

STATE ACTIVITY REPORT



2017

Pennsylvania Compensation Rating Bureau

Workers Compensation State Activity Report for Pennsylvania

The Pennsylvania Compensation Rating Bureau's (PCRB) is proud to publish its second annual **State Activity Report** which provides a high level review of workers compensation information underlying the Pennsylvania 2018 Loss Cost Filing and other data analyses initiated in 2017.

This book follows the same format as last year to allow for annual comparisons. The **State Activity Report** is intended to be one of several resources available to stakeholders, including regulators, to provide annual assessments and insights into the activities occurring in the Pennsylvania workers compensation system.

For further insights on the Pennsylvania workers compensation marketplace and the PCRB, please visit our website at www.pcrb.com, to check out the reports recently published on the year in review.



The Year in Review - 2017

NEWS

- PA Supreme Court Decision in Protz v. WCAB (Derry Area School District)
- Anniversary Rating Date Eliminated
- State Medical Activity Reports Published
- Carrier Medical Data Analytics Reports
- WC Data Pro Carrier Benchmarking Product
- Code 888 Homeowners Association established

FILINGS & RESULTS

- +0.70% Annual Loss Cost Filing Approval
- +6.06% Protz Loss Cost Filing Approval
- -12.4% "F" Class Rate Filing
- \$2.7 Billion Standard Earned Premium
- 99.5% Combined Ratio

DATA COLLECTION

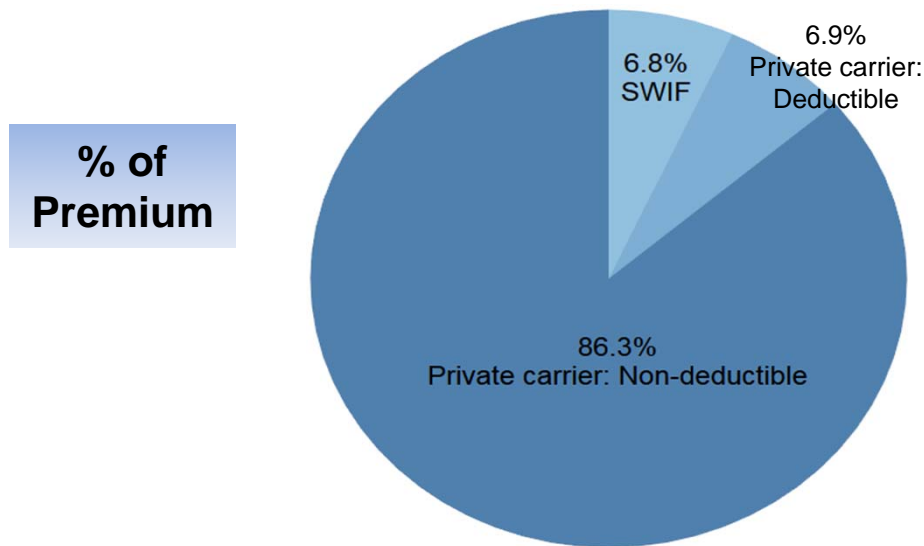
- 921,417 Policy Documents
- 304,052 USRs
- 6,123,317 Medical Data Call Transactions
- 1,053 Financial Calls

OPERATIONAL

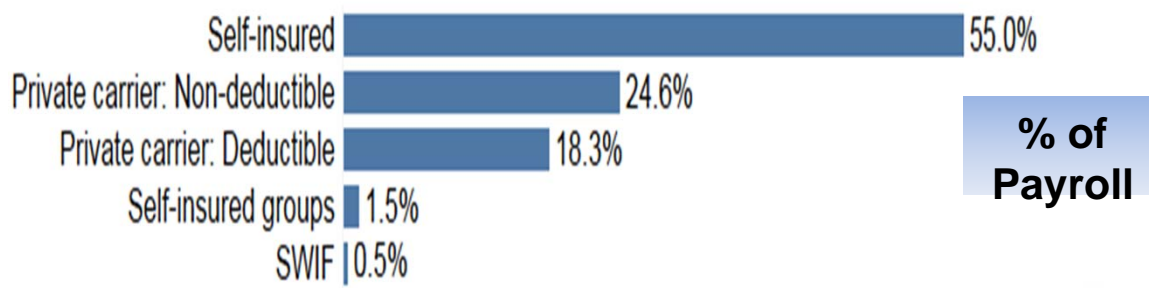
- 1,504 Employer Surveys
- 4,808 Classification Inquiries
- 3,461 Test Audits
- 1,737 PCCPAP Credits
- 6,678 Certified Safety Credits
- 23 PCRB Circulars Published on various WC Topics
- System Reengineering Project Continues

Pennsylvania Market Share

In Pennsylvania, employers are required to secure their liability through private insurance, a state fund, self-insurance, or self-insured groups. The State Workers' Insurance Fund (SWIF) operates as an enterprise fund within the Department of Labor & Industry that guarantees workers compensation insurance coverage to many Pennsylvania companies. The PCRB collects data from all private insurance carriers that write workers compensation business in Pennsylvania, including SWIF.

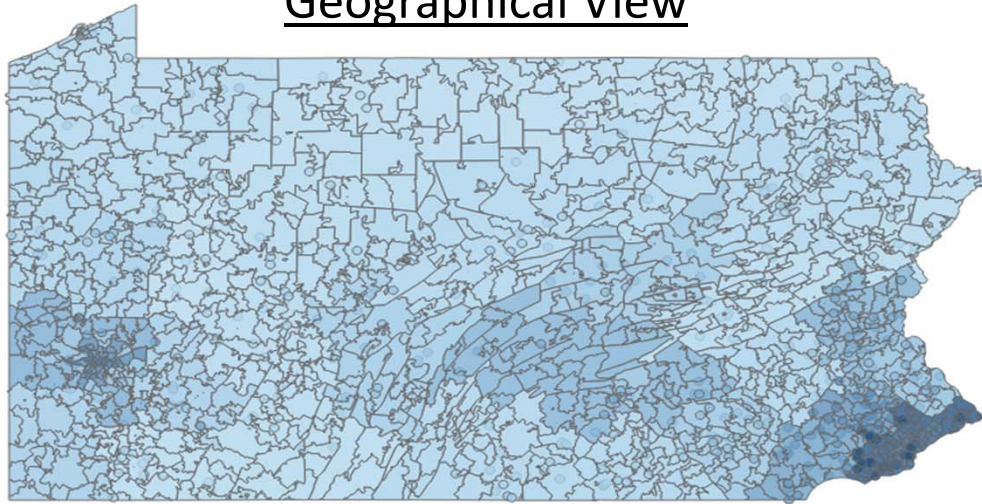


Employers that choose to apply for self-insured status or join a certified group self-insurance fund are not required to report any data to the PCRB. For this exhibit, the PCRB partnered with the Department of Labor & Industry to bring you information about the complete market.



Workers Compensation Premium

Geographical View



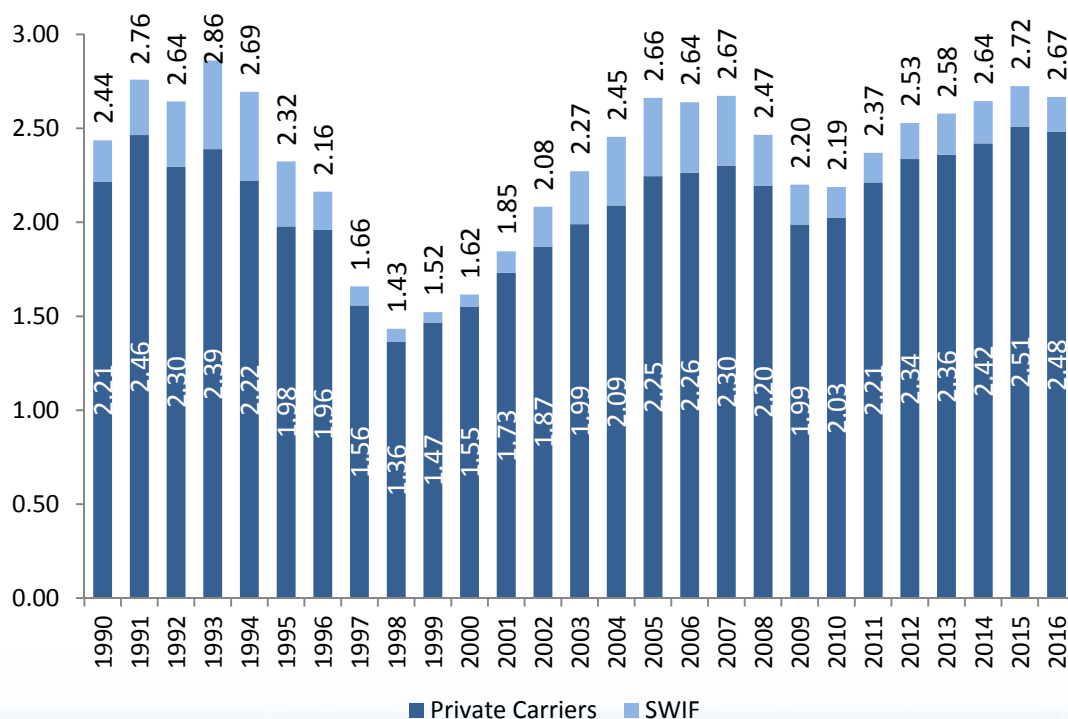
Standard Earned Premium @ Bureau Level



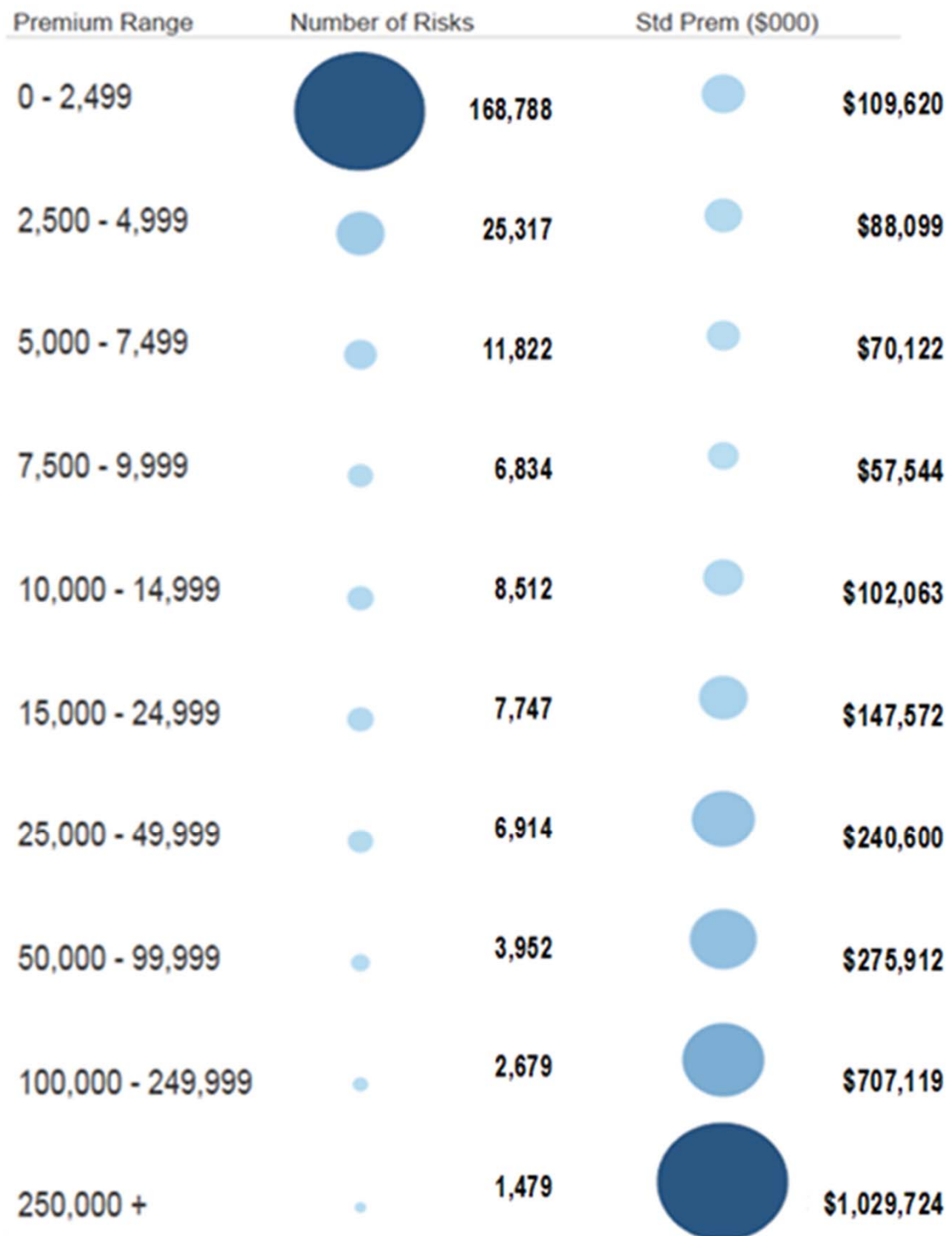
\$15,672

\$243,133,677

Historical View

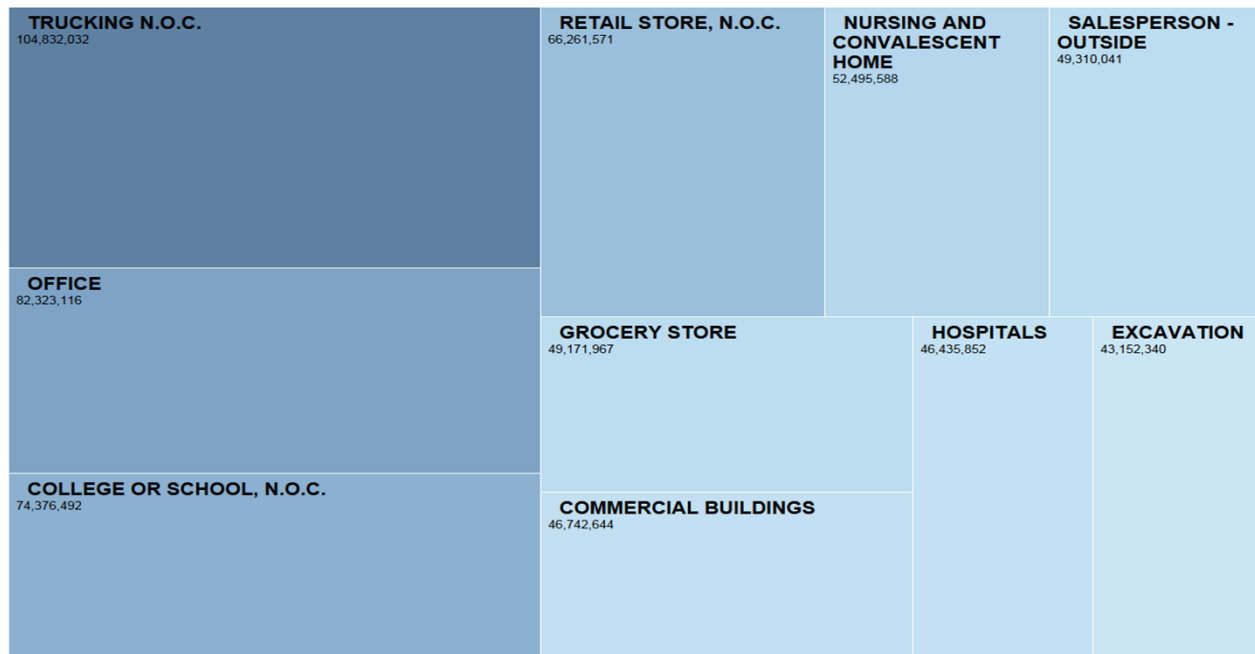


Premium Demographics

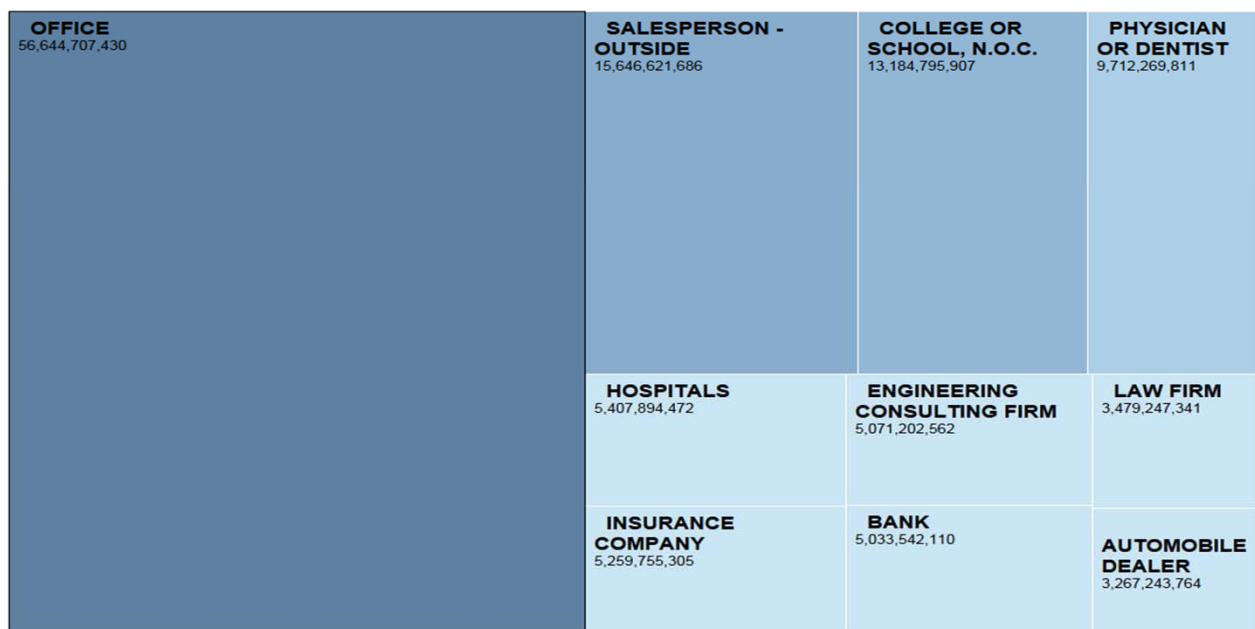


Premium & Payroll by Classification

Top 10 Classes by Premium (\$)



Top 10 Classes by Payroll (\$)



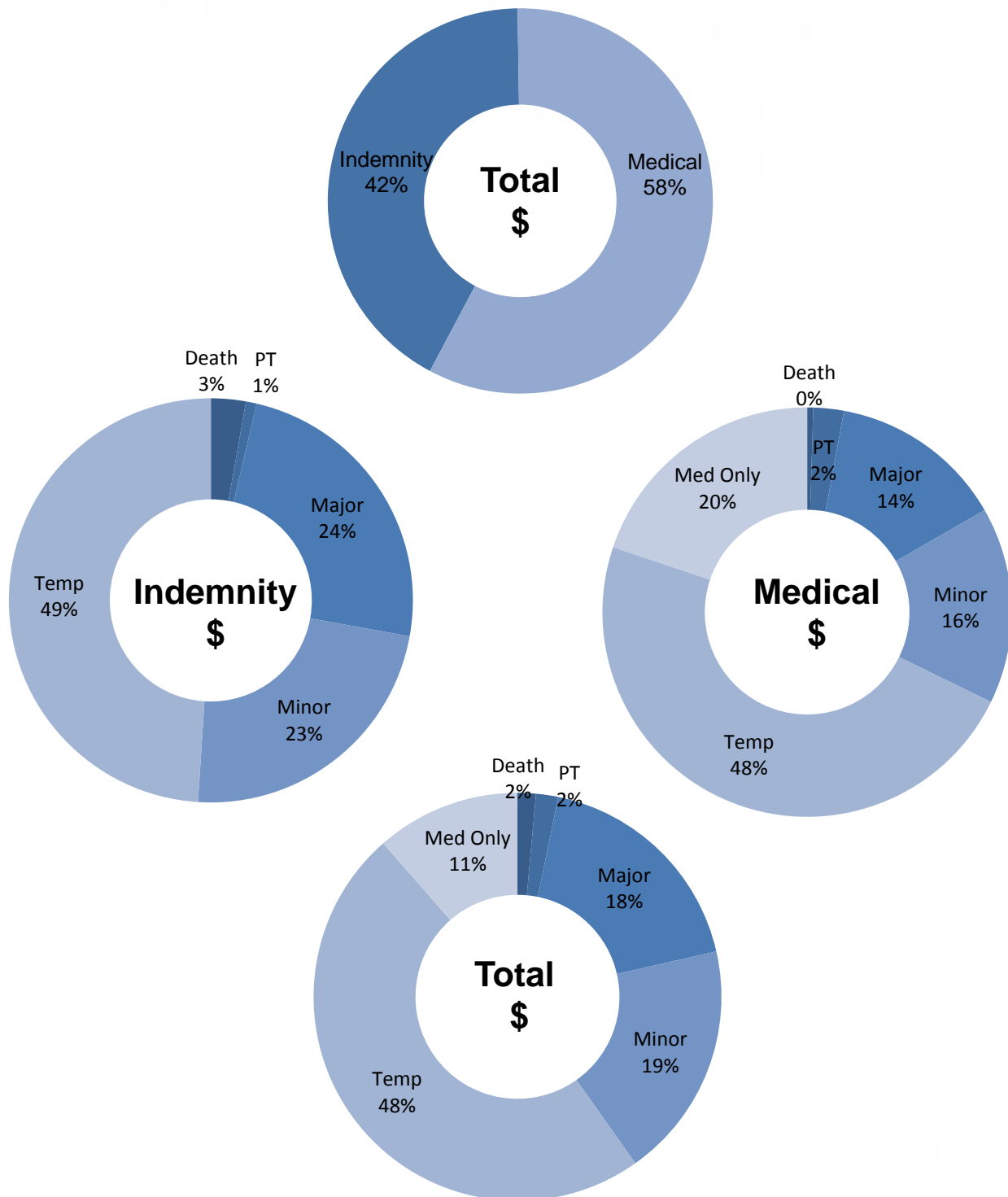
The top 10 classes by premium represent 49% of all premium and 22% of all payroll. The top 10 classes by payroll represent 59% of payroll and 13% of premium. Office, Salesperson – Outside, College or School, N.O.C. and Hospitals are classes included in both categories.

Claim Count & Losses by Classification

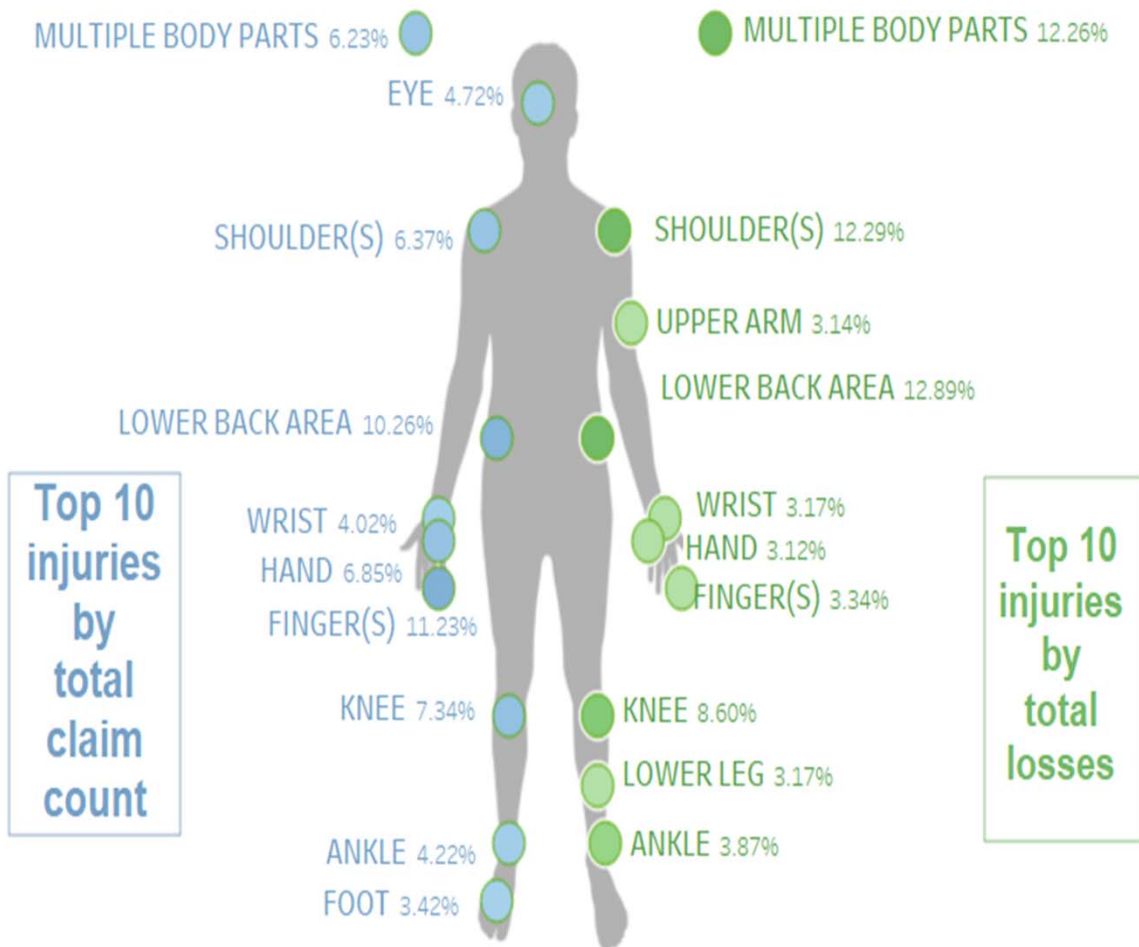
These are the top 10 classes by number of lost time claims. They represent 25% of claims and 22% of losses. The average loss for these classes varies from \$28,687 for Restaurant, N.O.C. to \$55,555 for Trucking. Eight of these classes also are in the top 10 classes by dollars of loss.

	# Claims	\$ Loss	Average \$ Loss
TRUCKING N.O.C.	1,381	76,721,234	55,555
COLLEGE OR SCHOOL, N.O.C.	1,194	43,717,147	36,614
RETAIL STORE, N.O.C.	897	31,211,251	34,795
GROCERY STORE	793	26,556,200	33,488
OFFICE	752	40,847,373	54,318
RESTAURANT, N.O.C.	671	19,248,813	28,687
HOSPITALS	652	25,624,621	39,302
AUTOMOBILE DEALER	594	24,533,628	41,302
AUTOMOBILE SERVICE CENTER	584	25,832,557	44,234
COMMERCIAL BUILDINGS	583	25,854,252	44,347
ALL OTHER	24,609	1,190,484,107	48,376

Indemnity and Medical Splits



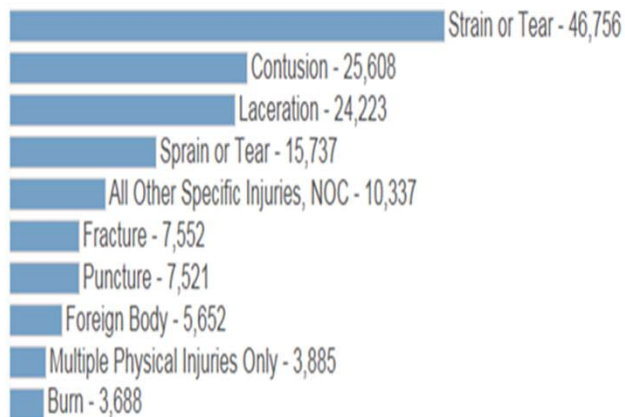
Injury Description Distribution



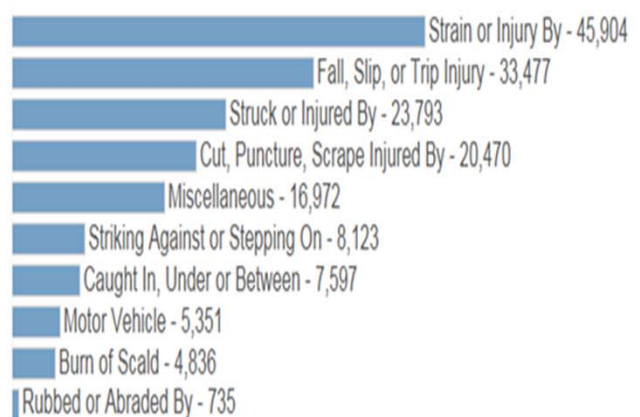
Top 10 injuries by total claim count

Top 10 injuries by total losses

Nature of Injury

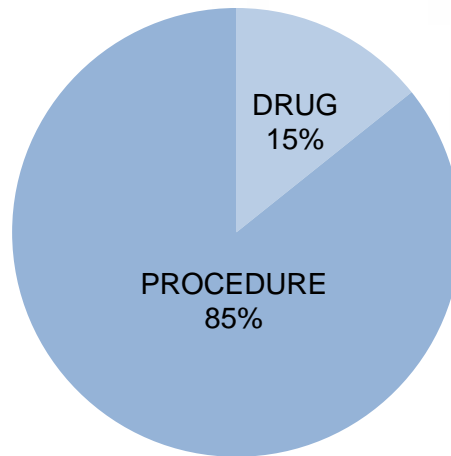


Cause of Injury

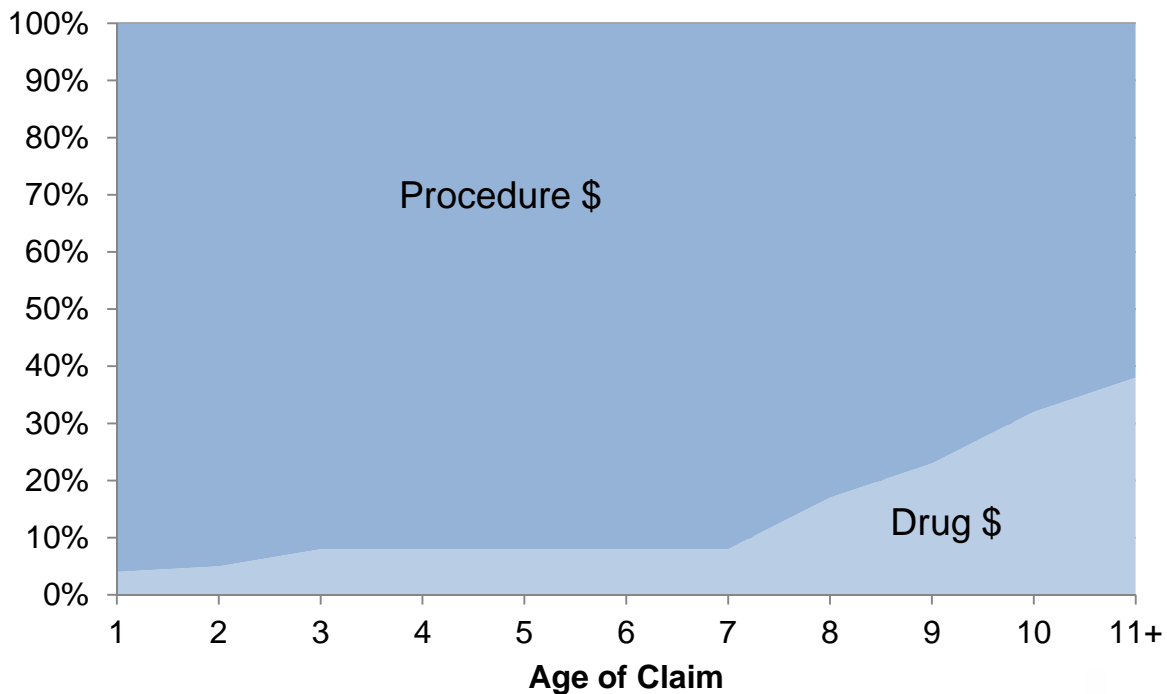


Medical Cost Breakdown

Medical treatment is a primary driver of rising medical costs. Using our Medical Data Call (MDC) data, we observe that, overall, the bulk of medical dollars are attributable to medical procedures. Note that medical expenses are not included in the MDC.



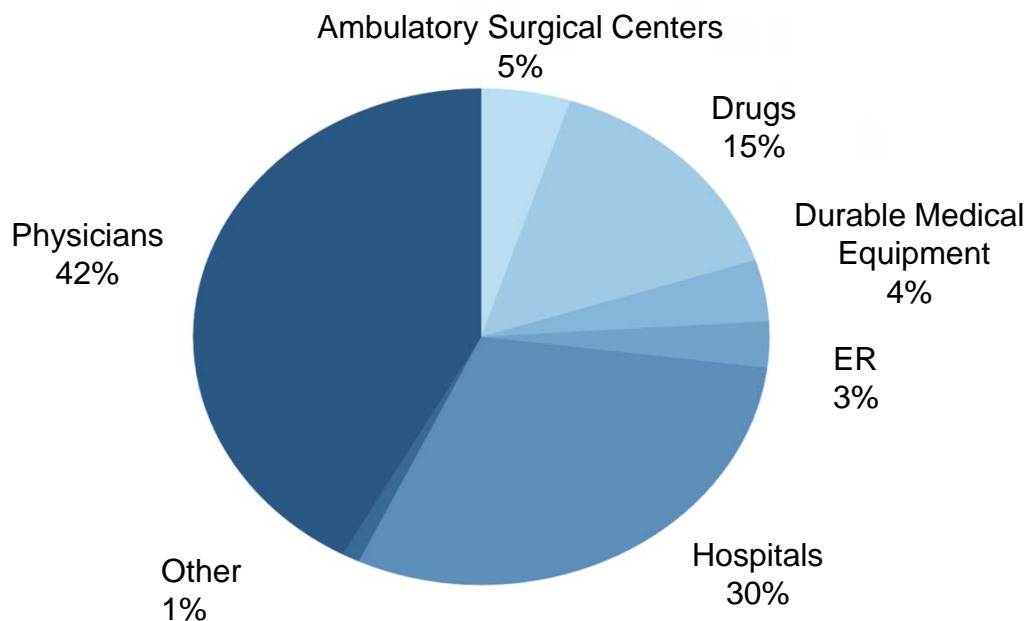
As the claim ages, prescription drug costs increase more rapidly as a share of medical costs.



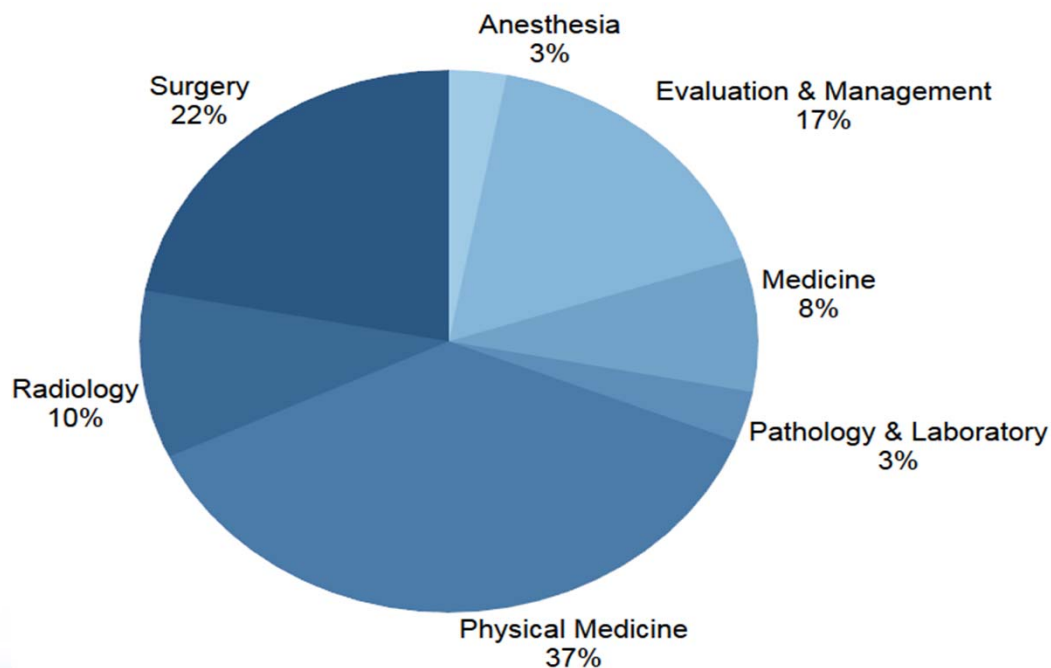
As an enhancement in the 2016 report, we identified “Drugs” as any record where the Paid Procedure Code was an NDC code; or Pharmacy Revenue code (REV: 0250-0259, 0630-0637); or HCPCS codes for Drugs Other Than Chemotherapy (HCPCS: J0100-J8999) and Chemotherapy Drugs (HCPCS: J9000-J9999.) The reader should be aware of definition changes when directly comparing the 2015 and 2016 reports.

Medical Services Breakdown

Payments to Physicians make up almost half of the dollars paid across all **Medical Service Group** categories.

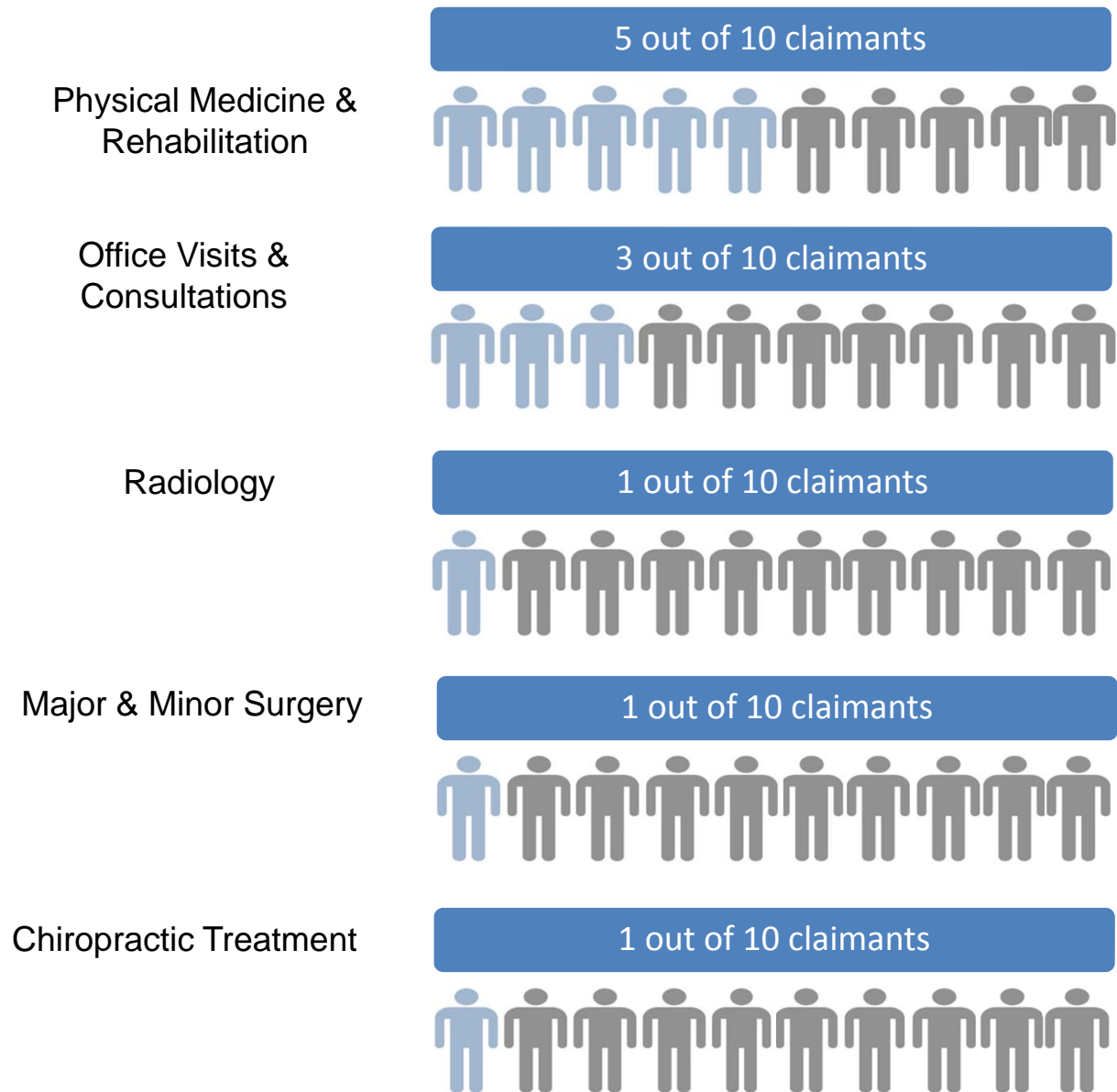


Surgical procedures represent 36.7% of all professional **Medical Procedures**, followed by Evaluation and Management (e.g. office visits and consultations) based on paid dollars.



Medical Visits Per Claim

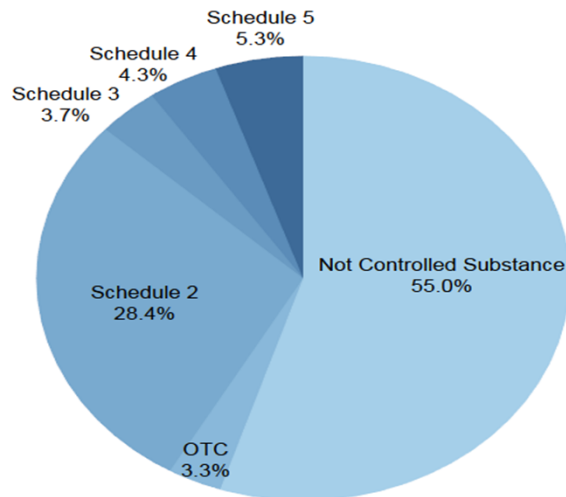
When examining the numbers of actual visits to a health care provider, workers compensation claimants appear to visit physical medicine and rehabilitation providers more frequently than any other health care provider.



Based on over 1.4 million professional visits and over 147,000 claims.

Prescription Drugs

The volume of drugs prescribed to workers compensation claimants continues to grow. Below is a distribution of these prescription drugs organized by the **Controlled Substance Act Schedule**, which is based on risk of abuse.



Opioids are the most prevalently prescribed drug to workers compensation claimants. Below is a distribution organized by **Therapeutic Classification Category**.



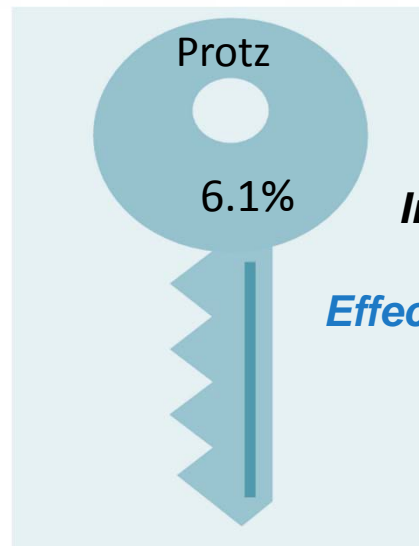
Prescribing Patterns

Top 30 Drugs for Service Year 2016

The top drugs based on total amount paid, along with their ranks for earlier service years. These drugs account for more than 62% of total drug costs.

Paid Share Service			Rank By Service Year				
Year 2016	Drug Name	Brand/Generic Status	2016	2015	2014	2013	2012
9.6%	GABAPENTIN	Generic for Neurontin	1	1	1	2	3
6.9%	OXYCONTIN	Brand	2	2	2	1	1
5.1%	LYRICA	Brand	3	3	3	3	4
3.4%	OXYCODONE HCL	Generic for Oxycontin if extended release	4	6	7	10	12
3.1%	OXYCODONE HCL-ACETAMINOPHEN	Generic for Percocet	5	7	5	8	8
2.8%	FLURBIPROFEN	Generic for Ansaïd	6	5	11	38	256
2.7%	LIDOCAINE	Generic for Xylocaine	7	9	9	35	275
2.4%	KETAMINE HCL	Generic for Ketalar	8	4	4	14	43
2.3%	PERCOCET	Brand	9	10	16	13	15
2.3%	CYCLOBENZAPRINE HCL	Generic for Flexeril	10	8	12	18	19
2.0%	MELOXICAM	Generic for Mobic, Vivlodex	11	11	6	5	5
1.8%	TEROCIN	Brand	12	14	13	25	64
1.8%	DULOXETINE HCL	Generic for Cymbalta	13	12	15	161	n/a
1.7%	CELECOXIB	Generic for Celebrex	14	13	149	1,625	n/a
1.4%	MORPHINE SULFATE	Generic for Avinza, Kadian, MS Contin	15	15	18	23	21
1.2%	TRAMADOL HCL	Generic for Conzip, Ultram	16	18	10	9	10
1.1%	BACLOFEN	Generic for Lioresal, Gablofen	17	21	40	58	55
1.1%	HYDROCODONE BITARTRATE-ACETAMINOPHEN	Generic for Vicodin	18	17	14	11	11
1.0%	DICLOFENAC SODIUM	Generic for Cambia, Cataflam, Voltaren	19	43	38	41	51
0.9%	OPANA ER	Brand	20	20	19	15	9
0.9%	SUBSYS	Brand	21	27	22	39	190
0.9%	FENTANYL TRANSDERMAL SYSTEM	Generic for Duragesic	22	24	29	22	17
0.9%	AMRIX	Brand	23	23	35	33	36
0.9%	METAXALONE	Generic for Skelaxin	24	22	27	28	26
0.8%	TIZANIDINE HCL	Generic for Zanaflex	25	28	24	27	25
0.8%	LIDOPRO	Brand	26	32	47	305	n/a
0.8%	FLECTOR	Brand	27	30	28	17	16
0.8%	DURAGESIC	Brand for Fentanyl	28	31	34	32	32
0.7%	OMEPRAZOLE	Generic for Prilosec	29	34	21	16	22
0.7%	ZOLPIDEM TARTRATE	Generic for Ambien	30	33	23	24	20

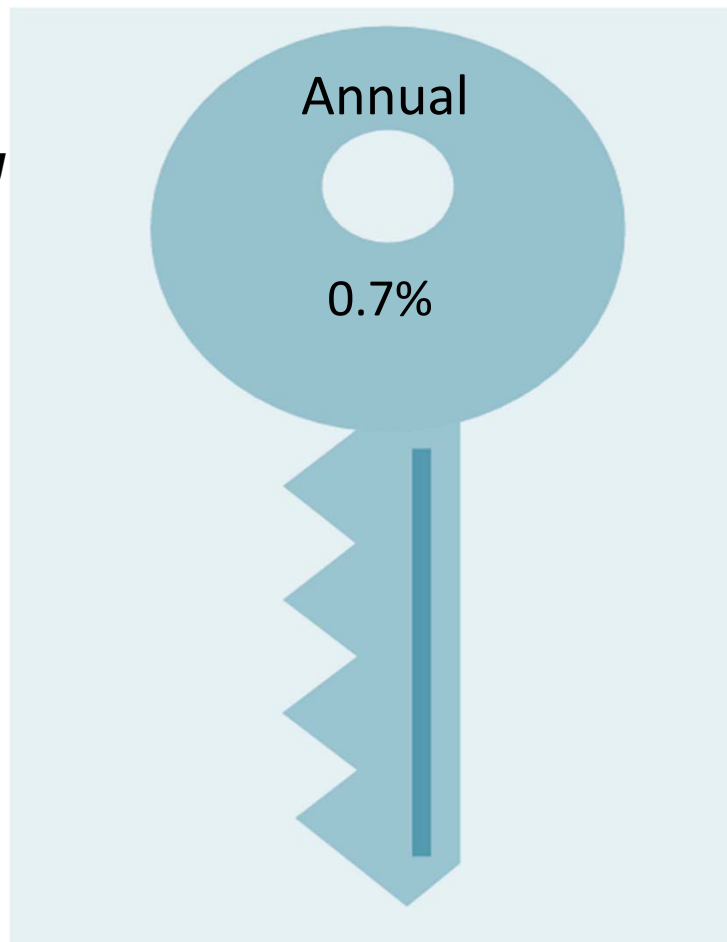
Key Components of 2018 Indications



“Protz”
Interim Legislative
Loss Cost Filing
Effective February 1, 2018

Annual Loss Cost Filing ***Effective April 1, 2018***

Indemnity Loss	+1.3%
Medical Loss	-1.4%
Indemnity Trend	+2.4%
Medical Trend	-1.4%
HB 1846	-0.5%
Protz	0.4%



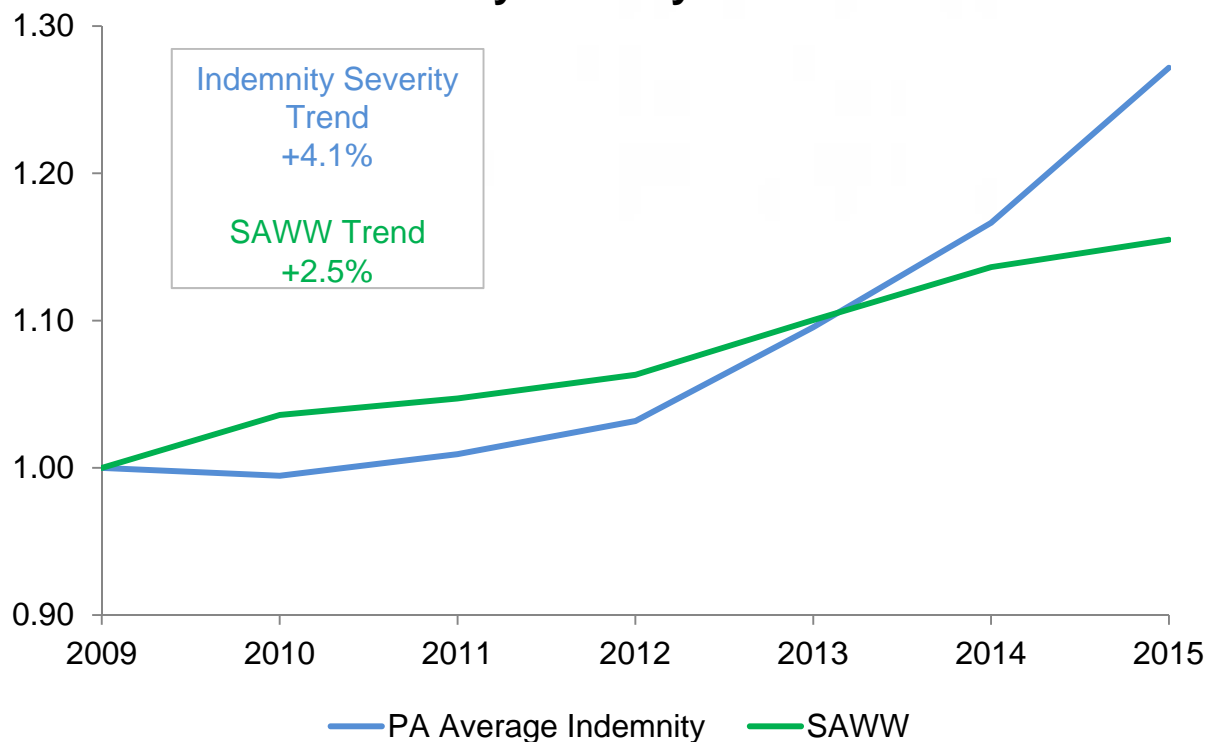
History of Approved Loss Cost Changes

Effective Date	Percent Change from Previous Loss Costs	Cumulative Index from December 1, 1992
December 1, 1992	-----	100.00
ACT 44 ENACTED JULY 2, 1993		
December 1, 1993	-2.00	98.00
December 1, 1995	-9.43	88.76
ACT 57 ENACTED JUNE 24, 1996		
February 1, 1997	-25.00	66.57
April 1, 1998	-6.94	61.95
April 1, 1999	-5.26	58.69
October 1, 1999	*	
April 1, 2000	4.50	61.33
April 1, 2001	-1.55	60.38
April 1, 2002	2.12	61.66
April 1, 2003	-2.41	60.17
April 1, 2004	3.32	62.17
April 1, 2005	-2.89	60.37
April 1, 2006	-8.58	55.19
April 1, 2007	2.95	56.82
April 1, 2008	-10.22	51.01
April 1, 2009	-3.00	49.48
April 1, 2010	0.68	49.82
April 1, 2011	0.87	50.25
April 1, 2012	-5.66	47.41
April 1, 2013	-4.01	45.51
April 1, 2014	-5.15	43.17
April 1, 2015	-5.99	40.58
April 1, 2016	-0.90	40.21
April 1, 2017	-6.21	37.71
February 1, 2018	6.06	40.00
April 1, 2018	0.70	40.28

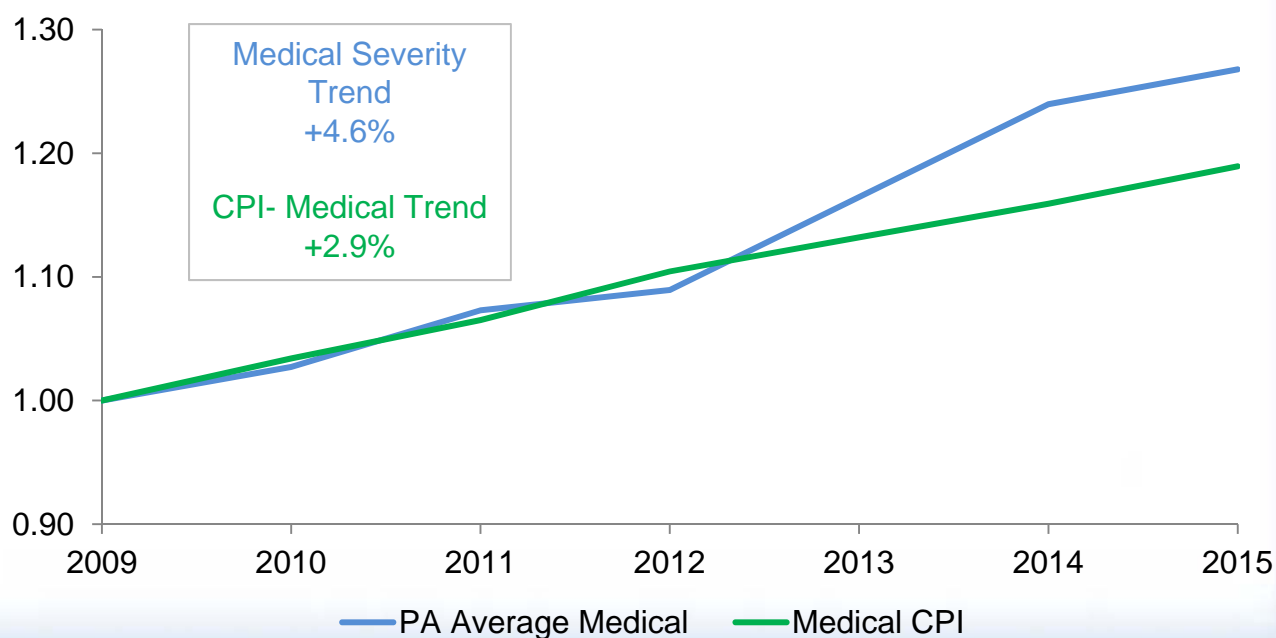
* Change due to removal of loss based assessments. No change to loss costs.

Trends in Average Costs

Indemnity Severity vs. SAWW

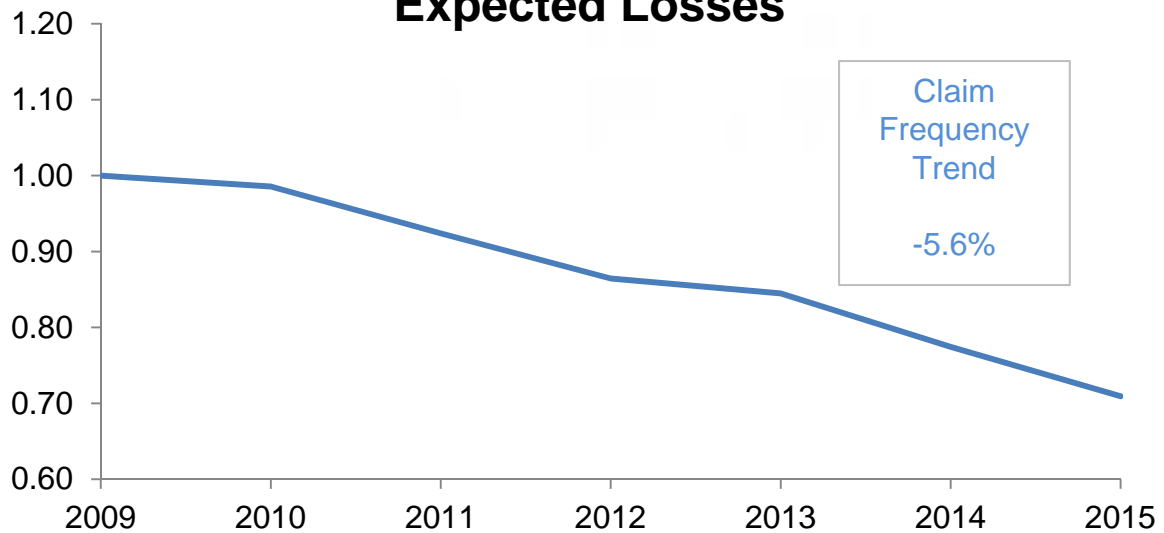


Medical Severity vs. CPI-Medical

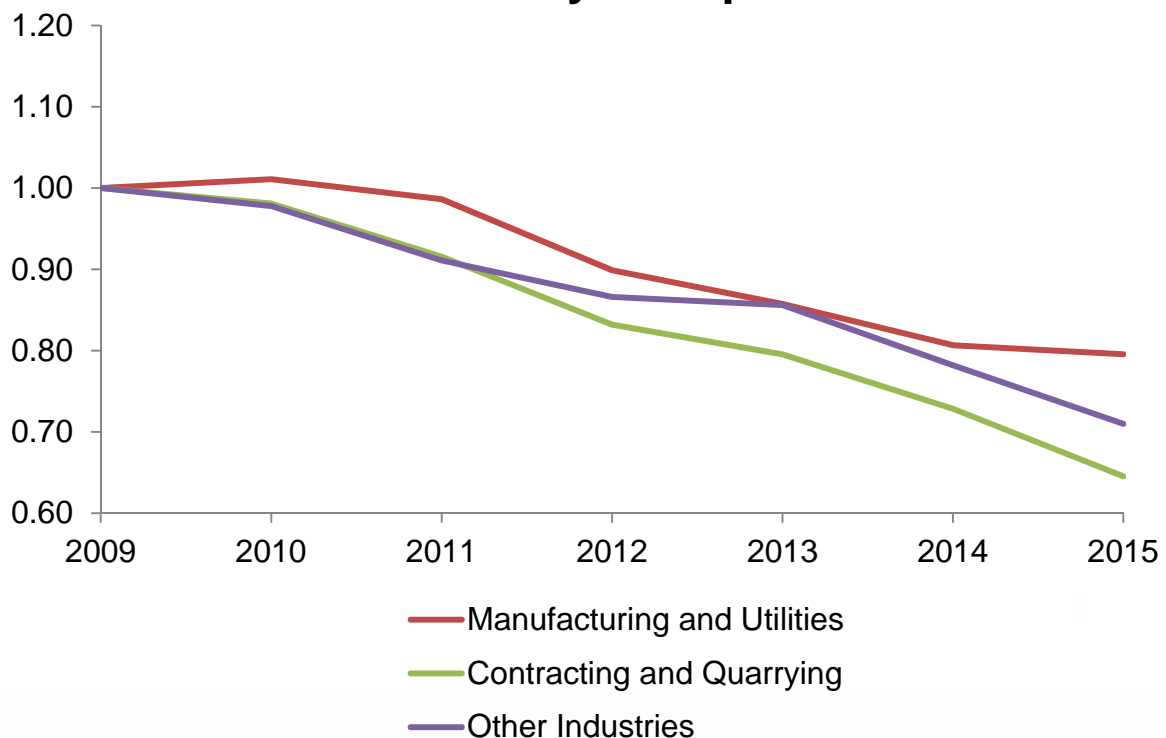


Claim Frequency Trend

Claim Frequencies Per \$1 million Expected Losses

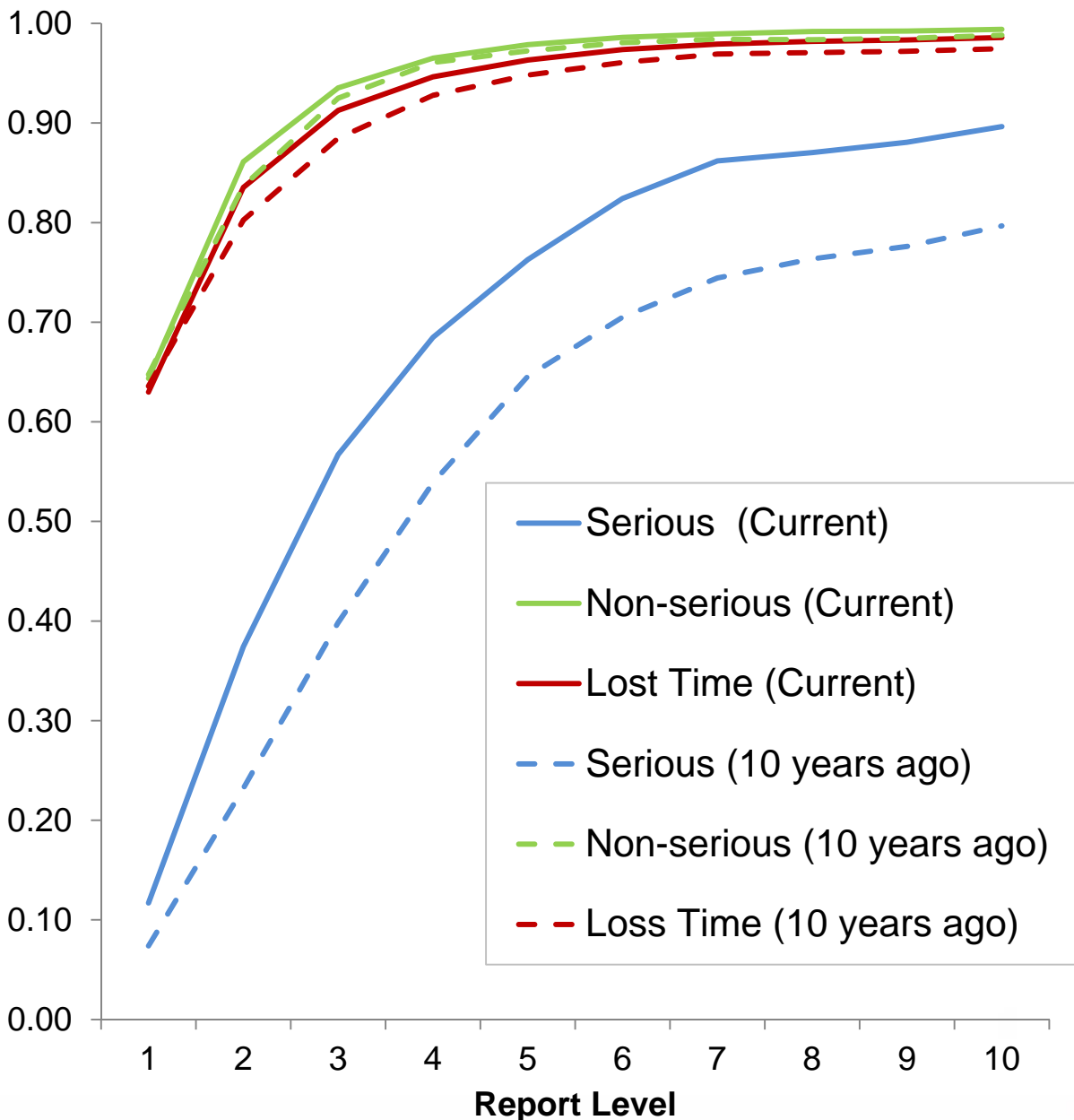


Claim Frequencies Industry Groups



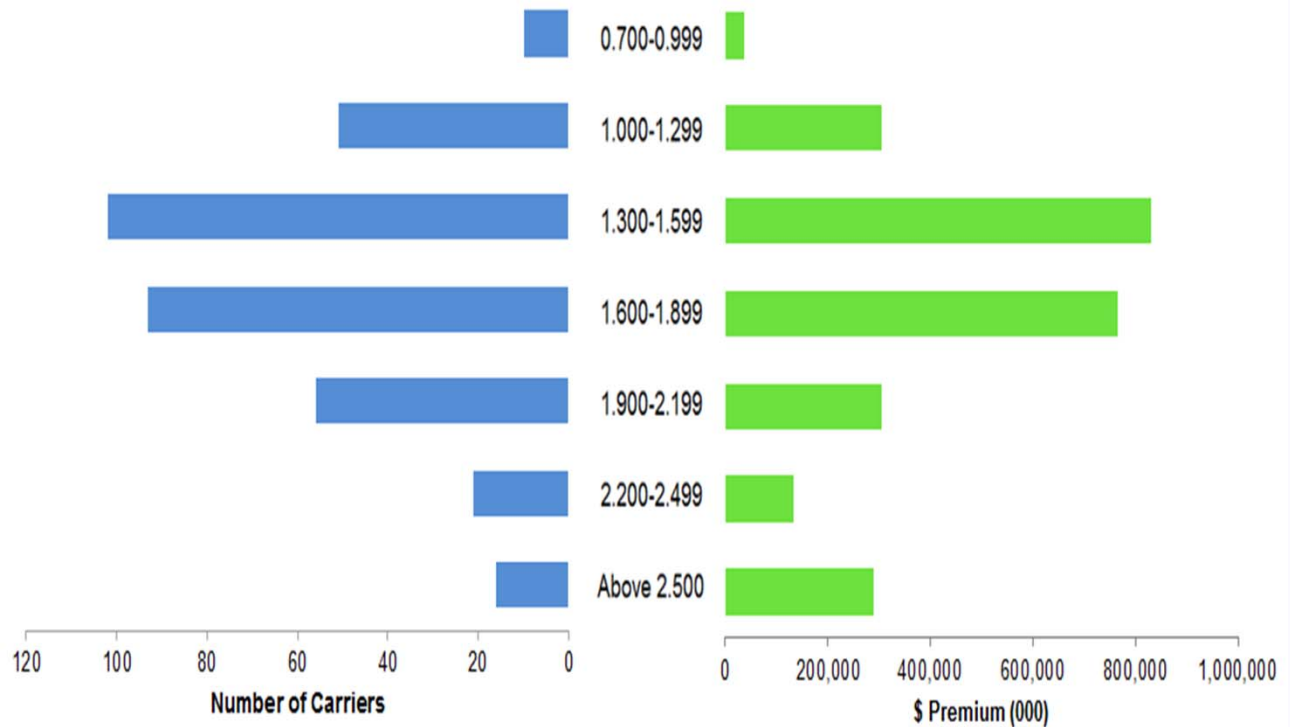
Claim Closure Rates

Claim closure rates remain stable overall in Pennsylvania; they are improving for the more serious claims (death, permanent total and major permanent partial). The use of tools like Compromise and Release Agreements and other adjudication processes is bringing swifter resolution and closure to the more costly claims than in the past.

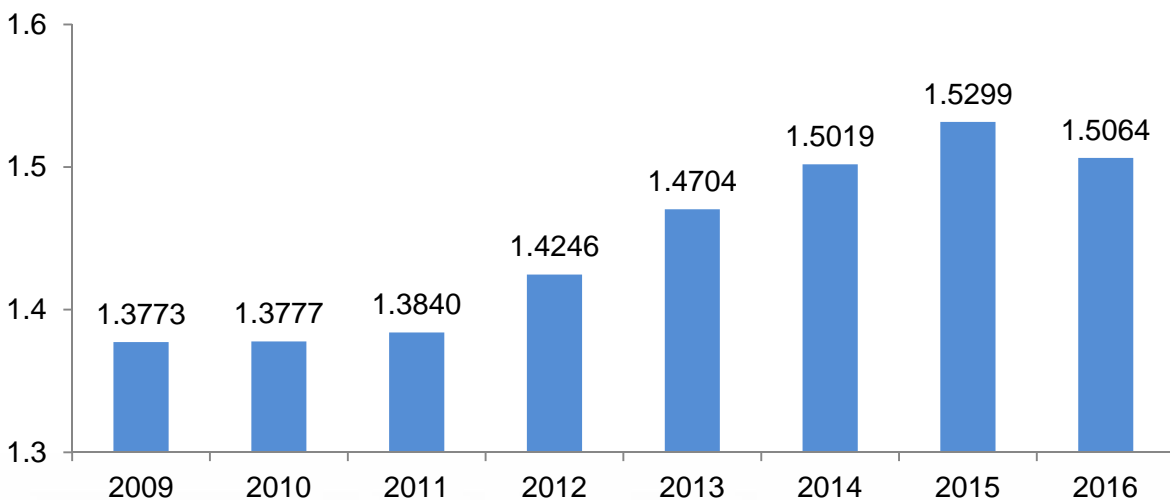


Insurance Carrier Pricing

Loss Cost Multiplier Ranges

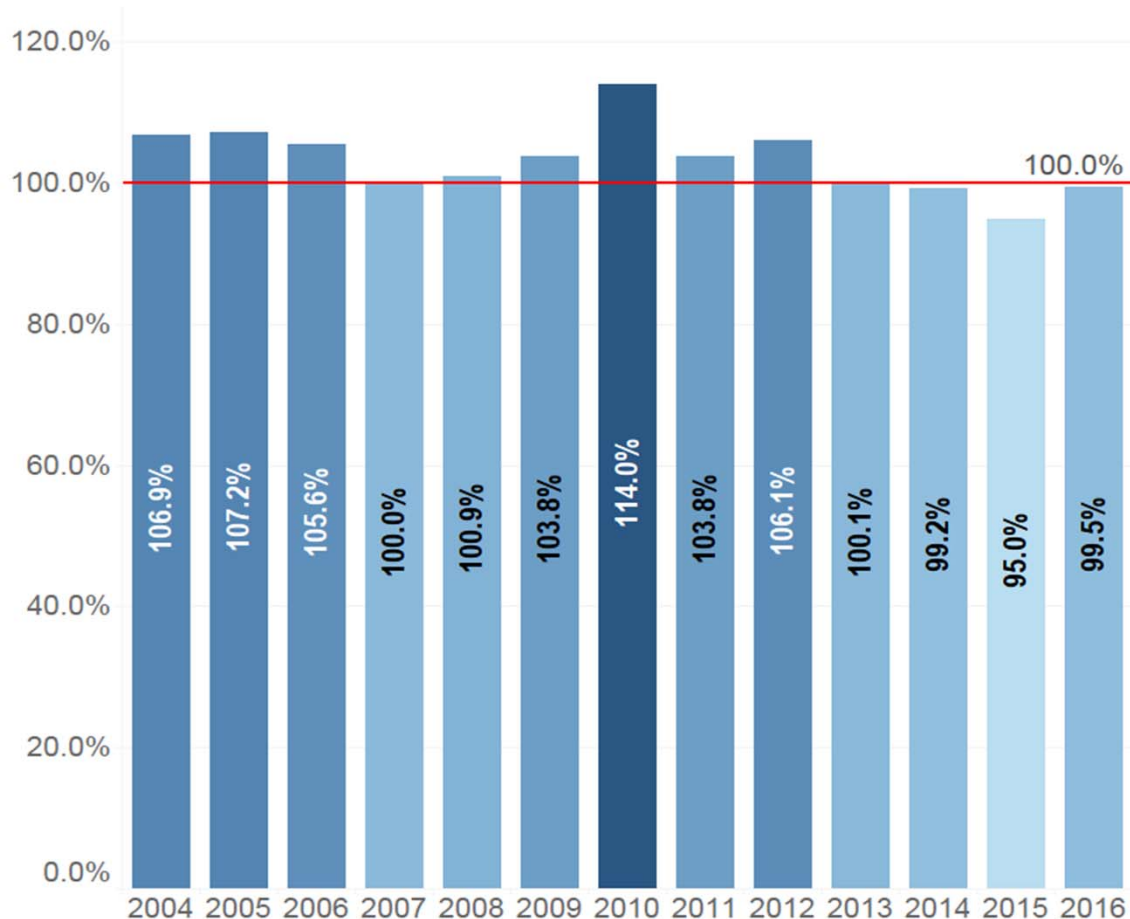


Implied Average Loss Cost Multiplier



Market Profitability Measure

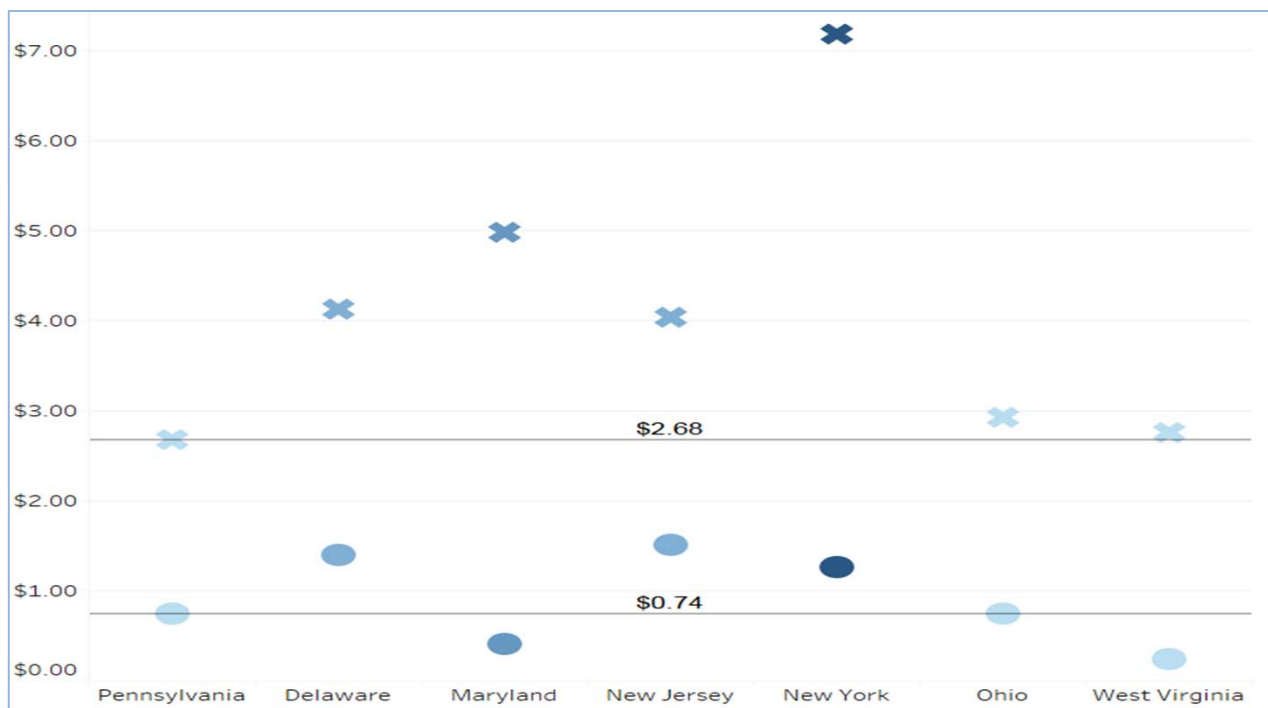
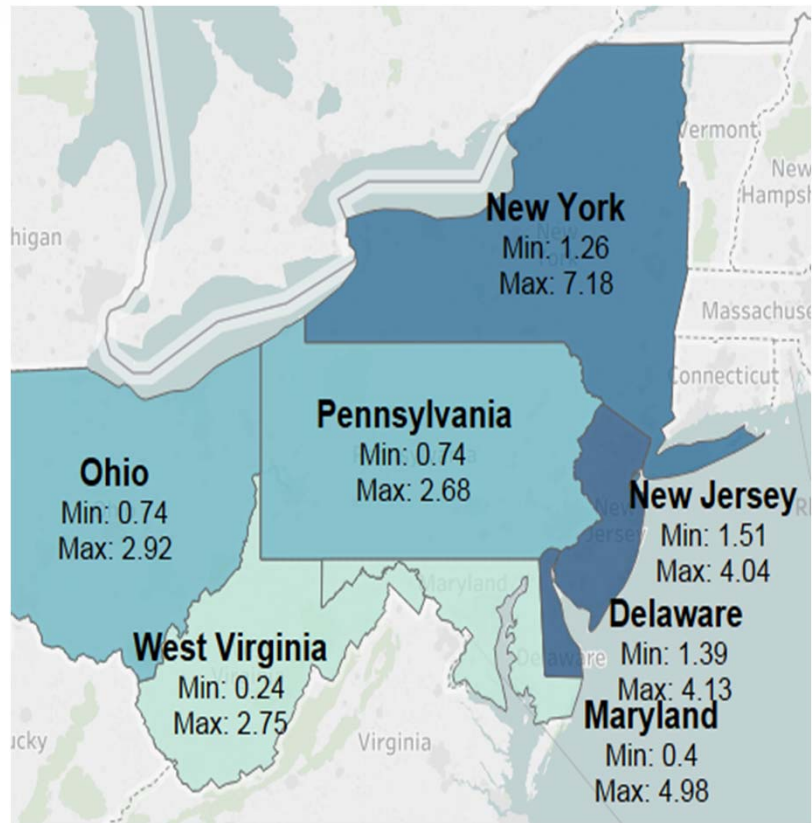
Combined ratios have been generally declining since 2010. The Calendar Year 2016 ratio is 99.5%, marking the third consecutive year below 100%. A combined ratio of less than 100% means a company has collected more in premium than incurred in claim costs and operational expenses, indicating an underwriting profit.



$$\text{Combined Ratio} = \frac{\text{Losses} + \text{Expenses}}{\text{Premium}}$$

Rate Comparison

The PCRB performs an analysis of prevailing workers compensation rating values in Pennsylvania and six neighboring states. The most recent study examining Pennsylvania April 1, 2017 rating values, presents comparative ranges of approved rating values in some 32 classifications, representing the 10 largest classifications from each of three Industry Groups: manufacturing, contracting and all other industries. Please refer to our website for the complete study.



Source: PCRB Comparison of Workers Compensation Rates Effective April 1, 2017



The PCRB is the licensed rating organization for workers compensation business other than Coal Mine coverages, in the Commonwealth of Pennsylvania, and has served in that role since 1915. The PCRB is a non-profit, private corporation supported by members comprised of all insurers licensed to underwrite workers compensation insurance in Pennsylvania, including the State Workers' Insurance Fund (SWIF). The PCRB makes annual rating value filings with the Pennsylvania Insurance Department and, subject to review and approval by the Insurance Department, the PCRB maintains uniform classification and experience rating plans as well as rules and parameters associated with various other mandatory and optional pricing programs. For more information about the PCRB contact us at:

Pennsylvania Compensation Rating Bureau
30 S 17th Street, Suite 1500
Philadelphia, PA 19103
(215) 568-2371
www.pcrb.com