

NCCI Proposes Increase for Workers Compensation Rates in Florida

On August 18, 2011, the National Council on Compensation Insurance (NCCI) delivered its annual workers compensation rate filing to the Florida Office of Insurance Regulation (OIR). Based upon its review of the most recent data available, NCCI has proposed, effective January 1, 2012, an overall workers compensation rate level increase of 8.9%.

Rate Filing Components	Impact
Due to Change in Experience & Trend	+9.3%
Due to Change in Benefits	0.0%
Due to Change in Expenses (excl P&C)	-0.4%
Due to Change in Profit & Contingency Factor	0.0%
OVERALL RATE LEVEL CHANGE	+8.9%

Here are some of the key observations:

- **Following several years of significant declines, claim frequency in 2009 was up significantly. Preliminary 2010 data also shows claim frequency up further. This might be explained by the impact of the economy on workers compensation.**
- **There has been a small deterioration in recent loss experience (+1.1%).**
- **It has become more evident in recent years that the significant ongoing experience improvements which occurred after the 2003 reform have ended and that the system is operating from a new baseline reflecting the total cumulative effects of the reform. As a result, it has been necessary to adjust the very optimistic outlook, or trend, underlying rates to reflect that significant ongoing experience improvements are no longer occurring and are no longer expected. Trend adjustments reflecting less optimistic outlooks were approved in the 1/1/11 rates. Another such adjustment is indicated. The new outlook still calls for continued experience improvement (i.e., negative trends), but at a much slower pace (i.e., less negative than current trends). The new outlook would bring Florida more in line with long-term Florida trends and current countrywide trends. This adjustment has the effect of increasing rates (+8.2%).**

The cumulative impact of the rate decreases after the 2003 reform was -64.7%. Assuming the filing is approved as proposed, the cumulative impact for the period 10/1/03 through 1/1/12 is -58.6%. NCCI estimates that if this filing were approved as proposed, Florida would compare to other states as follows:

- **Florida would continue to rank among the 20 states with the lowest workers compensation rates nationally.**
- **Florida has and would continue to have the distinction of being the only large state* within the group of 20 states with the lowest workers compensation rates nationally.**
- **Florida also has and would continue to have the lowest workers compensation rates of any state in the Southeast.****

Assuming the filing is approved as proposed, the overall average rate impact at an industry group level would be as follows:

	1/1/12 Filing	10/1/03-1/1/12
Manufacturing	+9.6%	-54.0%
Contracting	+8.7%	-61.5%
Office and Clerical	+7.0%	-59.9%
Goods and Services	+9.9%	-57.2%
Miscellaneous	+8.5%	-56.5%
TOTAL	+8.9%	-58.6%

There are a couple areas where Florida workers compensation cost drivers, if addressed legislatively, could bring system cost savings and assist Florida with maintaining or improving its current ranking:

- In 2009, Florida became the state with the highest rate of physician-dispensed drugs (50% of the total Rx dollar is physician-dispensed drugs). Most repackaged drugs come from physicians. Florida's fee schedule for drugs is based on Average Wholesale Price. Any firm that repackages a drug is permitted to set a new, higher, Average Wholesale Price. As a result, data shows that the average unit price of a repackaged drug can range up to 679% above the same drug in its non-repackaged form. Subjecting repackaged drugs to the per unit price of the original manufacturer's Average Wholesale Price in Florida's fee schedule could result in a savings of 2.5% or \$62M.
- A 2007 study conducted by Research & Planning Consultants (RPC) notes that Section 440.13, Florida Statutes, requires that Florida hospitals be paid for most workers compensation outpatient services at a percentage of their usual and customary charges. Conversely, Florida physicians are by statute reimbursed at 110%-140% of Medicare. RPC also notes that if Florida hospitals were reimbursed at a Medicare rate equal to the charges received by Florida hospitals for most workers compensation outpatient services, Florida hospitals would be reimbursed at 181%-330% of Medicare which would be the highest rate in the country.

The OIR is expected to schedule a public rate hearing in October.

*Large is defined as among 10 most populous states – California, Texas, New York, Florida, Illinois, Pennsylvania, Ohio, Michigan, Georgia, North Carolina.

**Southeast is defined as North Carolina, South Carolina, Tennessee, Georgia, Alabama, Mississippi, and Florida.