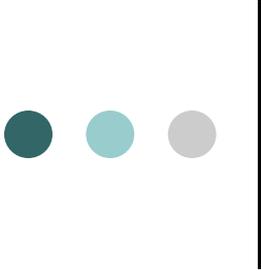




Wisconsin Insurance Alliance Worker's Compensation Medical Data Call

A Baseline Analysis and Recommendations for a
Medical Fee Schedule

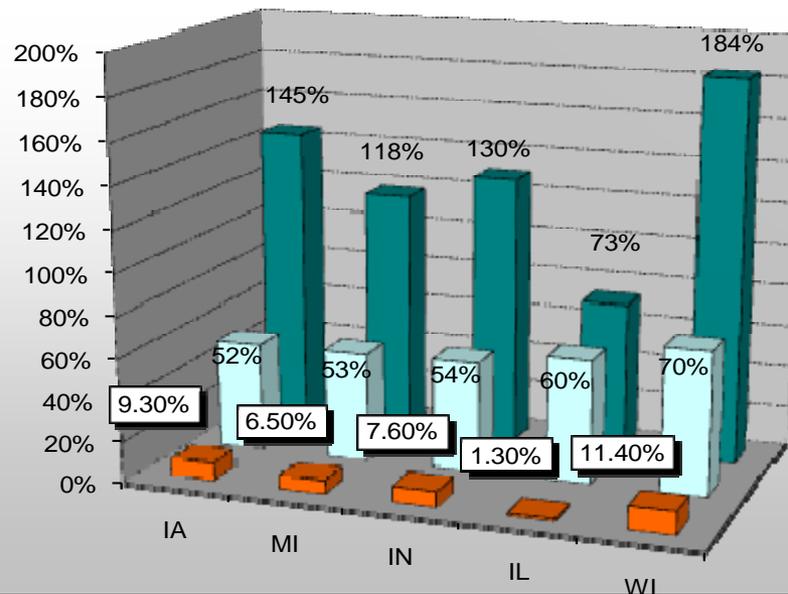


Background

- Certified database system established in 1992 intended to:
 - Provide guidance to DWD in determining reasonableness of medical fees;
 - Reduce fee disputes;
 - Reign in outlier charges;
 - Produce savings within the system.
- Number of fee disputes still at high levels.
- Database formula amount establishes such a high threshold that medical cost savings are negligible at best (the study documents that the vast majority of charges are flowing under the certified databases amounts).

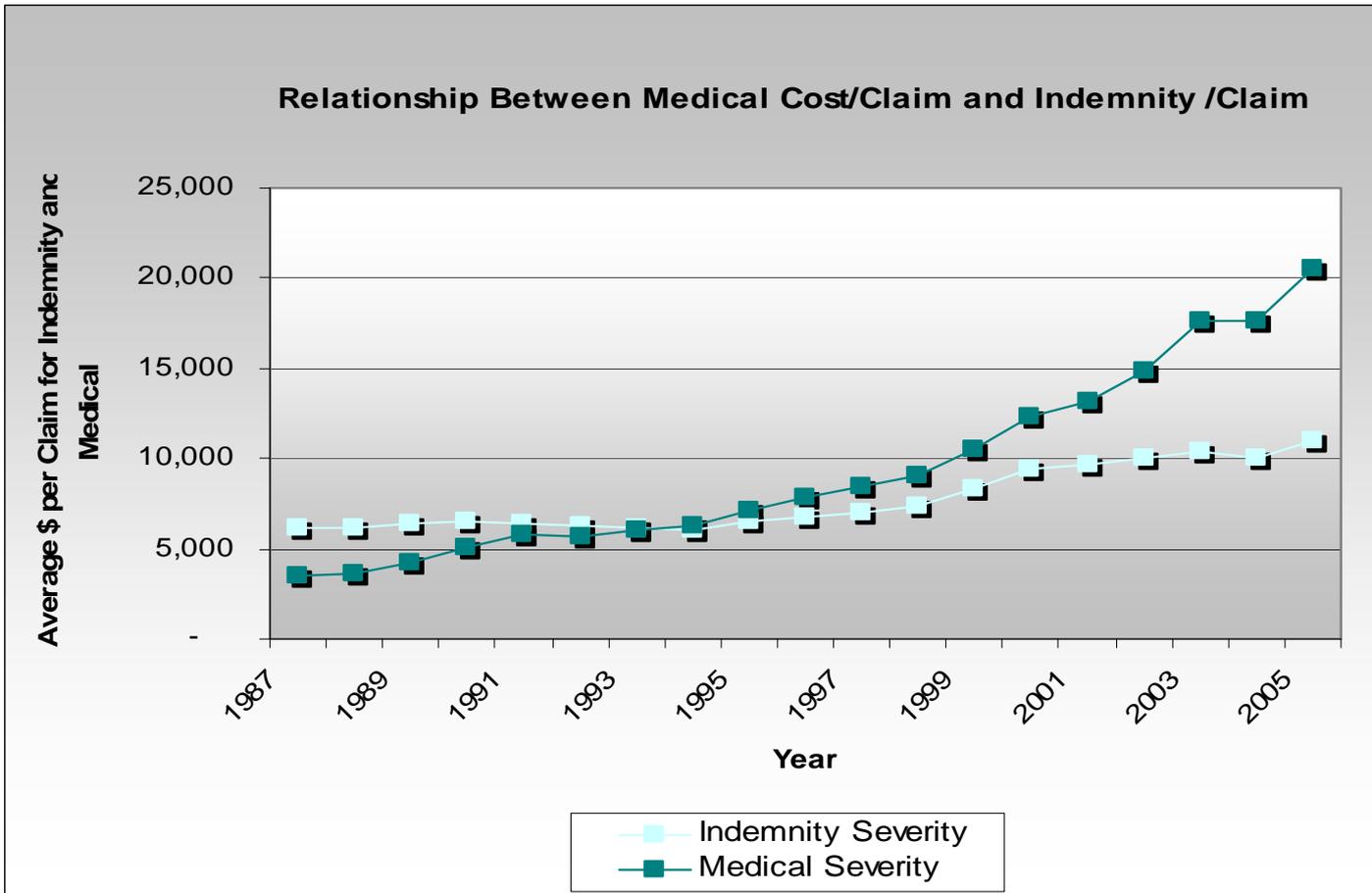
Trend in Average Total Medical Payment Per Lost Time Claim

Average Total Medical Payment % Increase Per Lost Time Claim - With Ten Year Projection Based on Current Trends
(Based on April 2009 WCRI Data)

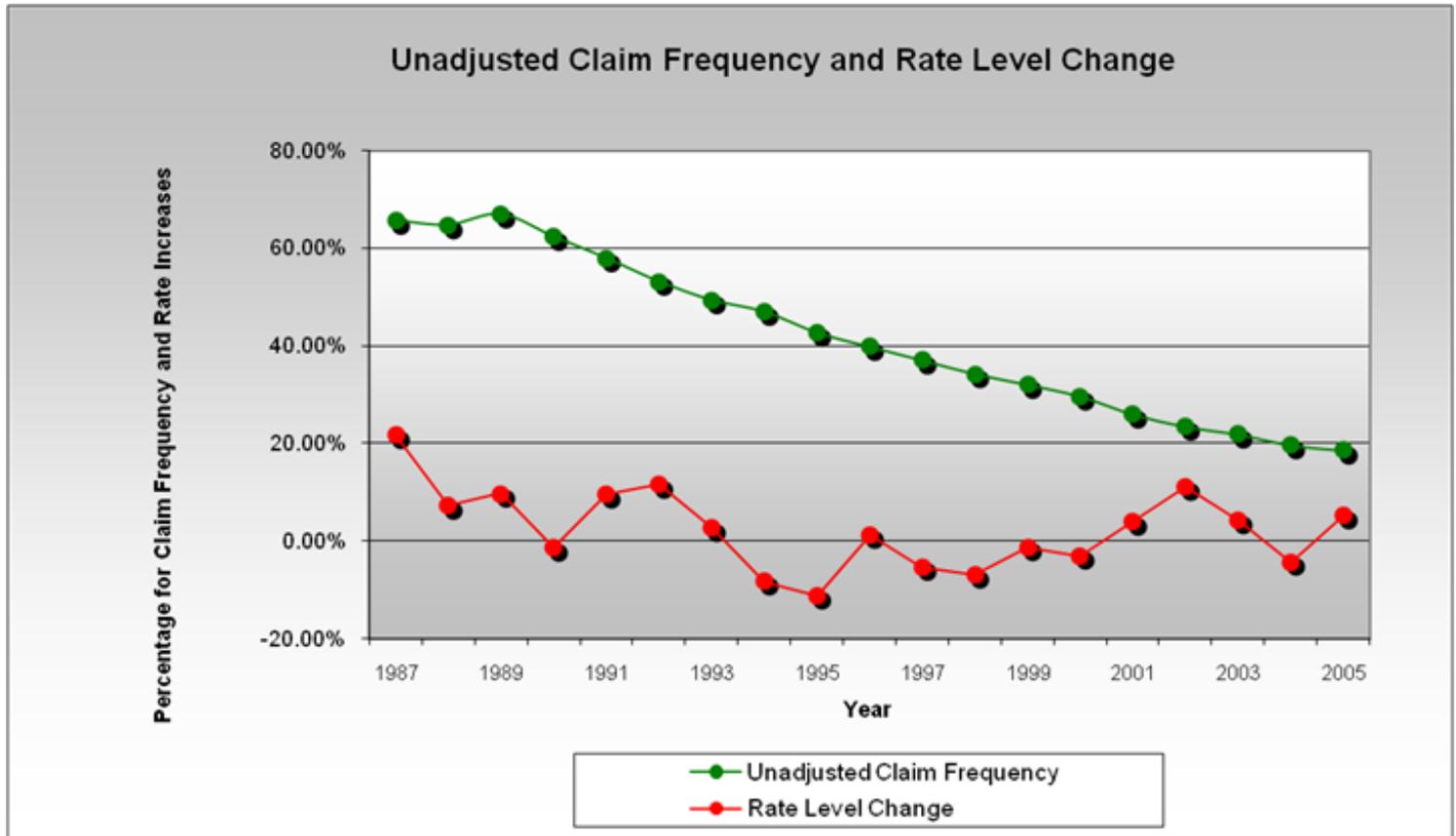


- Annual % Change 2005/2006 to 2006/2007
- Cumulative % Change 2001/2002 to 2006/2007
- Ten Year Projection @ Last Annual % Change

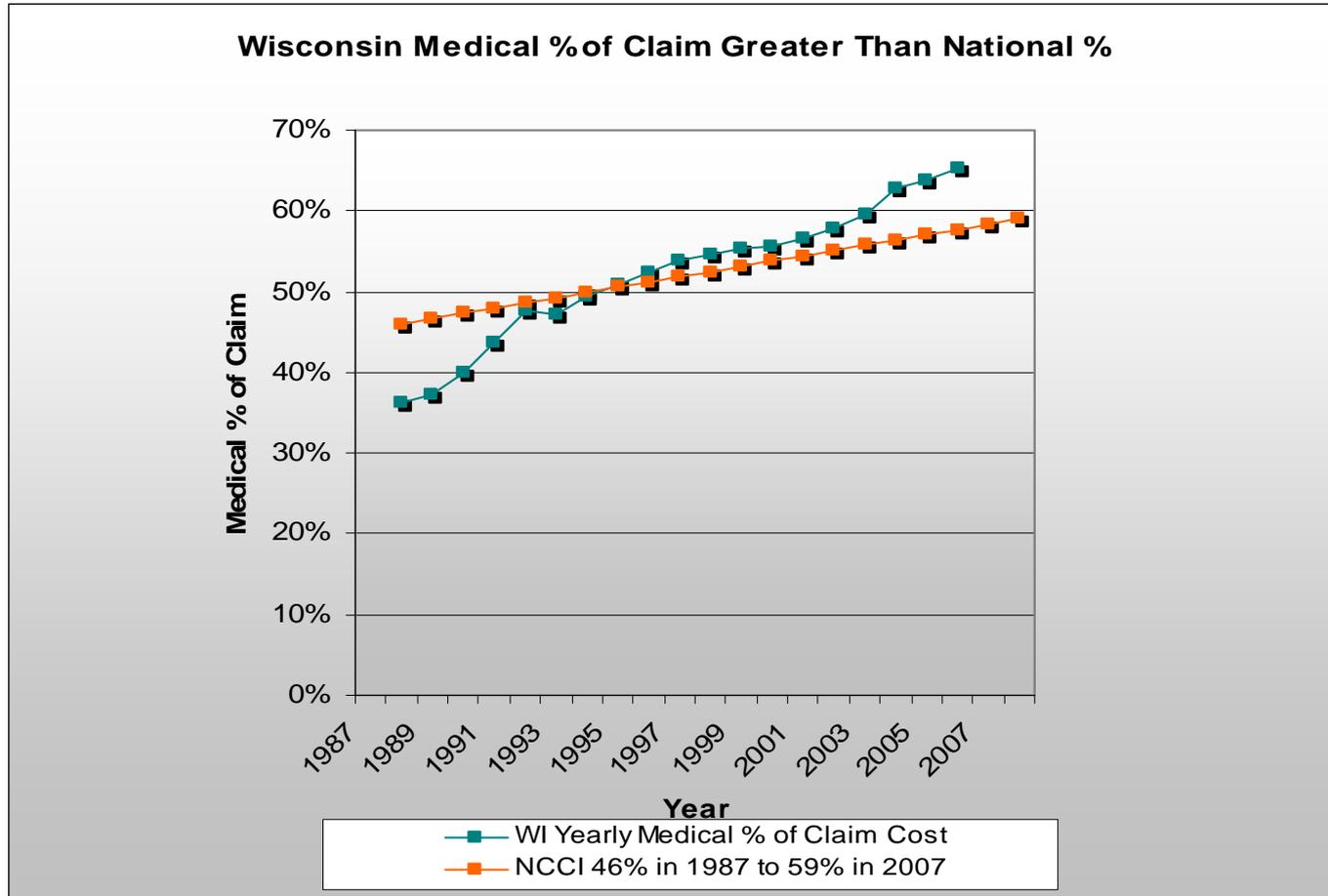
WCRB Historical Data: Medical Cost Per Claim Increasing Disproportionately Over Indemnity Cost Per Claim



Claims Frequency on Consistent Decline, While Rate Level Change Only Holding the Line



Wisconsin Medical Percentage of Claim Outpacing National Trend: Percentage Was Once Well Below National Trend.





Brief History and Basic Methodology

- WCAC has been debating the replacement of the certified databases with an actual fee schedule for many years.
- Management points to evidence of rapidly escalating medical costs per claim – and extremely high payments per procedure.
- WCRI evidence shows WI has most rapid % increase in total medical payments per lost time claim.
- Labor and others have raised concern over lack of baseline data; hence, WIA conducted a major medical data call.

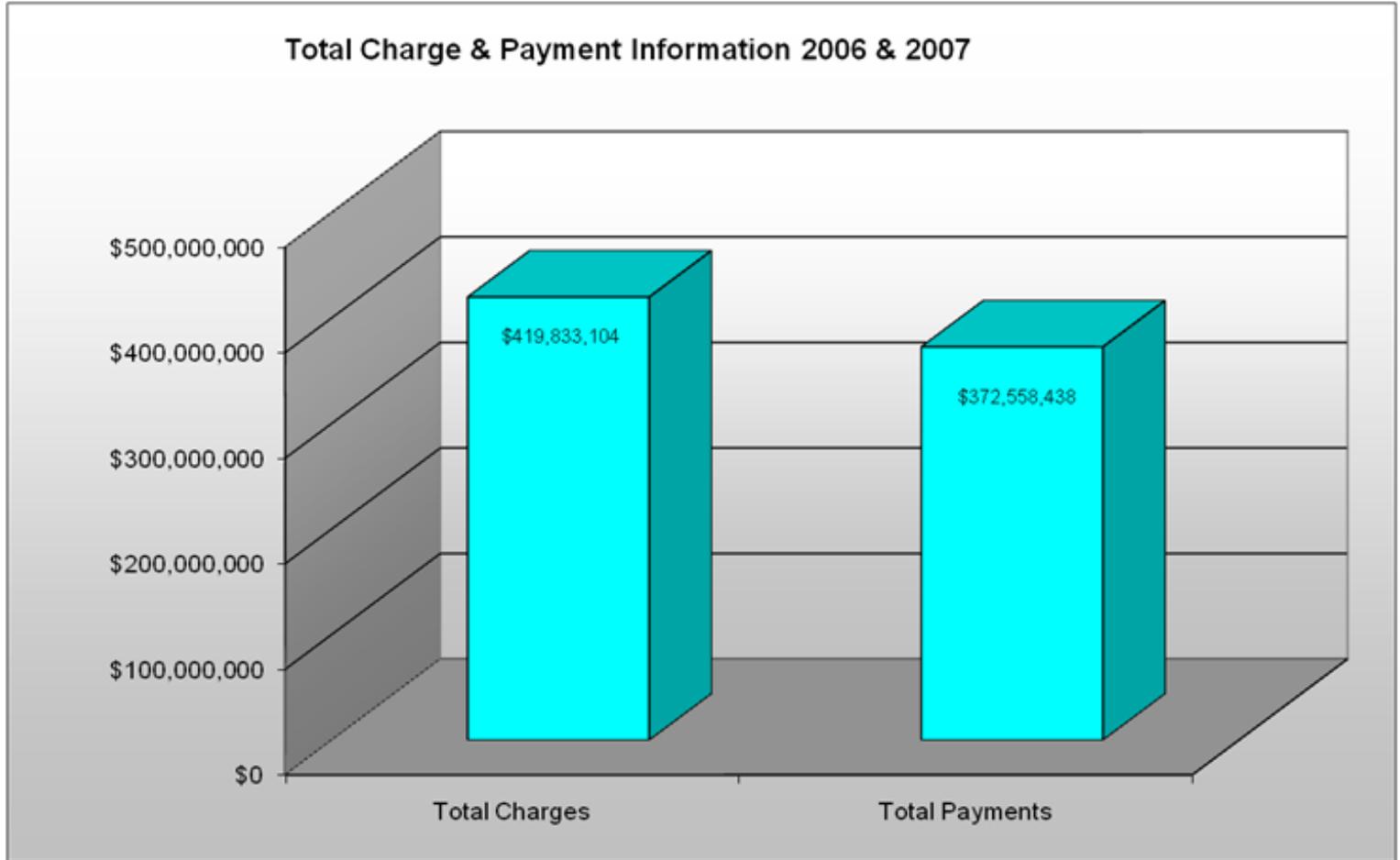


WIA Medical Data Call

- The WCRB (WIA) Medical Data Call requested medical charge and payment data for dates of service in 2006 and 2007.
- Similar to data call recently announced by NCCI to the same carriers.
- 42 carriers submitted files to WRCB.
- Files contained 1,218,358 bills:
 - Sample representative of Wisconsin charges;
 - Payments in sample covers about 1/3rd of medical charges paid in 2006.

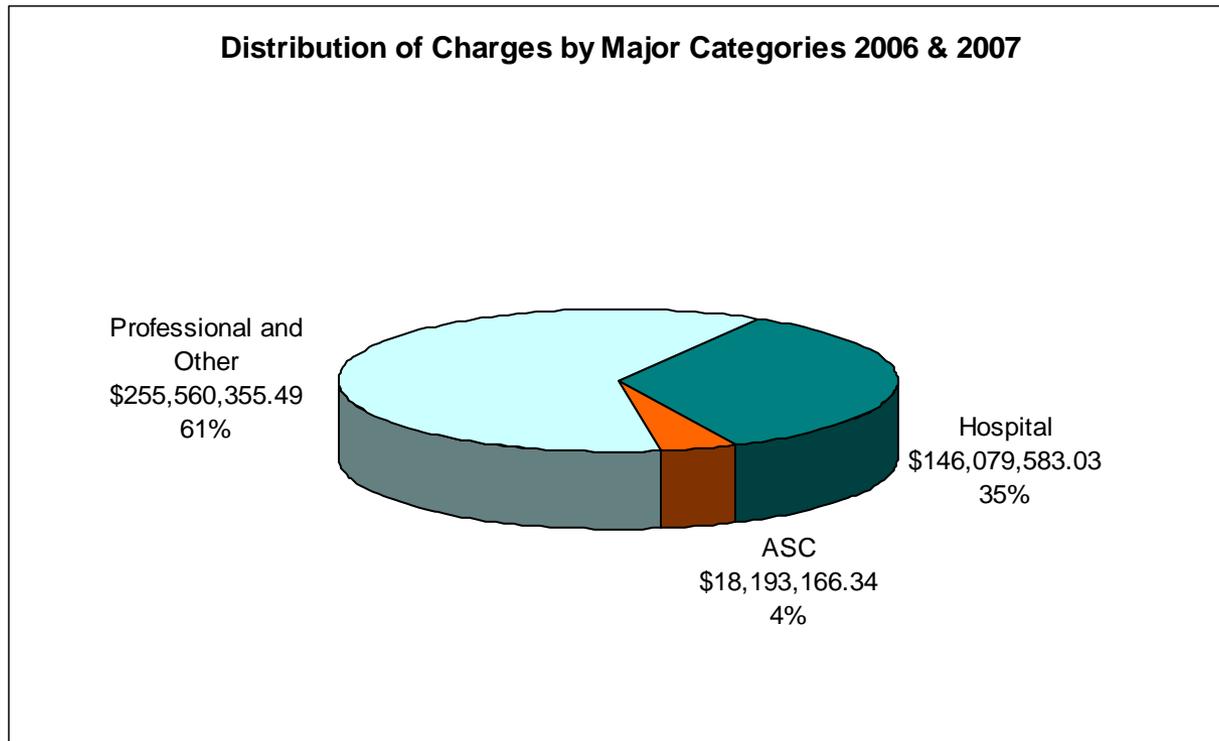


Total Charges and Payments in Study

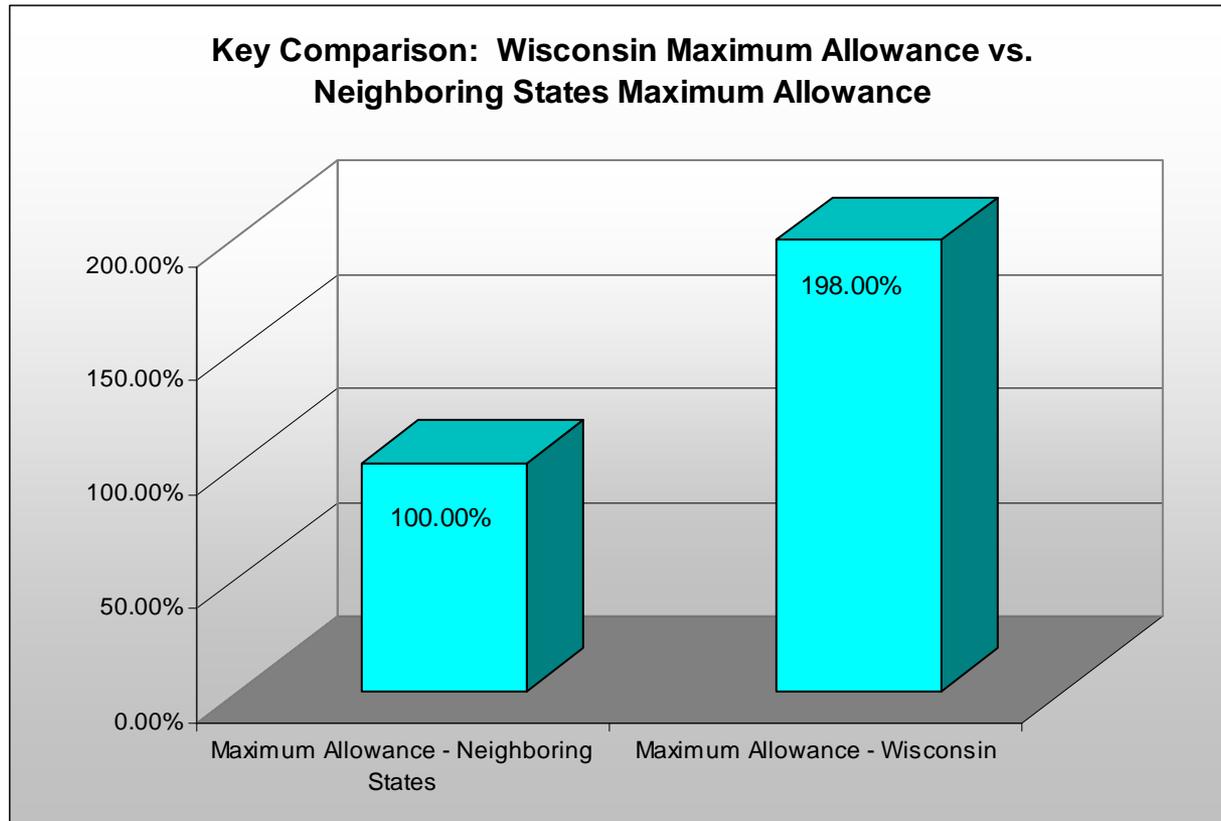




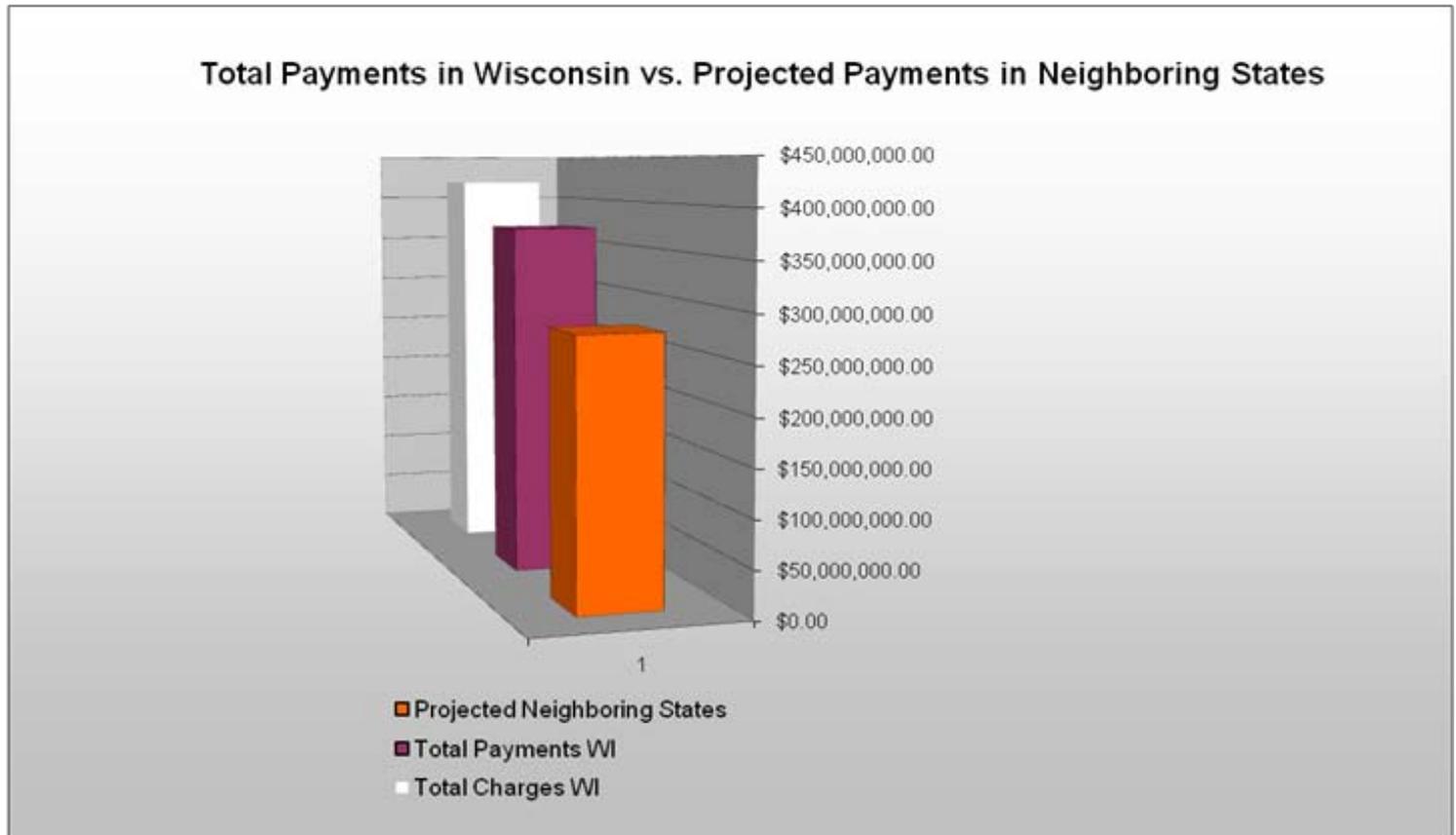
Distribution of Charges



Key Interstate Finding: Maximum Allowance in WI Nearly Double of Neighboring States

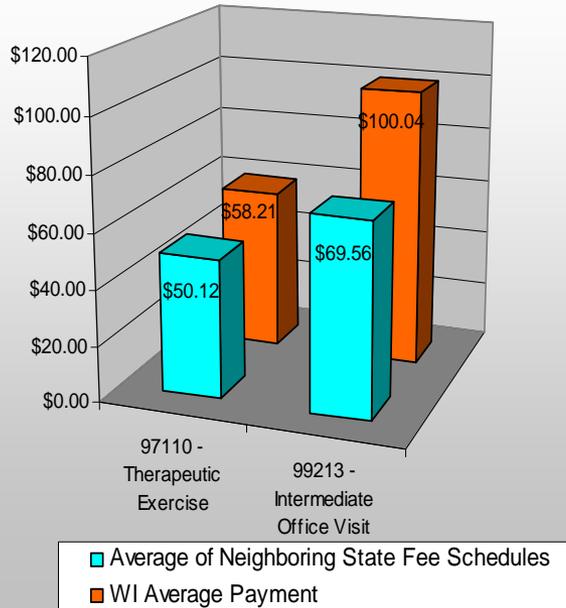


Wisconsin Payments if Maximum Capped At Average Fee Ceiling of Neighboring States

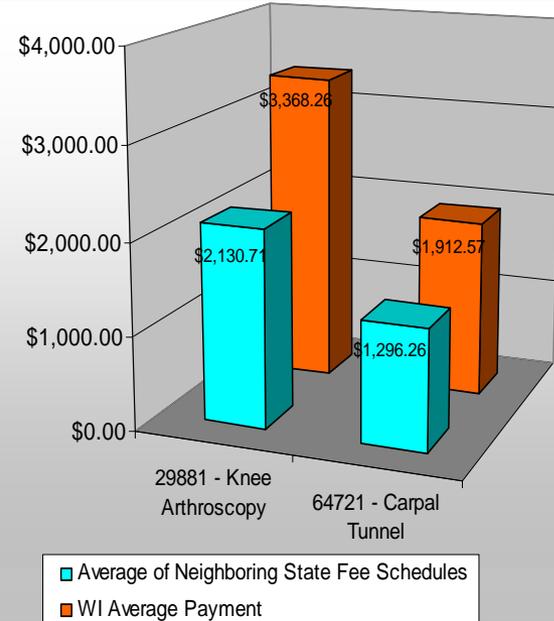


Interstate Findings – WI Payment Amounts vs. Neighboring State Maximums/Fee Schedule Amounts for Common Procedures

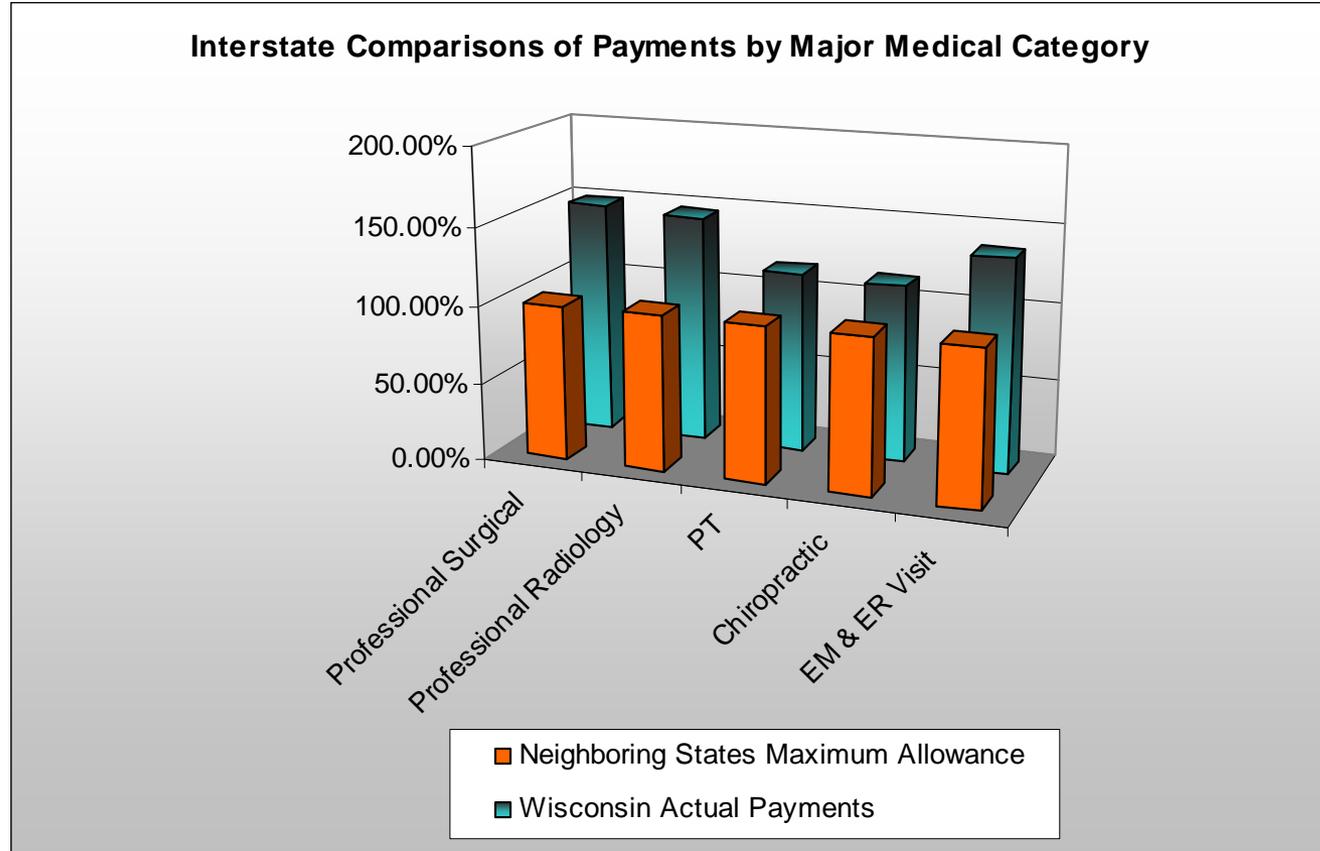
Payment Amount Comparisons: Wisconsin Average Payment vs. Neighboring State Maximum Payment



Payment Amount Comparisons: Wisconsin Average Payment vs. Neighboring State Maximum Payment

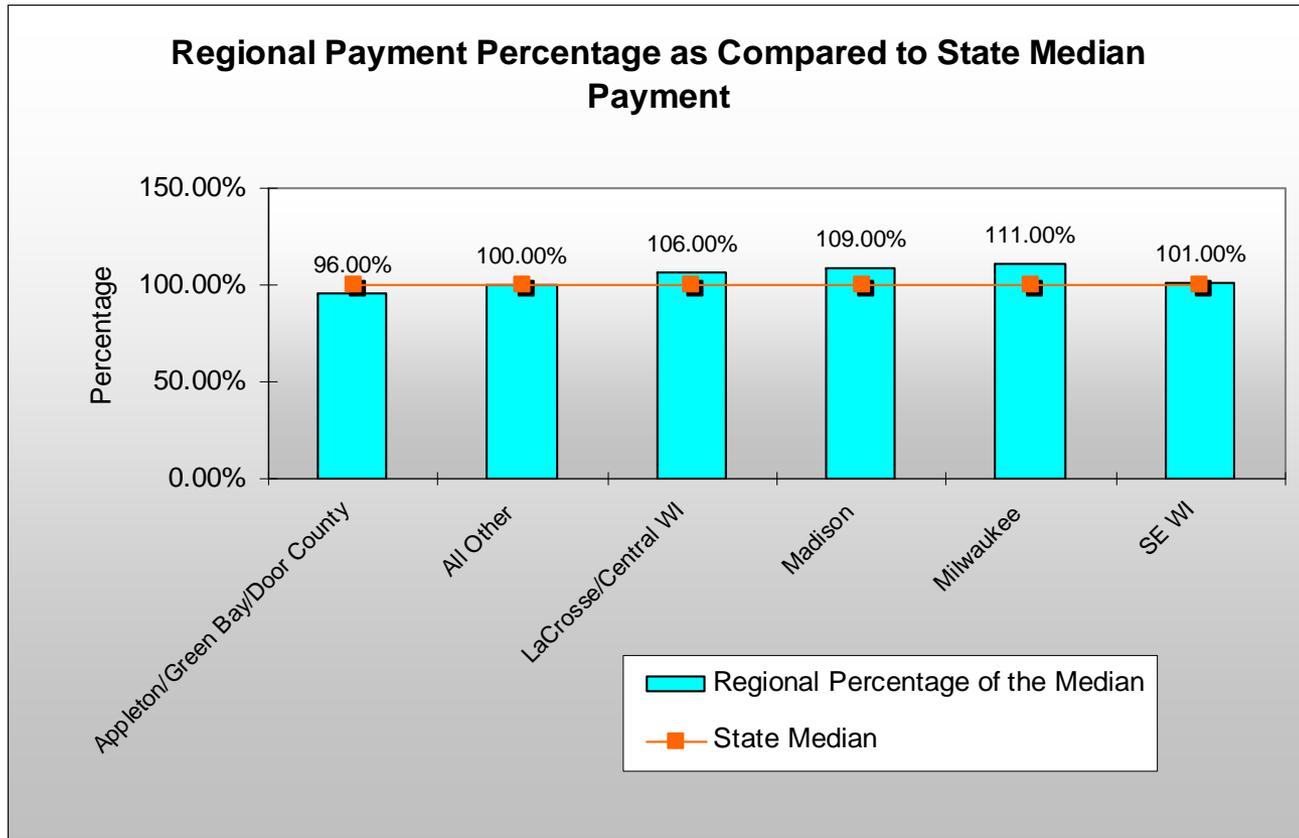


Wisconsin Payments Exceed Maximum Allowance of Neighboring States in All Major Categories

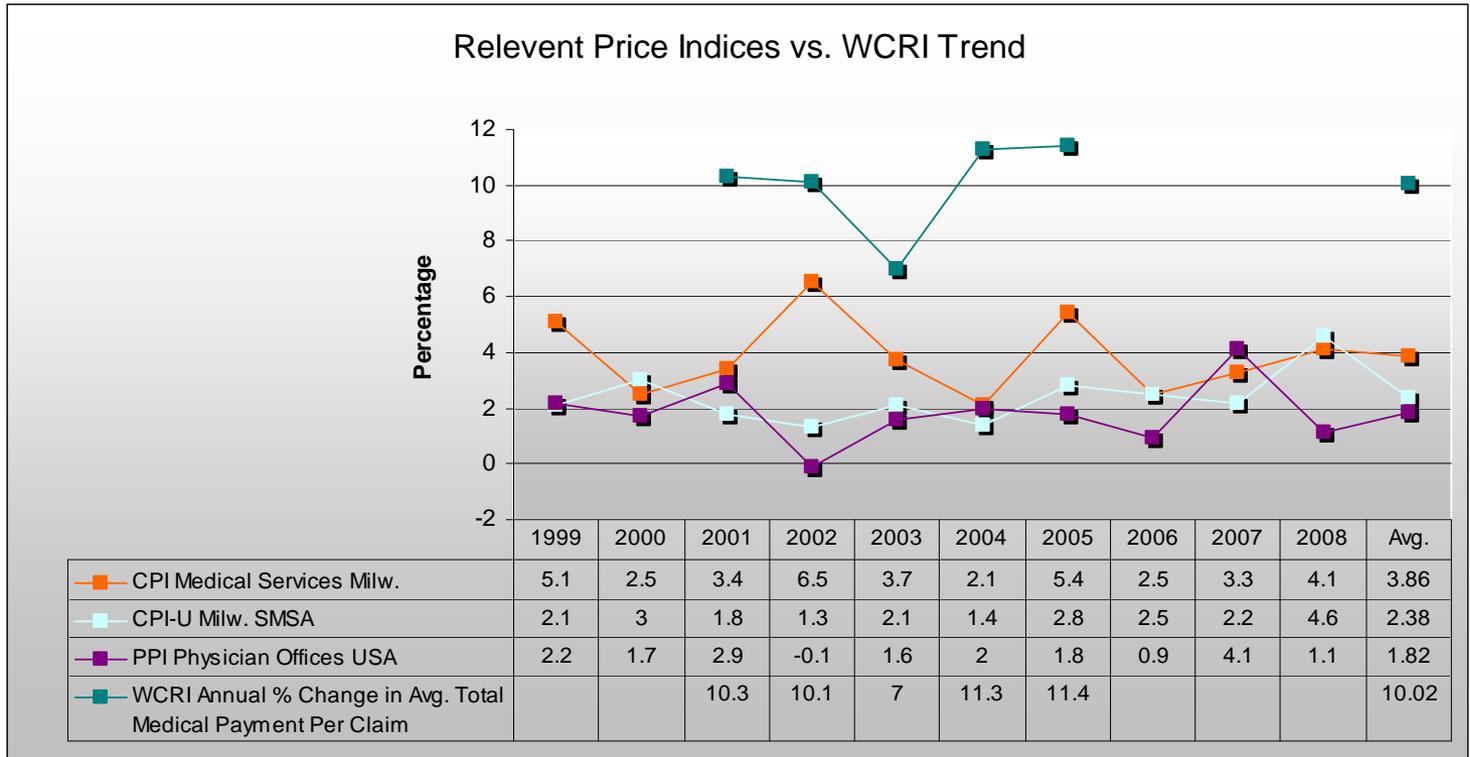


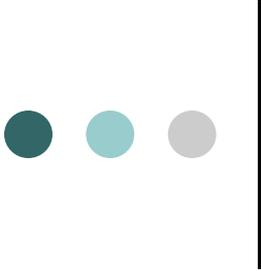


Regional/Intrastate Variations



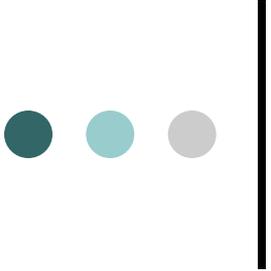
Total Medical Cost Per Claim Trend vs. Price Indices





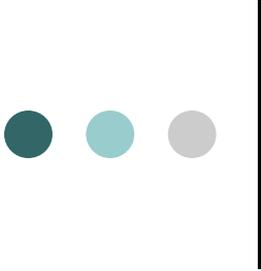
Benefits of Medical Fee Schedule

- Control medical cost increases.
- Provides transparent and universally accessible value for maximum fee to both payers and providers.
- Minimize the need for costly proprietary bill audits.
- Reduce fee disputes before the Workers' Compensation Division.



Fee Schedule Proposal

- Agreed Upon Bill will authorize promulgation of rule.
- Administrative Rules will address details including:
 - Formula amount;
 - Geographic considerations;
 - Annual increase;
 - DWD review and report.



Conclusion

- Current certified database system/formula amount is not holding down costs.
- Wisconsin's charges and payments are dramatically higher than neighboring states (on average).
- Wisconsin's medical cost per claim is increasing much more rapidly than indemnity cost per claim.
- The data call provides critical baseline data for the establishment of a fee schedule.
- The fee schedule will provide equitable payment, correct payment verification, and slow the growth of workers' compensation medical costs.