/2021 Indicated Average Pure Premium Rate

\$1.46

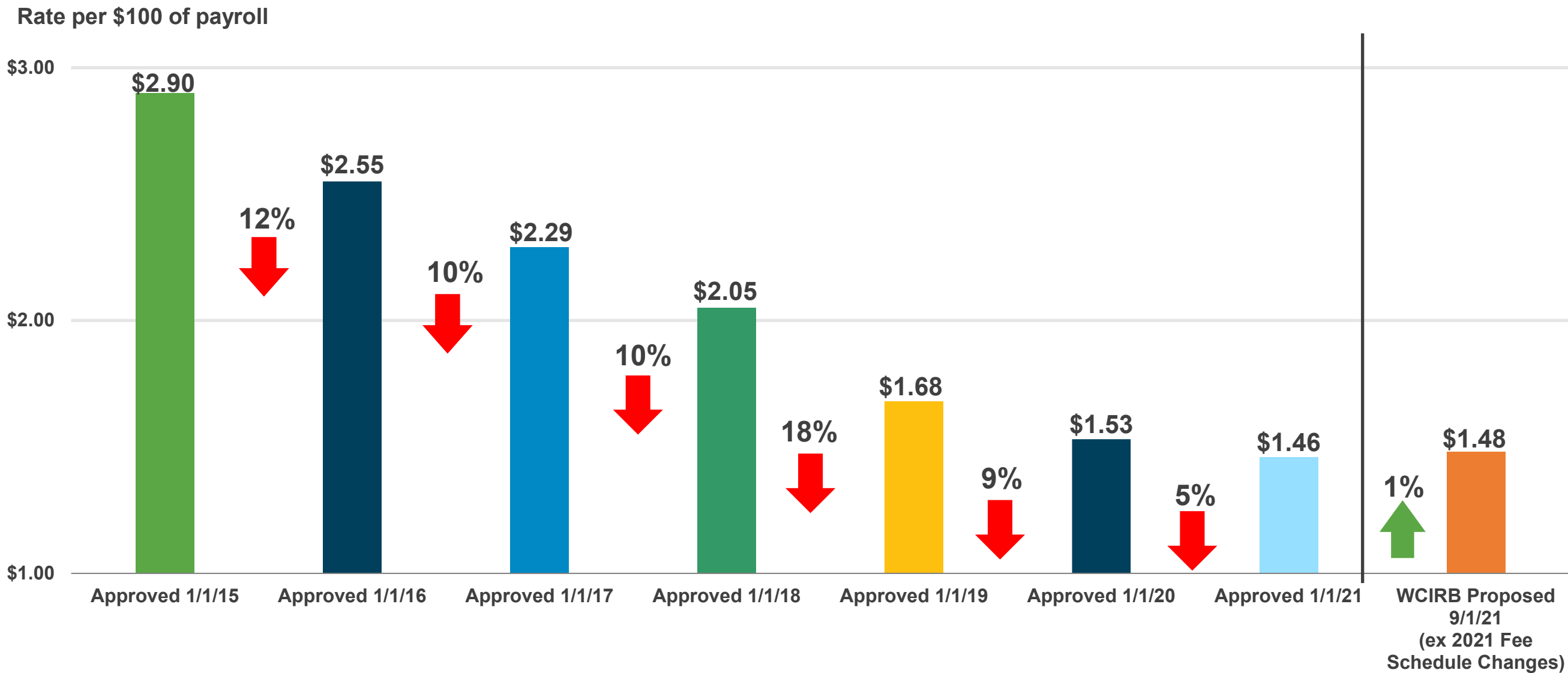
1/1/2021 Average Approved Pure Premium Rate

+2.7%

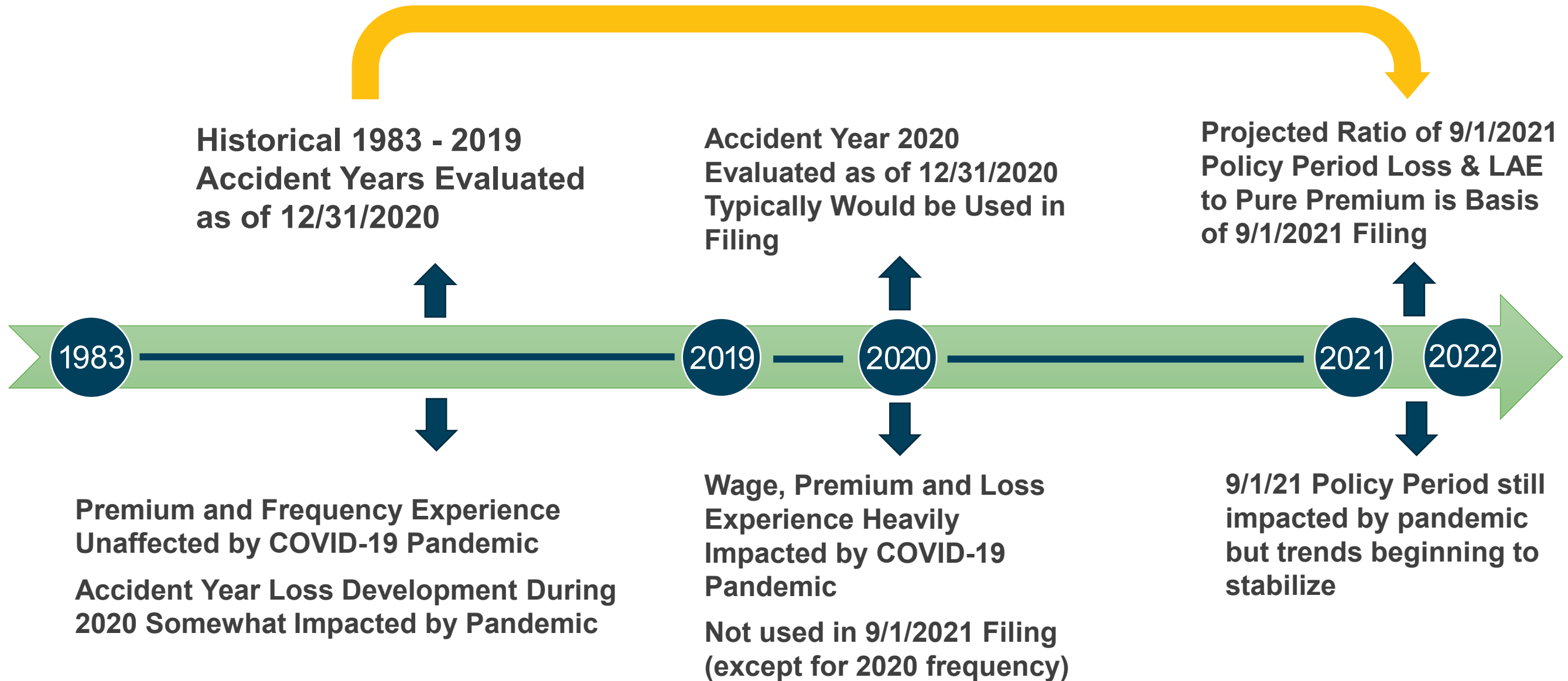
9/1/2021 Indicated Advisory Pure Premium Rate Change

- Recommended Methodologies Generally Consistent with 1/1/2021 Filing
- Excludes Accident Year 2020 Experience in Projection
- Projection Excludes COVID-19 Claims
- Impact of Two New Fee Schedules: +1.5%

Declining Average Advisory Pure Premium Rates – Moderating Trends



September 1, 2021 Pure Premium Rate Filing - Process



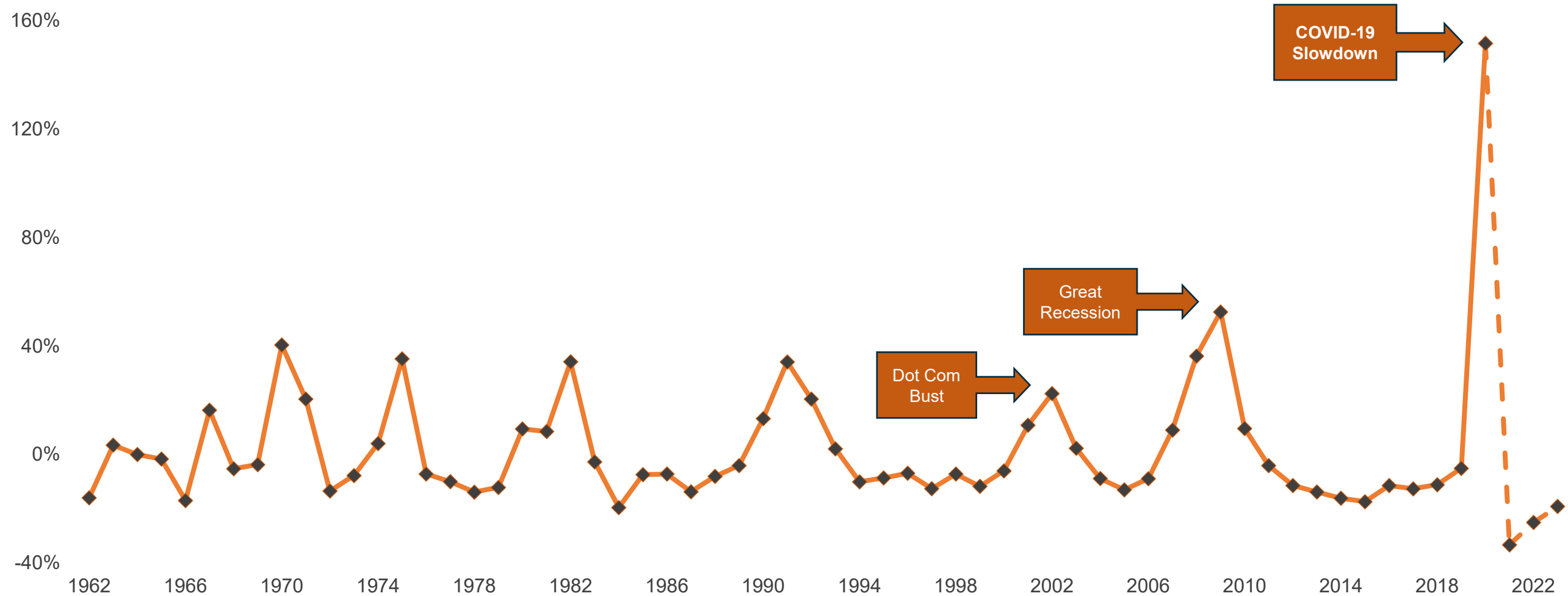
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Pandemic Impacts



Impact of Economic Slowdown

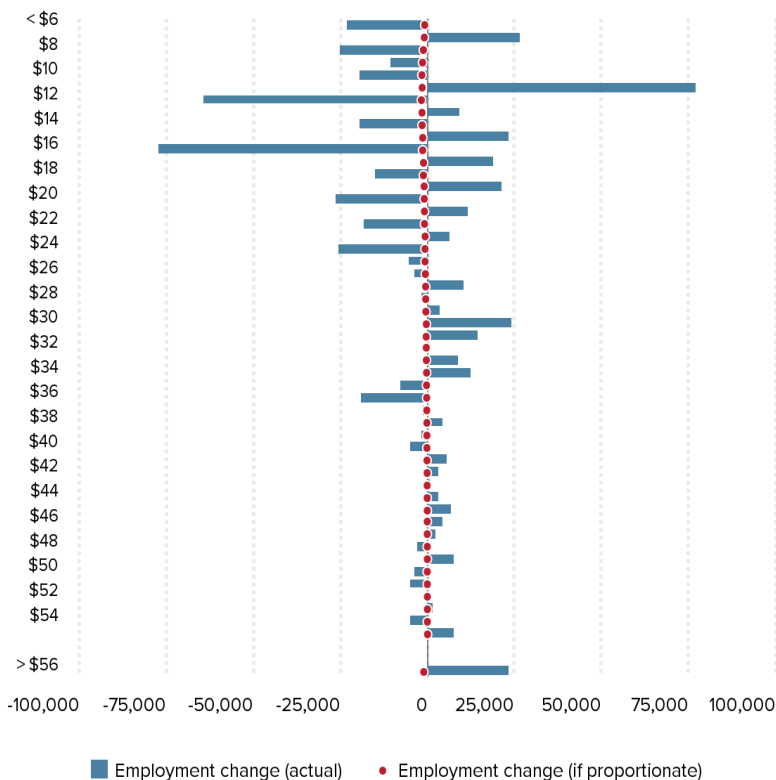
Annual Change In California Unemployment Rate



Employment Loss by Wage Level – Recent Recessions

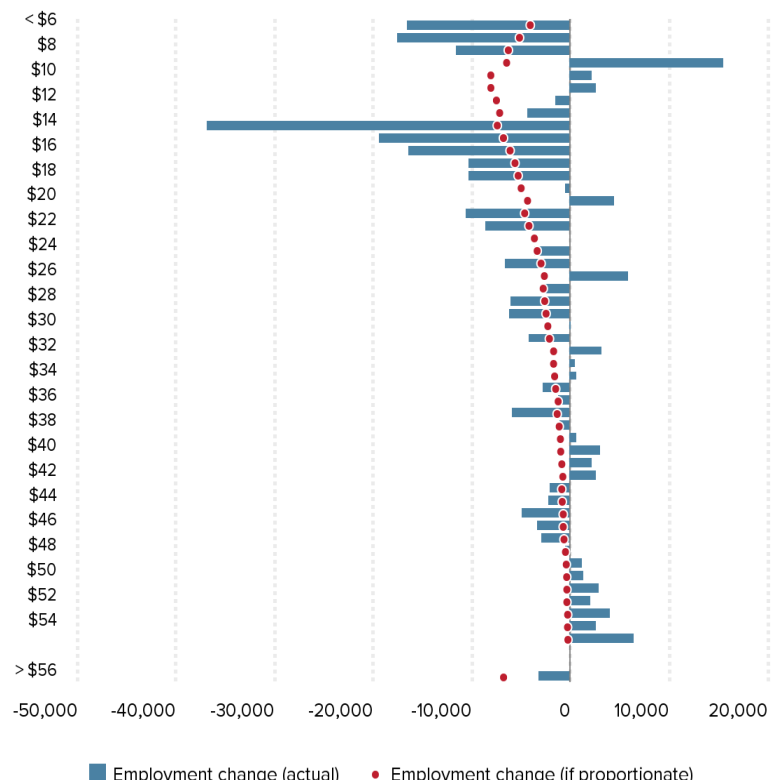
Job losses in the early 2000s recession appear unrelated to wage level

Employment change from 2001 to 2002, by wage level



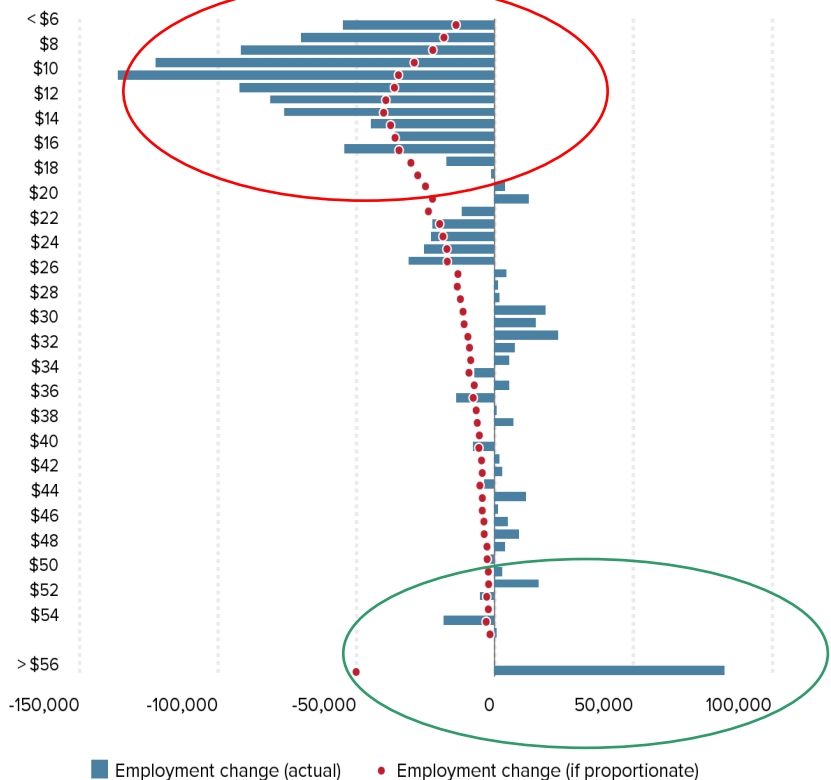
Job losses during the Great Recession are weakly related to wage level

Employment change from 2007 to 2010, by wage level

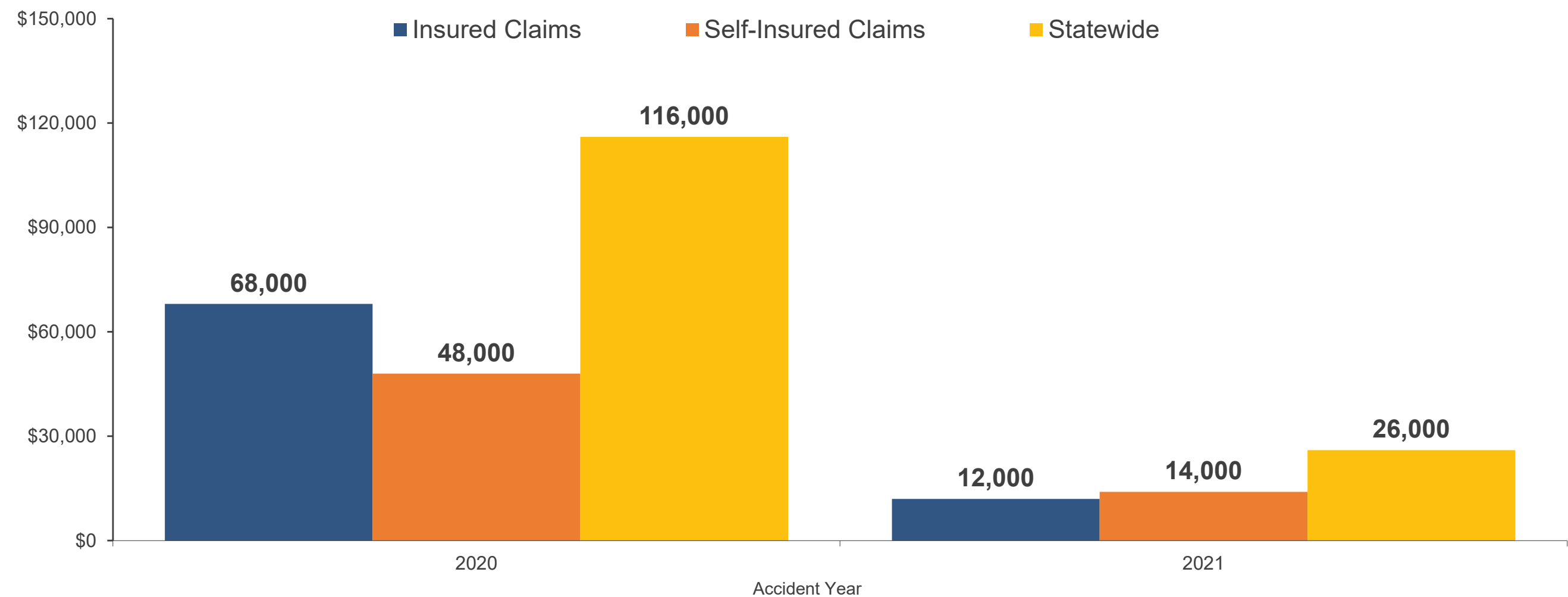


Lower-wage workers experienced job losses in far excess of the proportionate shares

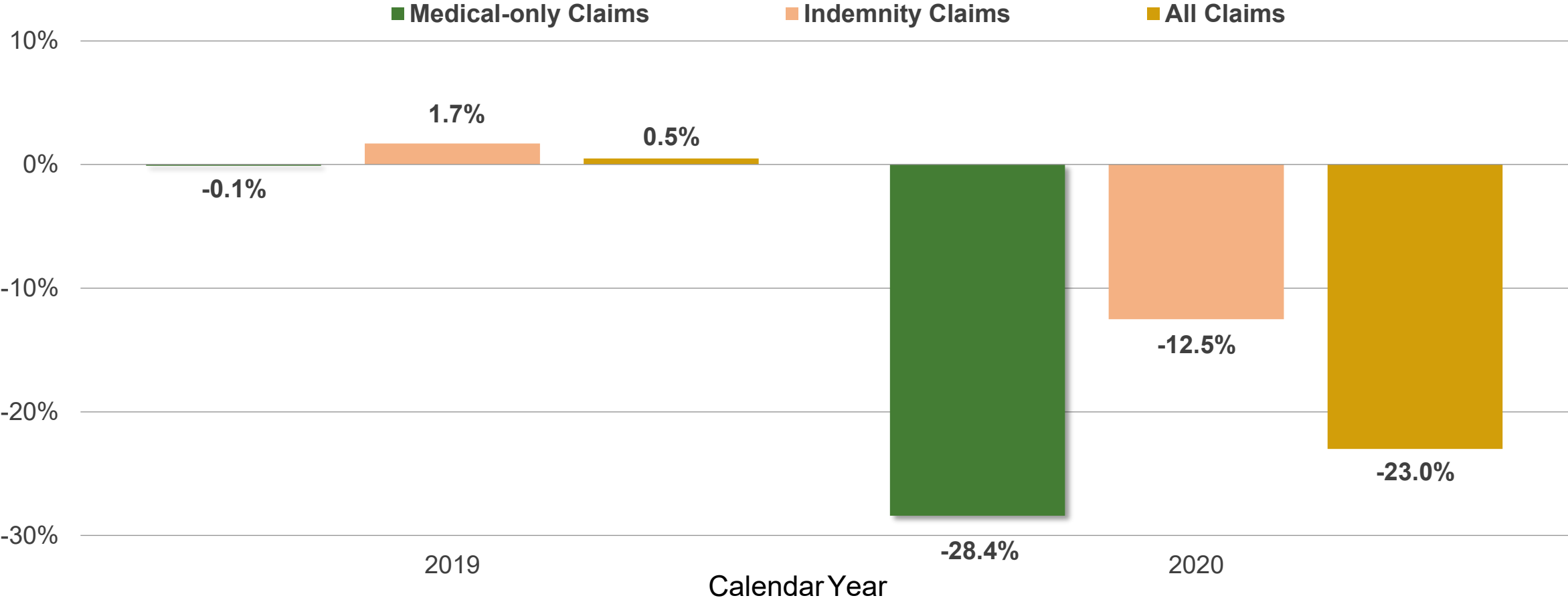
Employment change from 2019 to 2020, by wage level



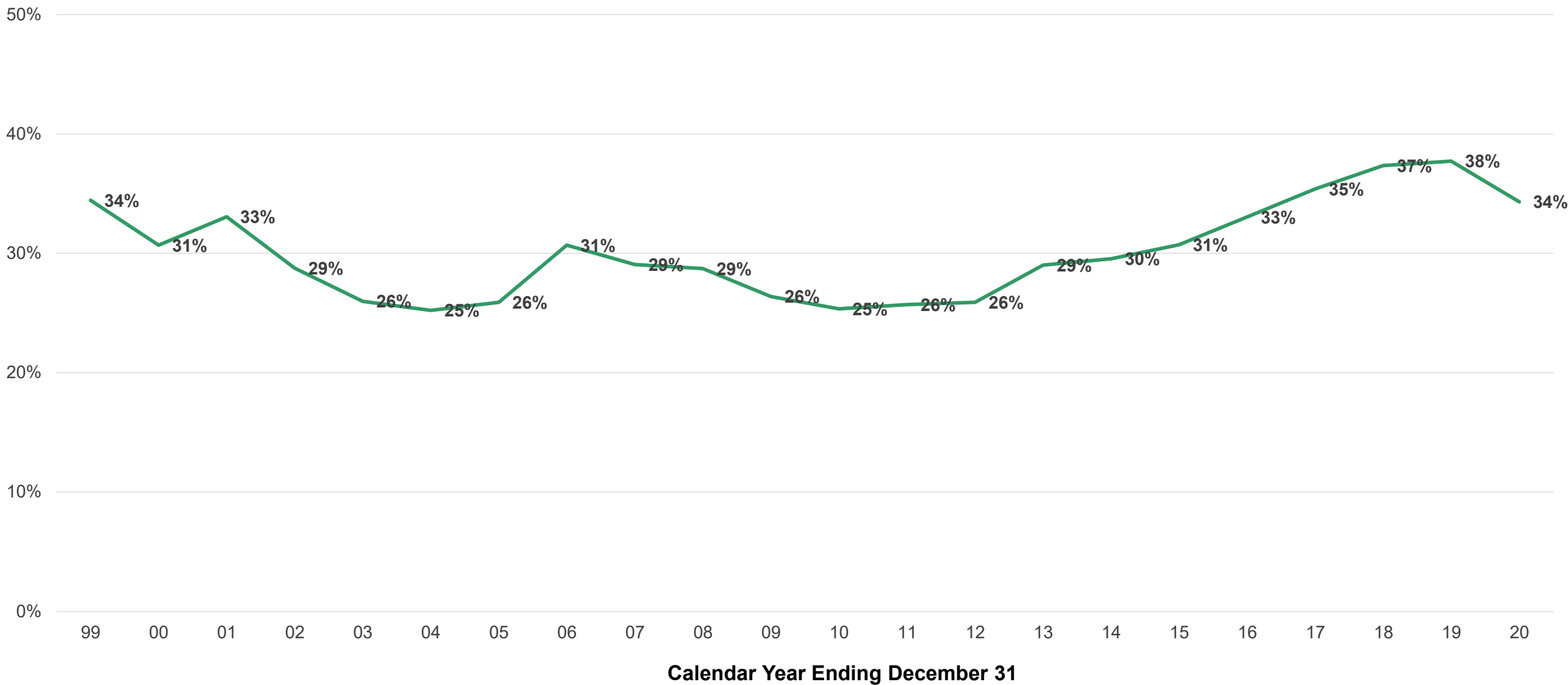
Reported COVID-19 Workers' Compensation Claims Filed



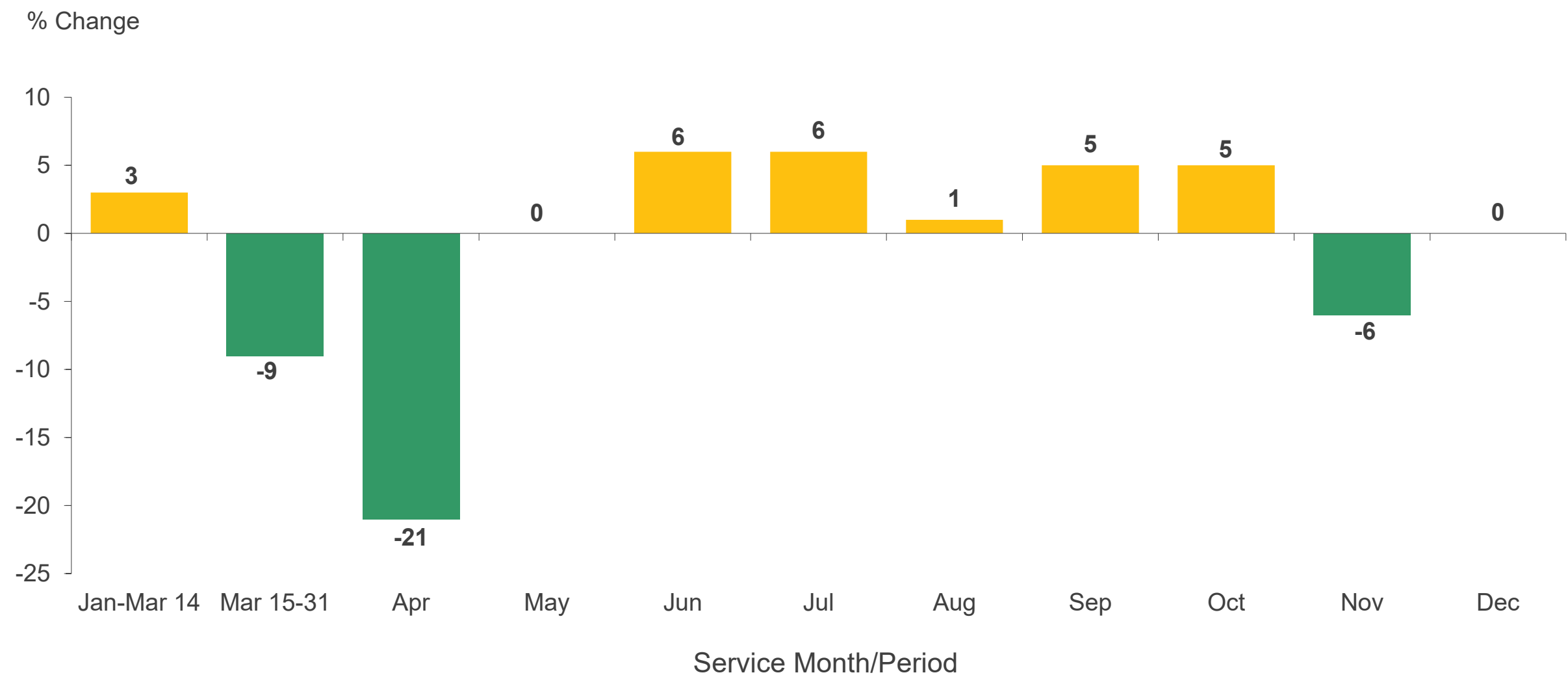
Annual Percent Change in Non-COVID-19 Claims Filed



Percent of Open Indemnity Claims Closed in Next Year



Percent Change in Average Paid Medical Per Active Claim – 2020 Vs 2019

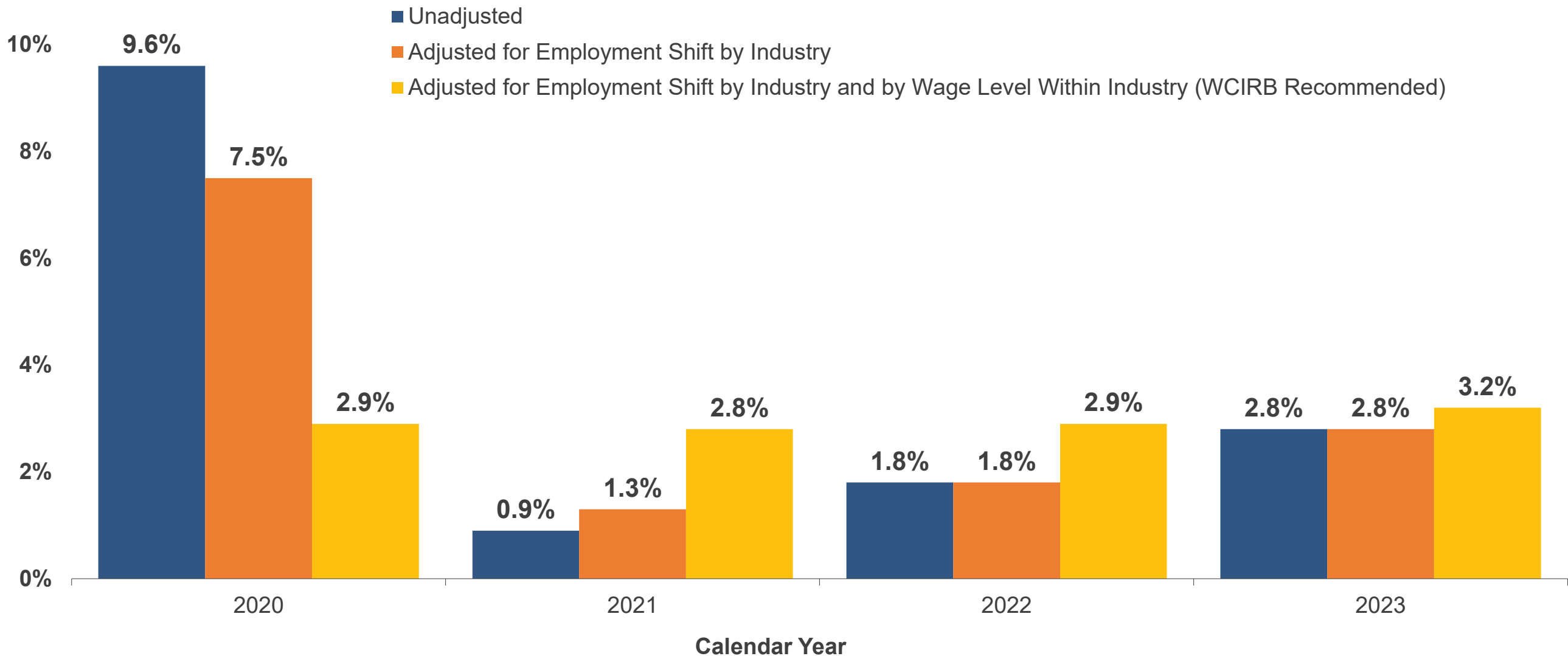


03

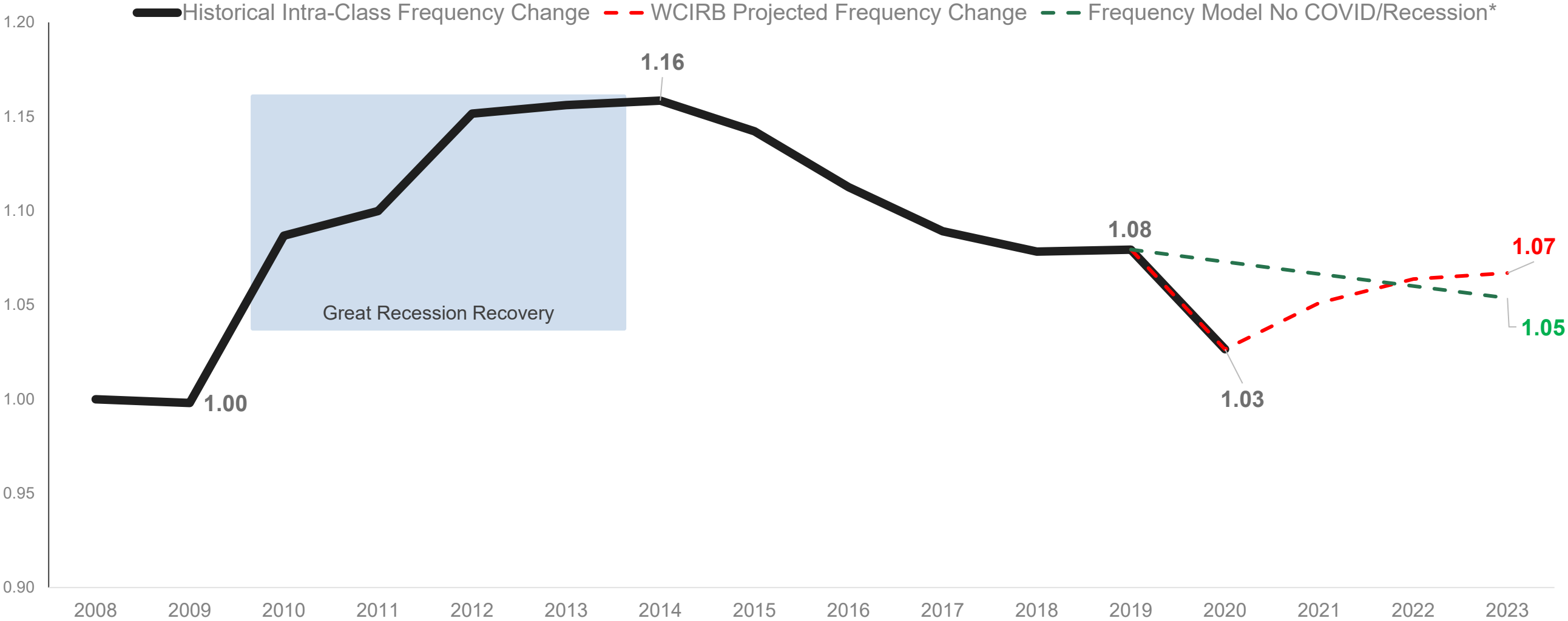
Key Underlying Assumptions



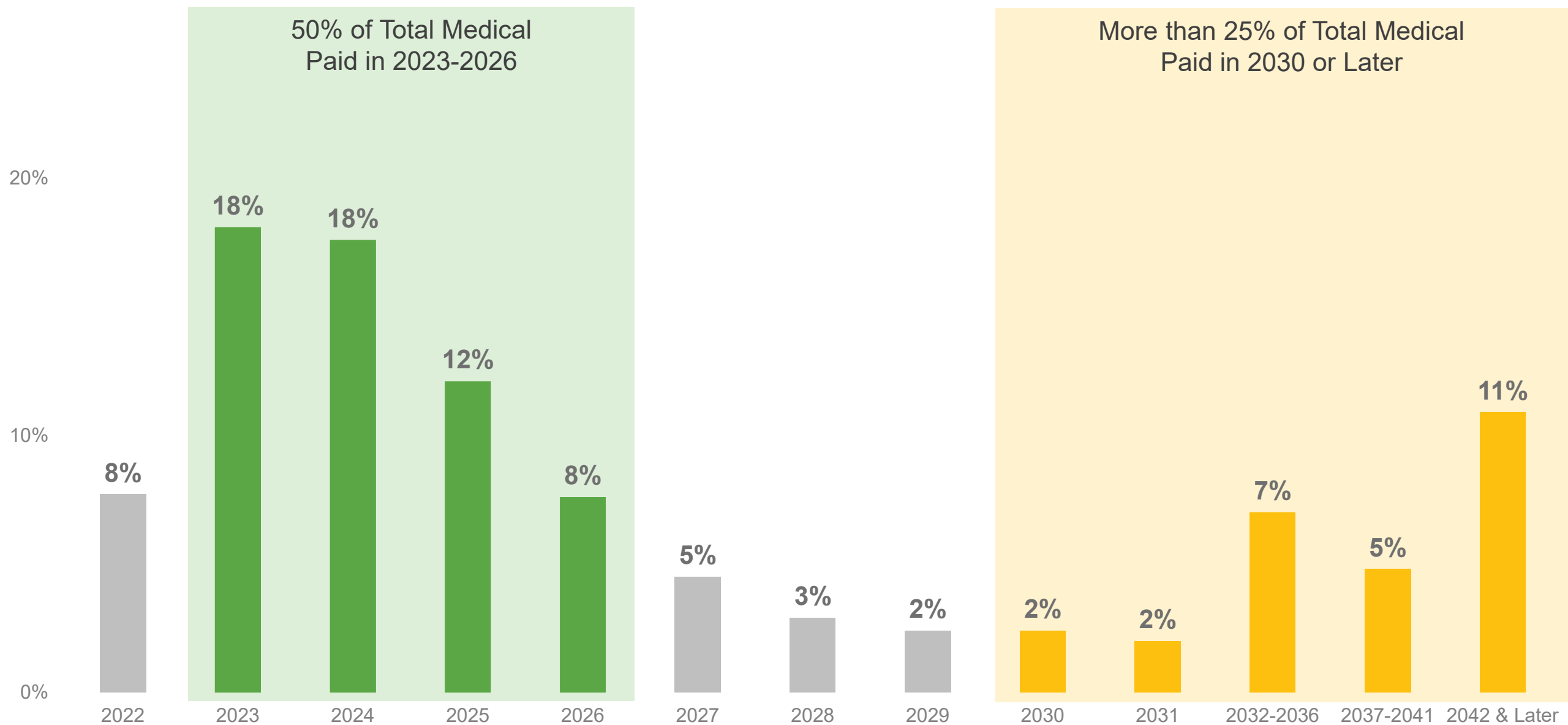
Annual Wage Level Forecasts



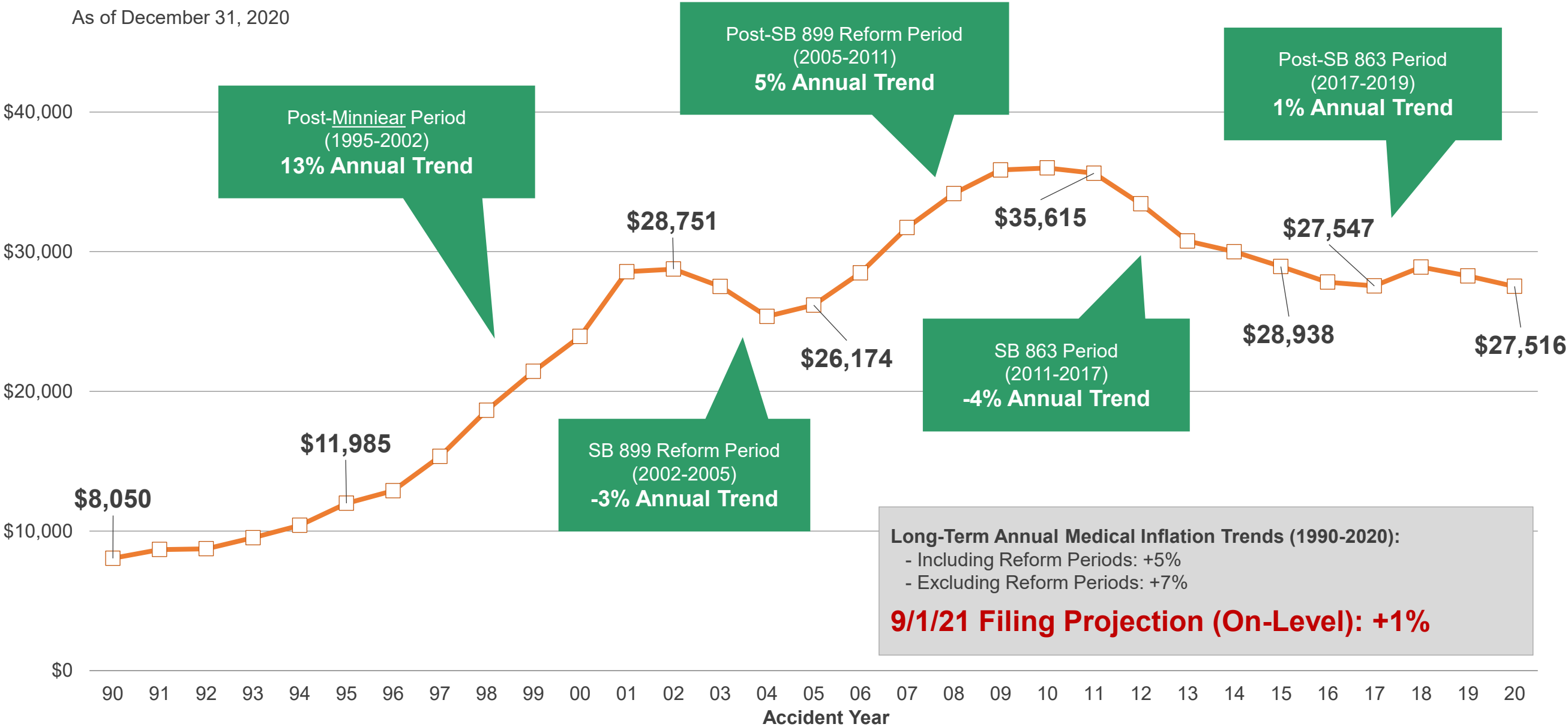
Indemnity Claim Frequency – Indexed to 2008



Medical Inflation: Policy Year 2022 – Estimated Medical Paid by Year



Changes in Medical Claim Severity



Changes to Official Medical Fee Schedule

Evaluation and Management (E&M) Office Visit Services — Summary

- The DWC adopted major changes to the E&M schedule effective March 1, 2021 to conform to relevant changes in the Medicare payment system
 - Updated relative value units (RVU)
 - Updated conversion factors
 - Updated telehealth list
 - Altered the way providers bill for E&M service
 - 1995 and 1997 E&M Documentation Guidelines are no longer used
 - Code change: eliminated 99201 and adopted G2212
 - Level of E&M service determined via time or medical decision making
- WCIRB evaluated the cost impact of the new reimbursement rates using medical transaction data from 2019 services
 - **Estimated 15% increase in E&M office visit fees (2.4% increase in overall medical costs)**

Changes to Medical-Legal Fee Schedule — Summary

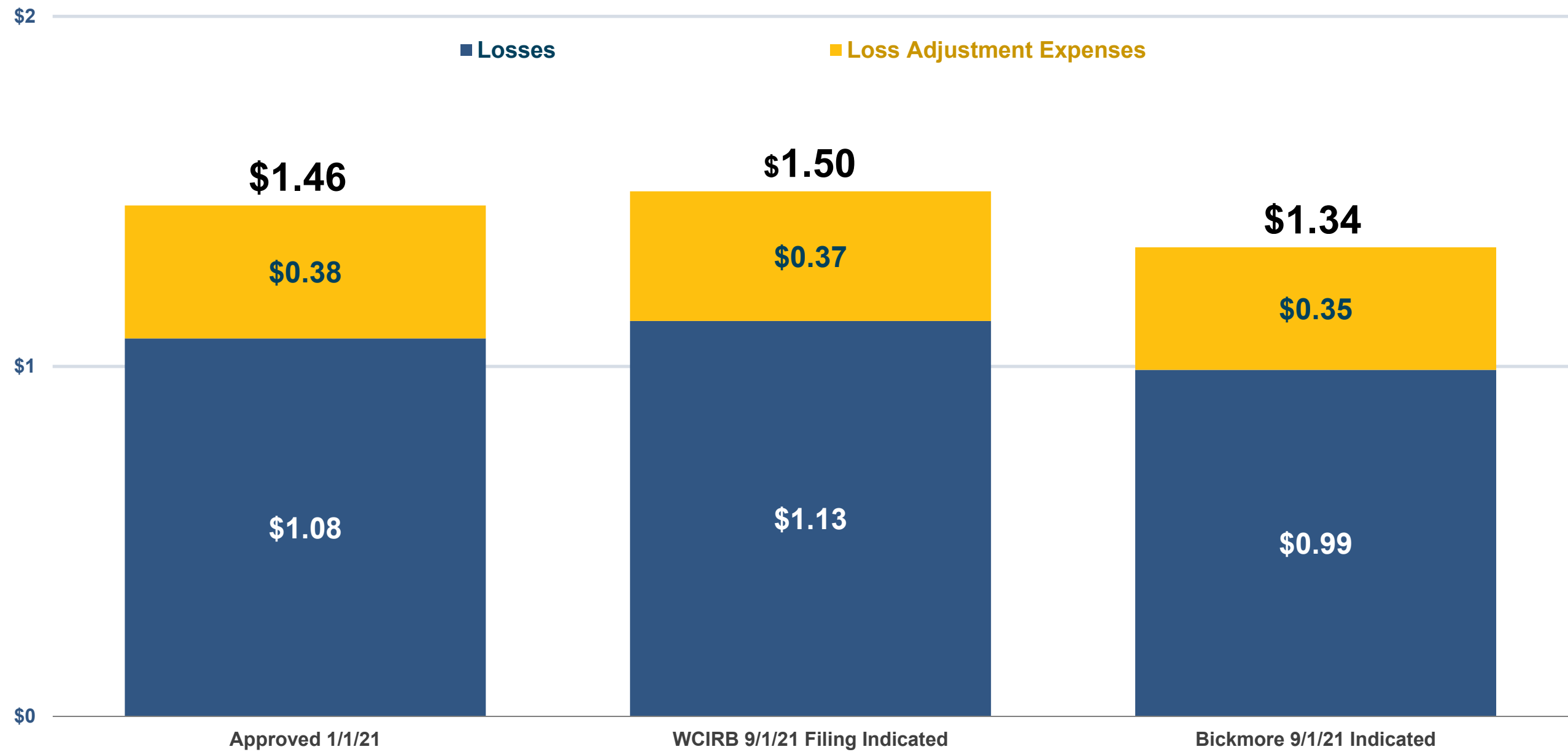
- The DWC adopted significant changes to the Medical-Legal Fee Schedule effective April 1, 2021
- New Medical-Legal Fee Schedule increased the reimbursement rate for medical-legal reports while eliminating the increased hourly billing provisions
 - Reimbursement levels for medical-legal reports were last changed in 2006
- WCIRB evaluated the cost impact of the new Schedule using medical transaction data for 2018 and 2019 services
 - **Estimated 22% increase in medical-legal fees (1.4% increase in total medical costs)**

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Advisory Pure Premium Rate Comparison



Average Advisory Pure Premium Rates



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