

Medical Cost Trends in the Texas Workers' Compensation System

Texas Department of Insurance
Workers' Compensation Research Group
August 2004

Purpose of This Analysis

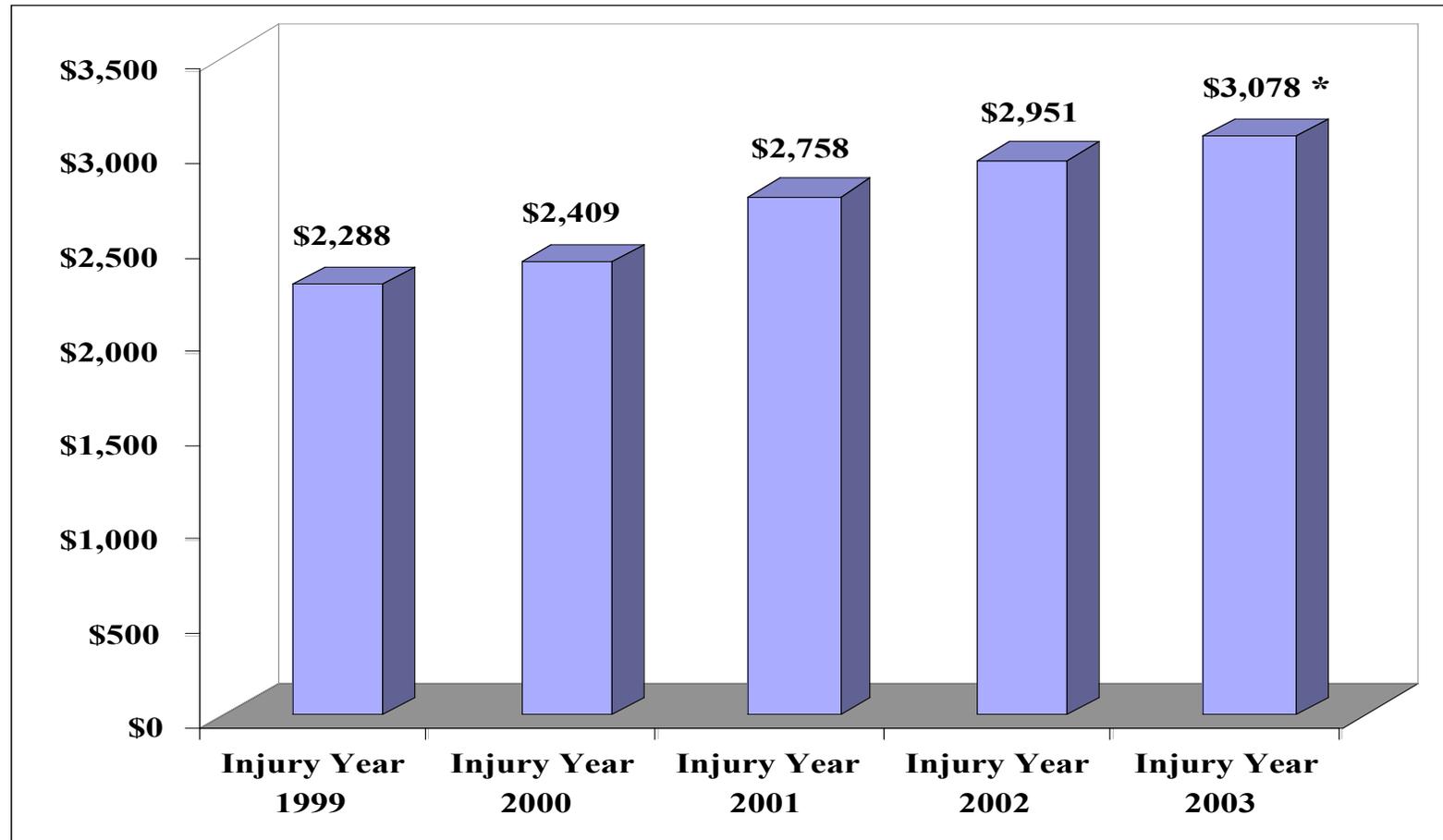
- To update the average medical cost per claim for all injuries through injury year 2003, one-year post injury; and
- To analyze the average medical cost per claim for specific types of injuries through injury year 2002, one-year post injury.

Data and Methods

- Data comes from Texas Workers' Compensation Commission (TWCC) medical database, as of April 2004.
- To ensure an “apples to apples” comparison, TDI grouped all diagnoses into diagnostic “buckets” according to a methodology prescribed by the American College of Occupational and Environmental Medicine (ACOEM).
- Average medical costs per claim for “all injuries” were calculated for injury years 1999-2003 at one-year post injury to ensure that all claims included in the analysis have the same claim maturity.
- Average medical costs for specific types of injuries were only calculated for injury years 1999-2002 at one-year post injury since diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

Key Medical Cost Findings for “All Injuries”

Average Workers' Compensation Medical Cost Per Claim, All Injuries, Injury Years 1999-2003, One-Year Post Injury



Source: Texas Workers' Compensation Commission, Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. * Average medical cost estimates for injury year 2003 should be considered preliminary until insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to the Texas Workers' Compensation Commission.

Average Workers' Compensation Medical Cost Per Claim, All Injuries, Injury Years 1999-2003, One-Year Post Injury

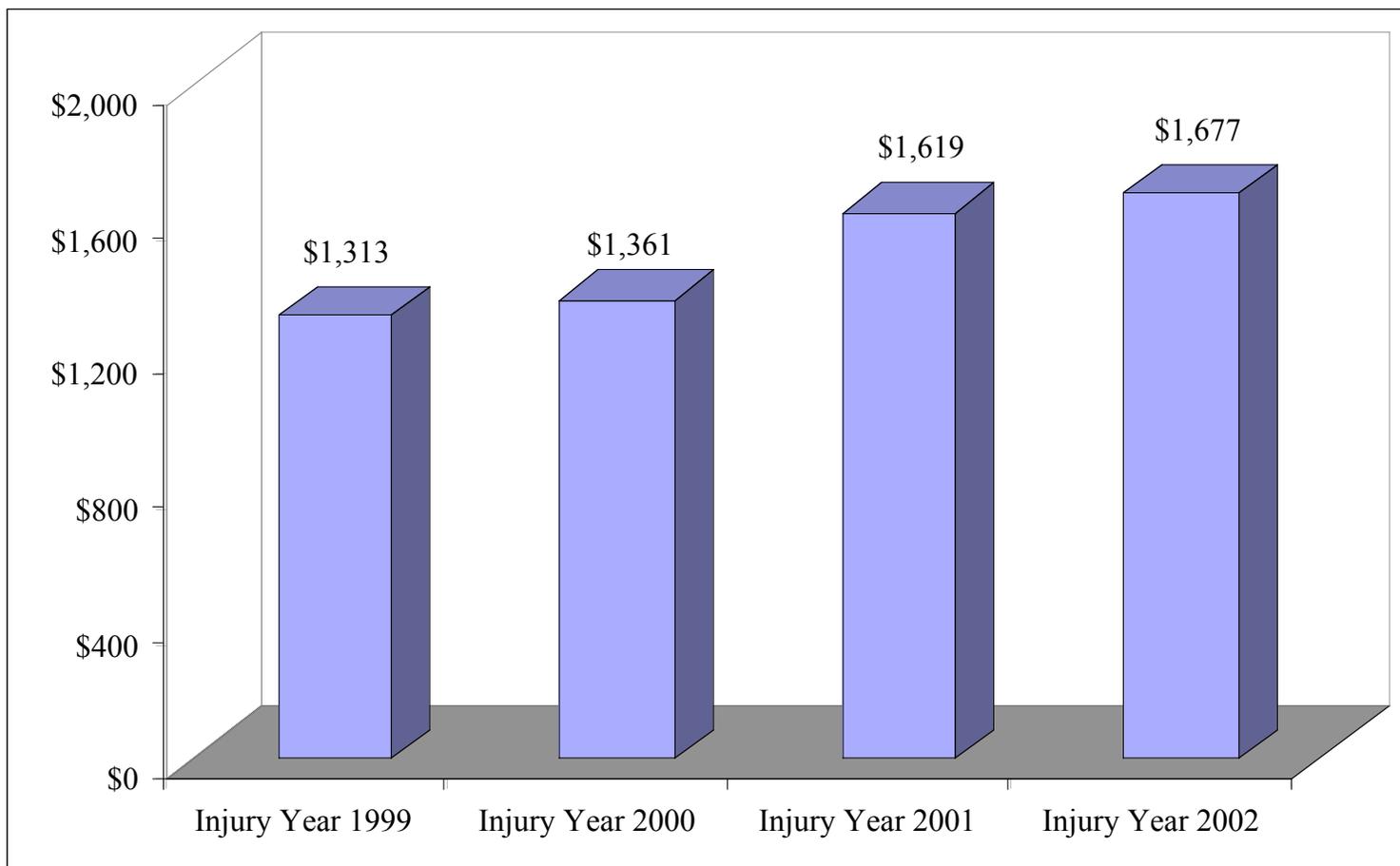
Injury Year	Average Medical Cost Per Claim	Average Annual Increase in Medical Costs
1999	\$2,288	
2000	\$2,409	+5.3%
2001	\$2,758	+14.5%
2002	\$2,951	+7.0%
2003*	\$3,078*	+4.3%*
Total medical cost increase from injury years 1999 to 2003		+34.5%

Source: Texas Workers' Compensation Commission, Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. * Average medical cost estimates for injury year 2003 should be considered preliminary until insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to the Texas Workers' Compensation Commission.

Key Medical Cost Findings for Specific Types of Injuries

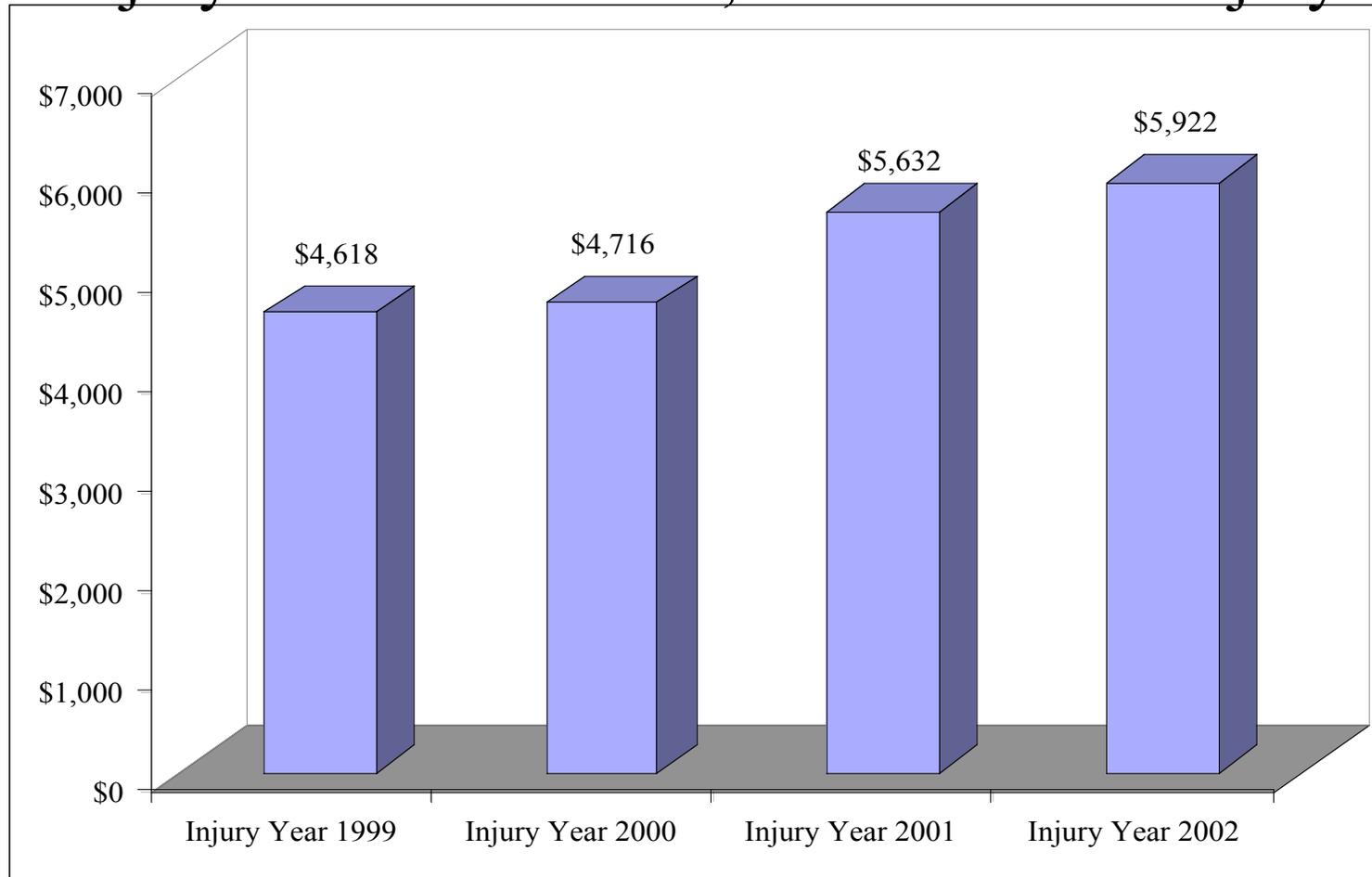
Average Workers' Compensation Medical Cost Per Claim, Ankle and Foot Soft Tissue Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

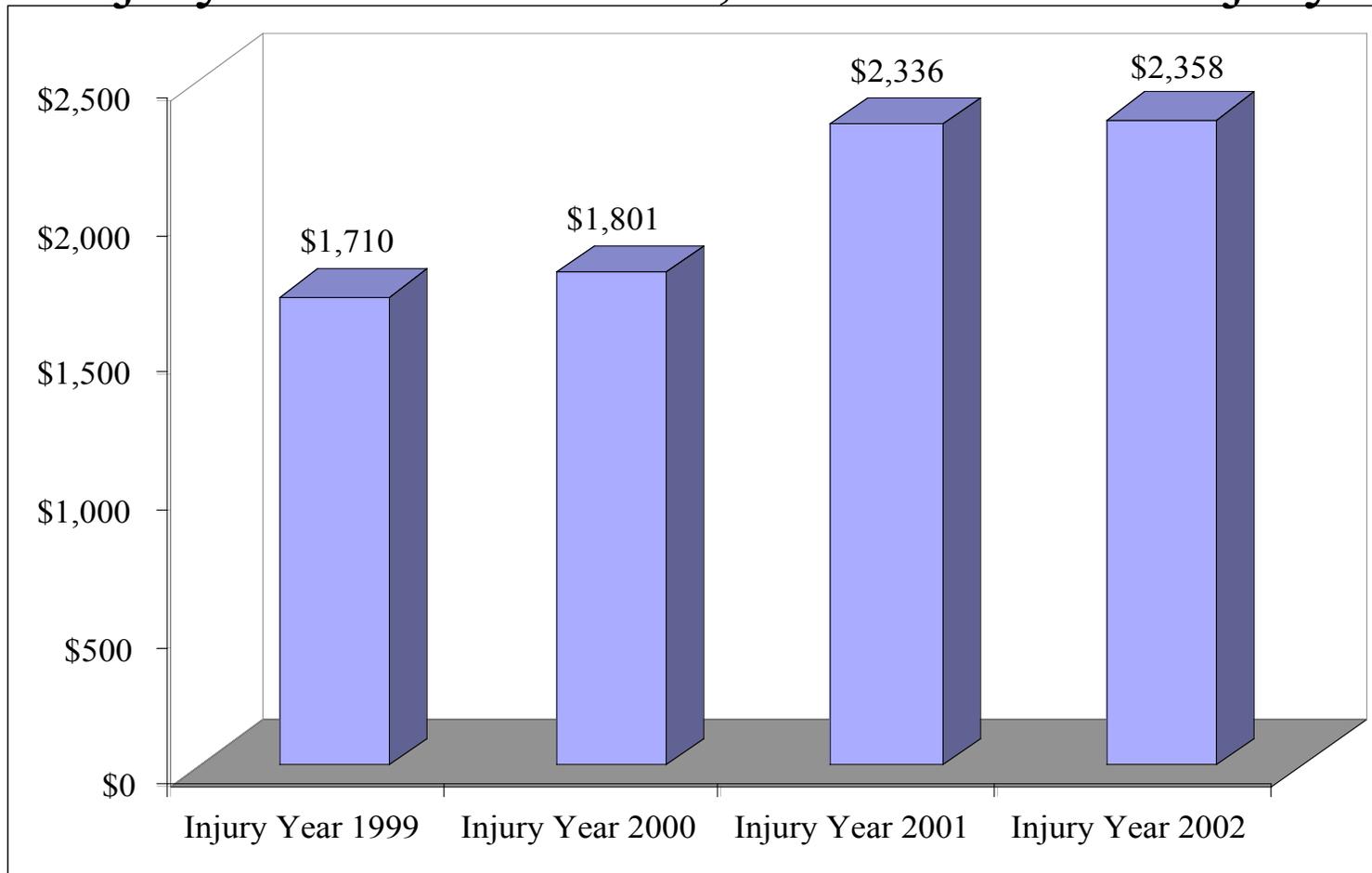
Average Workers' Compensation Medical Cost Per Claim, Hand and Wrist Nerve Compression Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

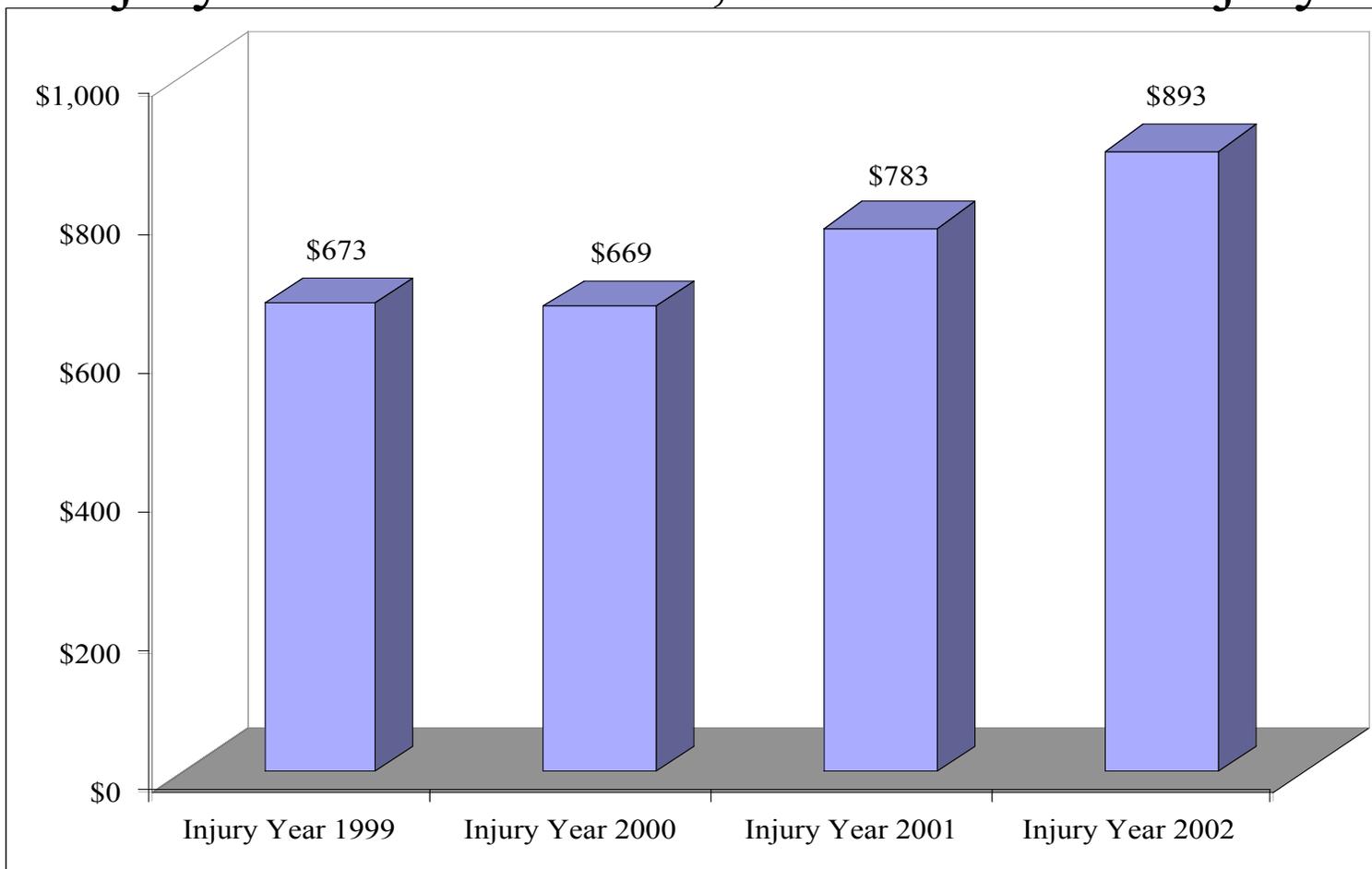
Average Workers' Compensation Medical Cost Per Claim, Hand and Wrist Soft Tissue Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

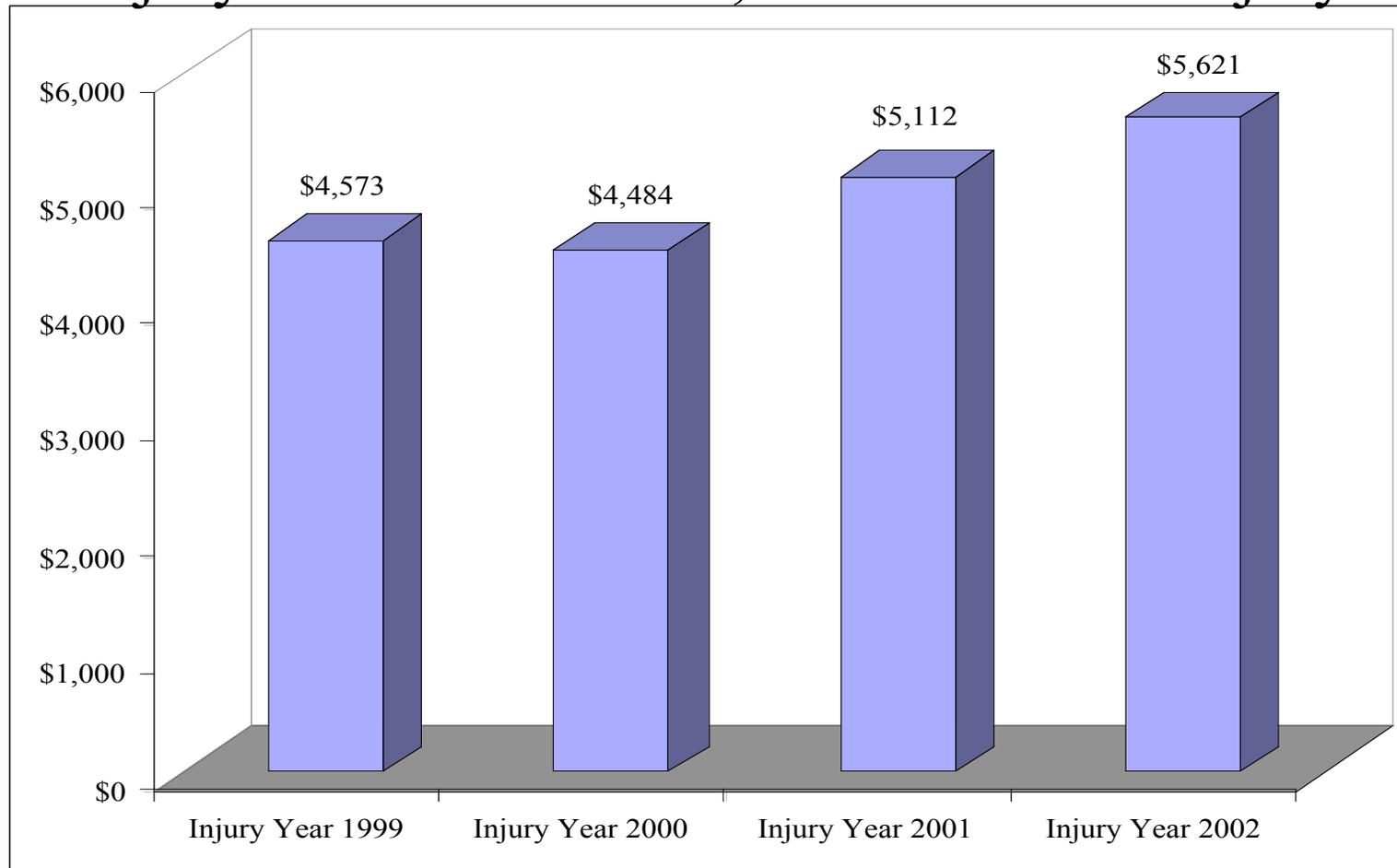
Average Workers' Compensation Medical Cost Per Claim, Hand and Wrist Superficial Trauma, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

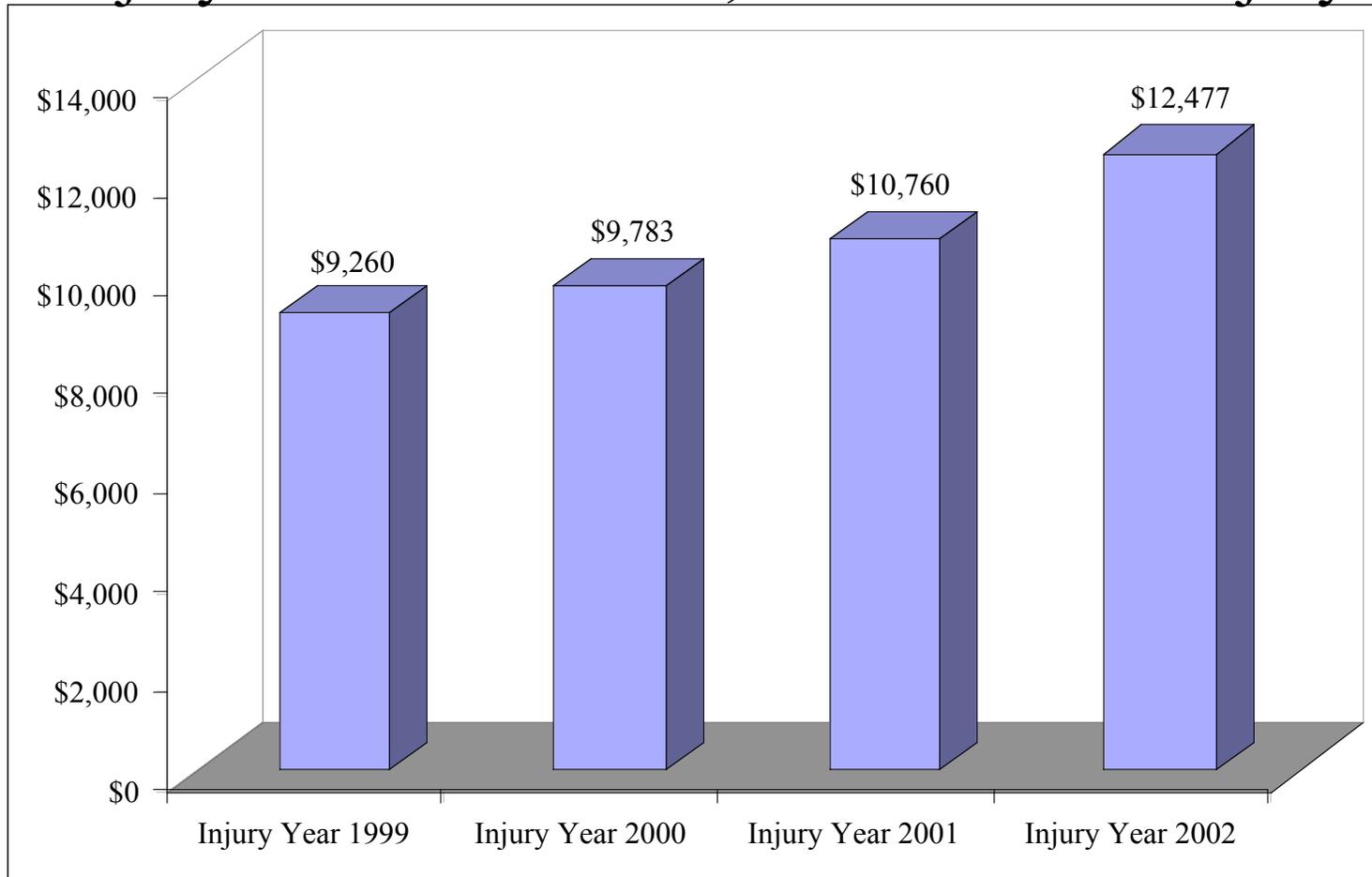
Average Workers' Compensation Medical Cost Per Claim, Knee Internal Derangement Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

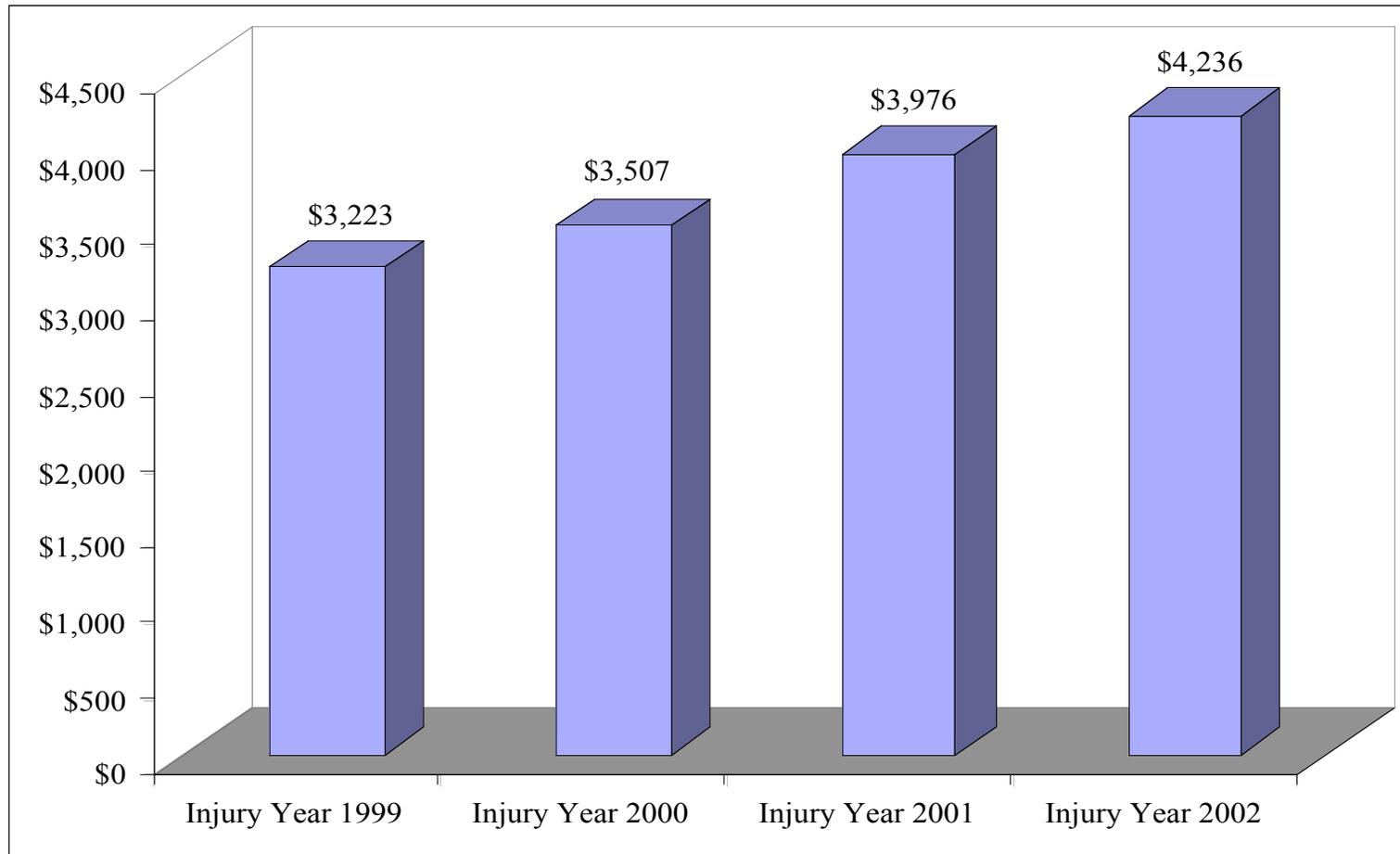
Average Workers' Compensation Medical Cost Per Claim, Low Back Nerve Compression Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

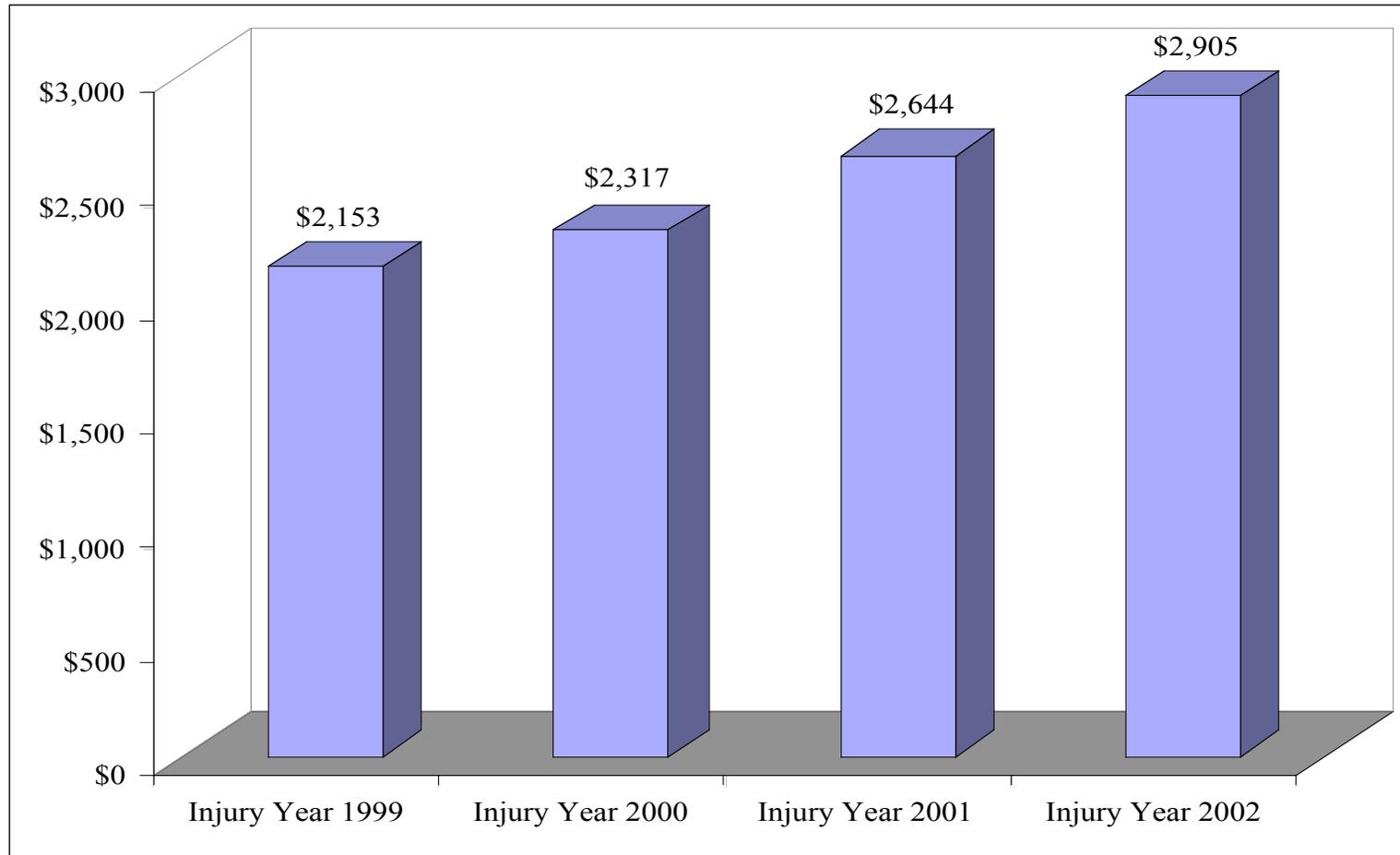
Average Workers' Compensation Medical Cost Per Claim, Low Back Soft Tissue Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

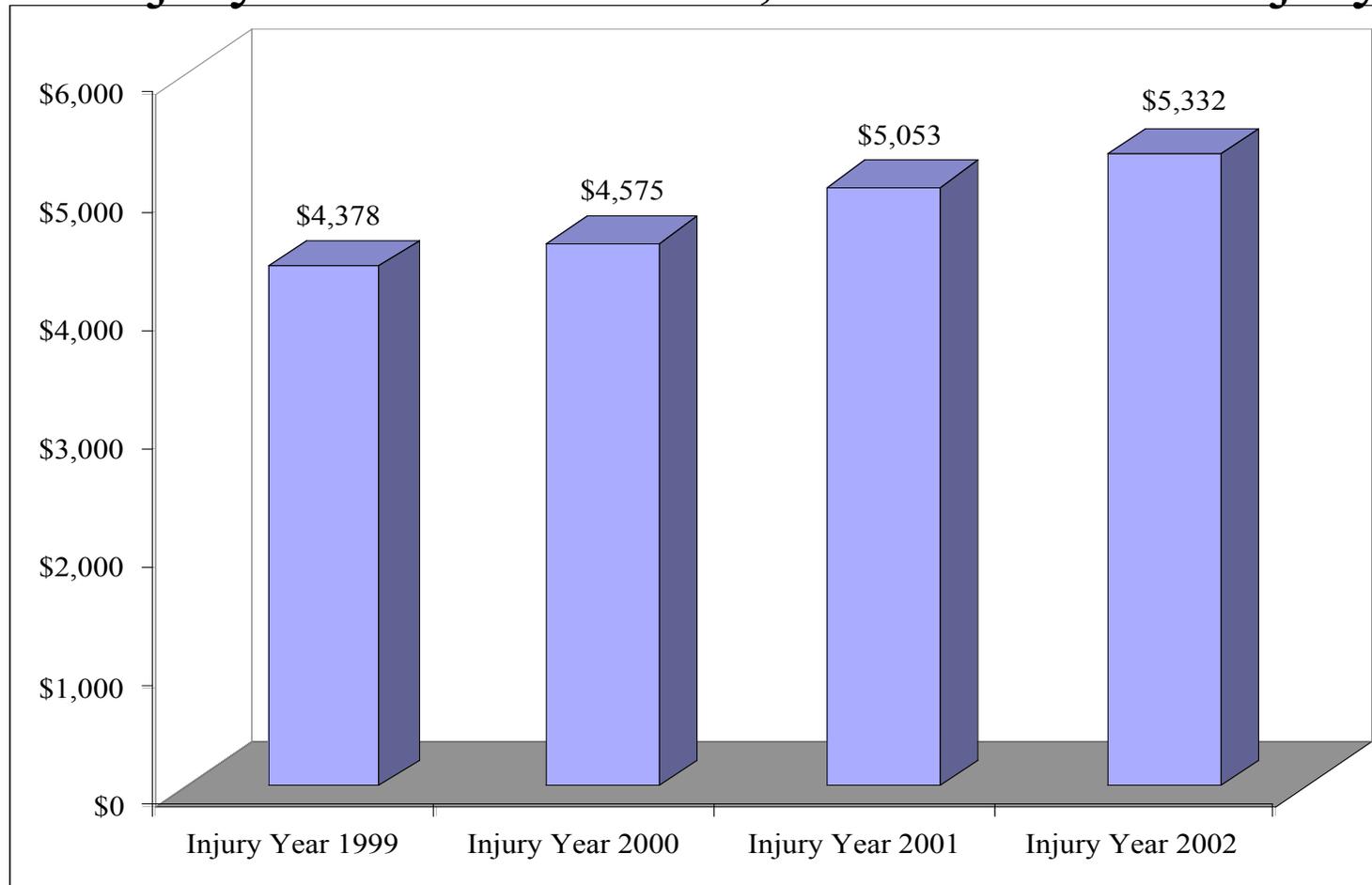
Average Workers' Compensation Medical Cost Per Claim, Multiple Body Parts Soft Tissue Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

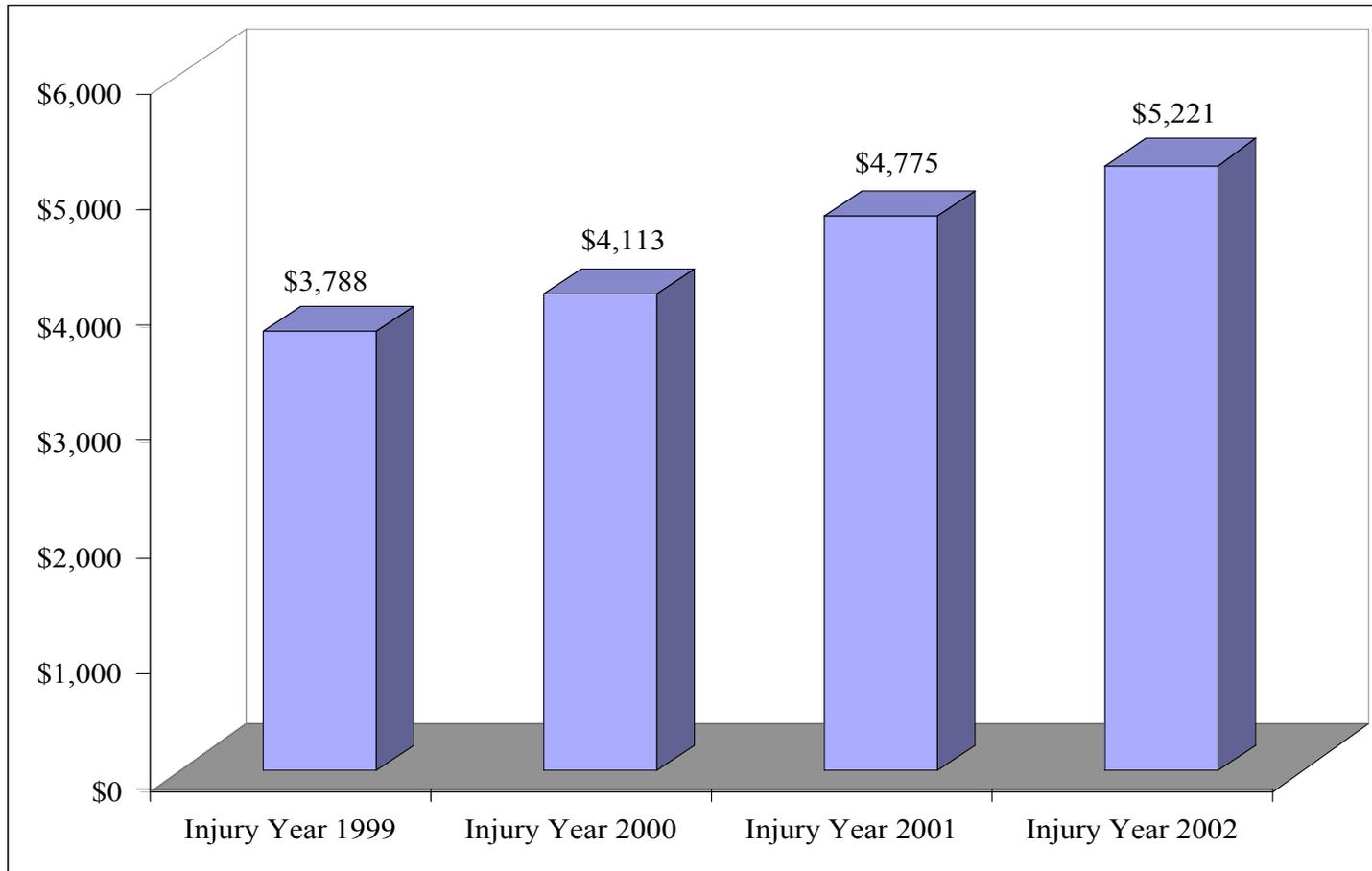
Average Workers' Compensation Medical Cost Per Claim, Neck Soft Tissue Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

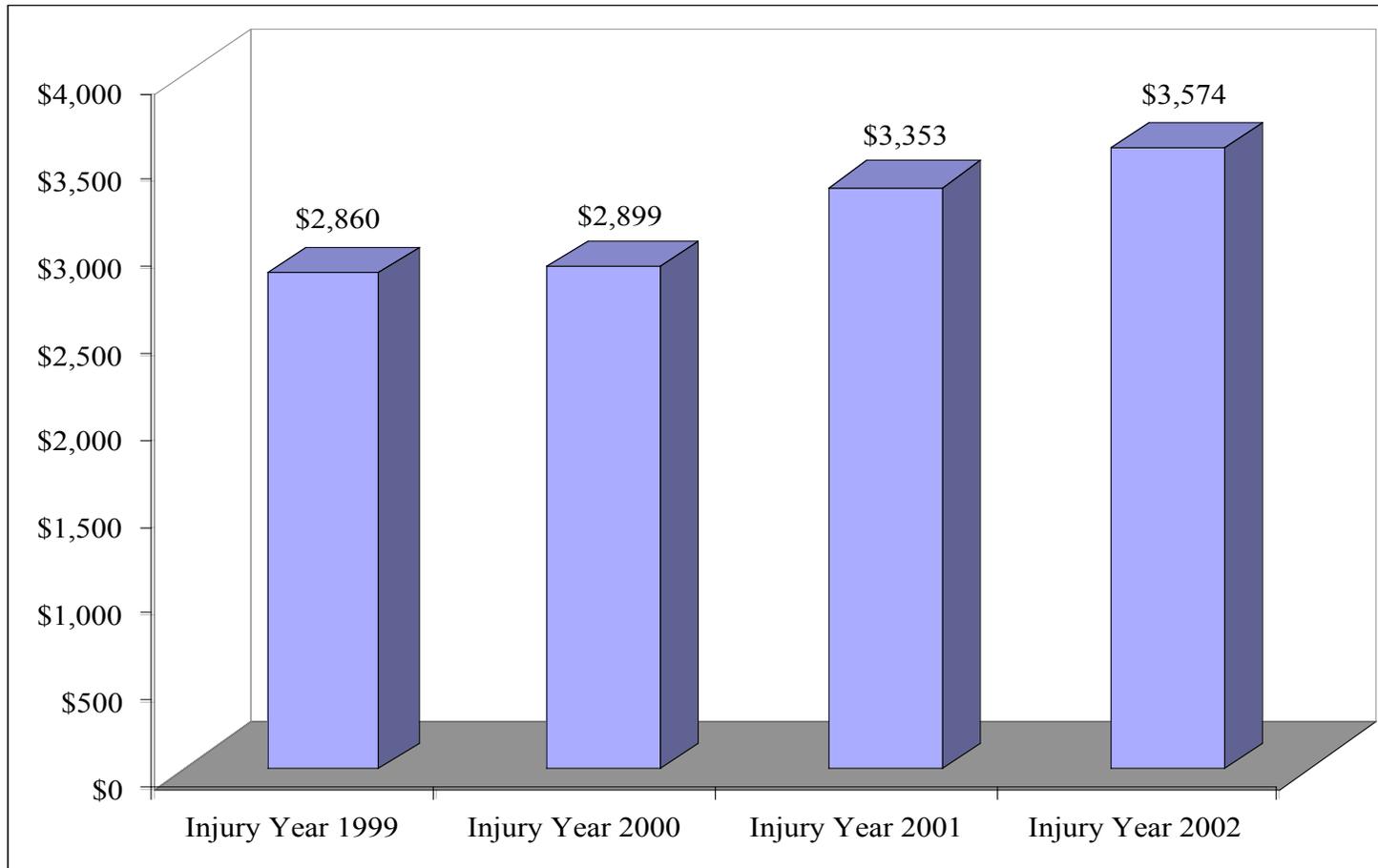
Average Workers' Compensation Medical Cost Per Claim, Shoulder Soft Tissue Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

Average Workers' Compensation Medical Cost Per Claim, All Other Injuries, Injury Years 1999-2002, One-Year Post Injury



Source: Texas Workers' Compensation Commission (TWCC), Medforms database, as of April 2004 and the Texas Department of Insurance, Workers' Compensation Research Group, August 2004.

Note: Average medical costs per claim do not include pharmacy costs. Average medical cost estimates for injury year 2003 are not included because diagnostic groupings may change once insurance carriers have submitted all remaining medical data pertaining to 2003 and 2004 medical services to TWCC.

Summary

- Based on the most recent TWCC medical data analyzed by TDI, the average medical cost per claim has increased approximately 35 percent from injury year 1999 to 2003, one-year post injury.
- This re-affirms the findings presented previously to this committee that medical costs per claim continue to be high.
- After analyzing the average annual increases in medical costs per claim, it appears that for injury years 2002 and 2003, there may be a trend towards reductions in workers' compensation medical cost inflation. TDI will continue to monitor these numbers as new data are submitted to TWCC.
- The possible reasons for those reductions in medical cost inflation have not yet been quantified, however they may be the result of stricter utilization review practices by insurance carriers, stricter insurance carrier reviews of claim compensability, and reductions in the TWCC Medical Fee Guideline (effective August 1, 2003).