Mr. Donnie Wing, CA
Vice President
Investment & Corporate Development
Insurance Corporation of British Columbia
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March 24, 2004 **BY E-MAIL: regaffairs@icbc.com**

Dear Mr. Wing:

Information requests to ICBC in relation to B.C. Utilities Commission Application - Filing of Performance Measures and Information Sharing Protocols

At a meeting of ICBC, Commission staff, and active intervenors on December 11, 2003 there was discussion regarding ICBC's later proposal for performance measures and information sharing. The BCCA supports ICBC's process of determining the best procedures for on-going monitoring of ICBC's delivery of services that support the Commission's mandate. As noted in the Commission's November 12, 2003 decision, comprehensive metrics will enable the proper measurement of customer service and overall corporate performance. The following are only two examples of information from ICBC's substantive data that should be included in performance measures.

Claims satisfaction – performance measures should distinguish customer values involving accident benefits and injury claims.

Loss ratio and expense ratio – performance measures should include granularity on major basic coverage including accident benefits, bodily injury, with prior year comparisons of the categories and items in these two major categories

ICBC has produced substantial information in its service plans and other publications indicating the substantive issues associated with injury and recovery. The BCCA requests the following information to provide greater clarification and understanding of the performance measures discussed in ICBC's filing of February 27, 2004. We believe this information is important to the Commission and intervenors in the subsequent meetings.

1. Health Costs

   (a) What measurement does ICBC use to measure health care costs?

(b) How does this measurement allow ICBC to identify the factors that drive significant health costs?

(c) How does this measurement allow ICBC to evaluate which types of care are efficient or effective?

(d) The BCCA requests that ICBC be required to provide health cost data by payment code, service code, and specialty code. ICBC's website for service providers provides an indication of the degree of data granularity that is available in this regard.

2. Health Cost Management

(a) What structured procedures has ICBC implemented in the last 5 years to manage health costs?

(b) What programs are currently in place to manage health costs?

(c) What measurements have been used in the past 5 years or are being used currently to evaluate the effectiveness of these health cost management programs identified in (a) or (b) above?

(d) What analysis has ICBC undertaken to measure the benefits of the health cost management programs identified in (a) or (b) above. What cost reductions occurred and where did those cost reductions occur? What measurements are being used to evaluate the ongoing impact of these programs? What dollar saving is occurring and what customer satisfaction outcomes are being established?

(e) The BCCA requests that ICBC be required to disclose all studies and analyses of all programs designed to manage bodily injury claims as those programs do impact health costs either directly or indirectly.

3. Health Outcomes

(a) What measurement does ICBC use to measure health outcomes for injured customers?

(b) How does this measurement allow ICBC to identify the factors that drive significant health costs?

(c) How does this measurement allow ICBC to measure customer satisfaction with motor vehicle accident health outcomes?

4. Health Service Utilization and Allocation Patterns

(a) What medical information does ICBC rely upon to make the decision to authorize payment for health services for neuromusculoskeletal injuries?

(b) What injury criteria does ICBC use for authorizing payment for health services by different practitioner groups involved in treating neuromusculoskeletal injuries? What measurements are used to justify the distinctions ICBC makes between the different practitioner groups.

(c) What claim handling procedures are currently in place at ICBC to influence health service utilization and allocation patterns?

5. Health Cost Allocation

(a) In the absence of a tort judgment awarding costs for past or future care, and in the absence of a major tort settlement where care costs are clearly identified, does ICBC allocate health costs in the vast bulk of tort settlements where a lump sum settlement is paid? What process is in place to accurately capture health care costs captured under the catch all settlements for General Damages (i.e. pain and suffering)?

(b) If, ICBC does not allocate health costs in the vast bulk of lump sum settlements, then what measurement is ICBC relying upon to make the statement, as it did in its prior response to information requests, that "higher medical costs are being driven upward by tort settlements and awards for future care"?

(c) What measurement is ICBC employing to assess the correlation, if any, between first party costs and tort costs? That is, if first party health costs are decreasing over time as a result of certain health cost management programs, is this resulting in more tort claims, greater litigation expense, and higher health costs being paid under the tort claim? Again, if ICBC does not allocate health costs in the vast bulk of lump sum settlements, how does it know?

Several of these topics have been forwarded to ICBC on September 19, 2003 in the previous rate application, and in correspondence dated of January 23, 2004. Copies are attached. In addition a copy of a previous brief titled "Closing Claims and Lowering Costs" is forwarded for ICBC's reference.

The BCCA considers increased segregation and detail will benefit performance measure instruments to properly reflect the important issues identified by ICBC.

Yours truly,

Dr. Don Nixdorf

Executive Director, BCCA

Cc BCUC, Intervenors

Closing Claims and Lowering Costs

Insurance Document

Gerry Cox, MBA
Infinity Consulting Group

November 2002

Table of Contents

1 Introduction

The objective of this document is to review the interactions between the Insurance Corporation of British Columbia (ICBC), and the various health providers involved in the managed recovery of motor vehicle accident victims. There are deficiencies inherent in these interactions which prevent closing claims and reducing costs.

The focus will be to look at the care provided from the perspective of the customer and the insurer. Currently in British Columbia the primary medical insurers are:

- the Province through various provincially funded health care facilities;
- the Workers Compensation Board for injuries that occur “on the job”, and,
- ICBC.

As the provincial government has promised to create more competition for consumers’ auto insurance needs, it is anticipated other insurance companies may soon be allowed to compete for all types of motor vehicle related insurance.

ICBC was established in 1972 as a Crown Corporation to be the sole provider of basic automobile insurance in British Columbia. Since 1973, when the first Autoplan insurance policies were sold, ICBC has progressed through various injury claim handling policies.

Up until 1994 it was customary to obtain a medical report for any injury claim where the customer needed treatment for recovery. Unfortunately, current procedures specify several injury situations where it is not recommended that an adjuster obtain a medical report.

Even more disturbing is that although there is a Medical Form for physicians and chiropractors, ICBC adjusters usually specify that the report be completed by a physician. This policy by ICBC effectively removes the customer’s freedom to choose which health provider they would prefer for treatment of their injury. The customer’s choice is their right and should not be so directly influenced by the payor of the medical service.

Vehicle manufacturers have gone to great lengths to provide as much protection as possible to vehicle occupants. High impact bumpers, multi-point seatbelts, adjustable head restraints, and front/side airbag systems are standard features on many newer vehicles. Auto insurers, and their customers, can be thankful

these protective systems are in place. However, drivers and passengers are still involved in accidents that involve injuries costing millions of dollars annually.

Injuries of all varieties will continue to occur and a vast majority will include spine and spinal cord injury. Many of these are classified as Whiplash Associated Disorders (WAD) and may be the primary injury or a component of more severe motor vehicle accidents. Once an injury has been sustained, the insurer should respond at the initial stages of a claim by facilitating the most cost effective treatment, including chiropractic care, to contain all other claim costs.

This document discusses strategies that will improve injury recovery and reduce overall claim costs.

2 Injury Management

There is no existing injury management process that will ensure every individual injured in a motor vehicle accident (MVA) will completely recover with minimum inconvenience. The term “Injury Management” covers a huge scope, since an injury may range from a minor laceration with slight bruising to severe trauma involving the need for treatment for the duration of the customer’s natural life. Thankfully, the vast majority of MVA injuries are not life threatening; however, they may be life compromising. For these situations the injury management team will always include the customer and the insurance adjuster, and one (or several) of the following common health providers: a medical doctor, a chiropractic doctor, a physical therapist, and a massage practitioner. This is not an all inclusive list, but includes the most common health providers (excluding specialists).

Injury management should never compromise the customer’s choice of health provider. The government of B.C. operates the Medical Service Plan (MSP) as an “open market” model and ICBC should adhere to a similar model to facilitate customer choice.

The involvement of a lawyer is specifically excluded from the above list of care providers. Lawyers do not provide care; they provide legal advice. Depending upon each individual’s perspective, this may or may not assist the customer if their goal is to return to pre-injury health and activity in a reasonable timeframe.

2.1 The Customer’s Perspective

In the same way that no two injuries are exactly the same, no two customers will have the same expectations relating to recovery, lifestyle activity, and pain management. These are all factors that need to be acknowledged and considered by the health provider the customer chooses to assist with their recovery.

For this discussion, we will assume the primary objective of the customer is to return to pre-injury health and activity in a reasonable timeframe. How this is accomplished is usually a factor of how well the other players interact with their patient from the time of the MVA through until the customer is satisfied that the above objective has been met.

Currently in B.C. there are approximately 45,000 injury claims handled by ICBC every year. Objective injuries (i.e.: a broken leg) are much easier to quantify for the purpose of determining insurance settlement awards than the more common subjective type of injury. Injuries like whiplash (primarily neck), low back injury, and symptoms including headaches following an MVA are much more difficult to adjudicate. When a customer is injured, they will seek care to understand their injury and to speed their recovery. Despite all the vehicle improvements mentioned in the ***Introduction*****,** the Whiplash Associated Disorder (WAD) type injury will continue to be the most common injury in a rear end collision due to the vulnerability of the human neck and spine.

If, as may happen on occasion, the customer's primary objective changes from "injury recovery" to "injury compensation" a different approach to claim handling is introduced into the equation. With this new perspective the customer's belief may be that "unless I can prove the seriousness of my injury and maintain my injury I will not be entitled to the maximum injury compensation". This may lead the customer to not disclose relevant facts surrounding the accident or the extent of their injury. Alternatively, the customer may exaggerate their injury symptoms or focus so much on their injury that they retard the healing process and convince themselves that the injury is actually worse. All interactions with the customer must include honest dialogue with positive reinforcement.

While it is acknowledged that insurance fraud is a real problem, ongoing communications between the insurance adjuster and the health providers can detect and contain these situations when they occur.

2.2 The Insurance Adjuster's Perspective

The insurance adjuster will converse with the customer and should work to ensure that they get the help and support they need following an MVA. The customer has paid a premium to the insurance company and has every right to expect a prompt and satisfactory claim handling experience. Handling customer expectations is the single most important adjusting function. It is also the most difficult task since there is always the financial tradeoff between claim payments to the customer and the fiscal responsibility for the adjuster to control costs. Claim payments are structured by a labyrinth of legislation, contract law and discretionary judgment based upon adjuster experience and the complexity of the injury claim.

The adjuster is the customer's primary insurance contact and is also the primary insurance contact for any of the health providers tasked with the customer's recovery.

The adjuster relies on information to make claim related decisions. If the information provided by the customer, police, witnesses, and health providers is consistent with the severity of the injury, then the adjuster can effectively monitor an injury recovery plan that will meet the customer's expectations.

There are a few things that an adjuster will look for during the initial conversations with an injured customer. If the adjuster and the customer are forthcoming with all the information necessary to determine liability then the process will naturally progress smoothly with an amicable rapport between the customer and the adjuster. Adjusters need to resolve the liability issue as soon as possible because some of the claim payments for injury, wage loss, and general damages depend upon the liability determination. Many customers are loath to admit fault for the MVA; and, when faced with the prospect of being advised that they will indeed be held "at fault", they will go to great lengths to attempt to prove otherwise. It is at this point that the process and interactions between the customer and the adjuster can become very adversarial. Despite adversarial positions, decisions relating to recovery should remain neutral and should not indirectly create barriers to recovery.

Adjusters manage a caseload of files and frequently only react to the most vocal or most adversarial customer. A few of the more common "flags" that adjusters react to during the injury recovery process are:

- Low Velocity Impact Claim – ICBC has specific file handling guidelines for these types of injury claims. The ICBC adjuster needs to satisfy the administrative insurance criteria that there was in fact an injury that would justify compensation. Due to the overwhelming number of injury claims ICBC has taken the position that unless there is obvious damage to the vehicles, injury claims that arise from the incident will be denied unless evidence to the contrary can be provided. This may impact payment to health providers which may lead to customer dissatisfaction.

While on the surface this tactic may appear as a way to reduce the number of injury claims, and in doing so reduce overall costs to ICBC, it places the onus upon the customers to prove they are injured. This model has not saved costs through the denial of Low Velocity Impact claims. Costs have been added into the system through expensive, and time consuming, litigation activity. A more cooperative approach would be to acknowledge that even a low velocity impact collision may result in an injury. The adjuster should be prepared to pay the appropriate costs to obtain a professional diagnosis from either a chiropractor or a physician. This would build trust, heighten customer satisfaction, and negate litigation in many situations.

- Conflicting Incident Statements – From an adjuster's perspective, if the statements from the involved parties do not agree to produce clear and accurate facts of the MVA, the adjuster is probably correct to assume that one or both of the parties have conflicting versions about the circumstances of the accident that led to the injury. Even though the facts may not be clear, the injured customer should still be entitled to medical payments since treatment for "reasonable medical care" is a primary auto insurance coverage. Any delay in resolving liability may impact payment by ICBC to health providers which could lead the customer to seek legal representation.

For all injured customers, a complete assessment from a health provider would be beneficial at the earliest convenience. A chiropractic assessment should be included if a WAD is a component of an injury. This will provide the adjuster with vital details regarding injury severity and prognosis.

- Inconsistent Treatment Activity – This may involve several details of injury treatment activity that may be inconsistent with the initial treatment diagnosis and prognosis. For example, excessive number of treatments, treatment of multiple areas without justification, treatment by multiple practitioners concurrently, or treatment initiated again after a substantial time without any treatment being required.

All of these situations indicate that there has been a lack of communication between the health providers and the adjuster. "Reactive adjusting" is the typical outcome when adjusters are not provided with relevant injury information related to the frequency, duration and type of treatment a customer requires. Compounding this problem is ICBC's current policy of not obtaining a report at the onset of all injury claims. Without a diagnosis and prognosis it is impossible for the adjuster to know what treatment activity should be paid for by ICBC.

- Legal Proceedings Initiated – This action, initiated by the customer, is an indication to the adjuster that the customer is most likely more "compensation focused" than "recovery focused". This will impact the insurer and all health providers since the open lines of communications that are critical to customer recovery will be replaced with an adversarial process that impacts the flow of information.

If a customer is represented at the time their injury claim is reported, clearly the customer doesn't trust ICBC. If the customer seeks representation after the adjuster has had the opportunity to earn the customer's trust, then ICBC, in some

manner of activity, has failed. In any event, once the customer is represented by a lawyer the settlement of the claim will, almost always, be a protracted and more expensive process.

Many customers will obtain legal counsel if they feel their injury is not being taken seriously or if they are being directed to a treatment plan that they do not feel will help them recover. One ICBC policy that promotes litigation is their tactic to insist that injured customers must visit a medical doctor for a medical report.

2.3 The Health Provider's Perspective

The Medical Doctor

The health provider should, in theory, be the most knowledgeable of the customer's injury and be the primary resource to the adjuster. Unfortunately, the medical doctor may be the least knowledgeable health provider for consultation on WAD of the spine. Over the past several years, ICBC has systematically acknowledged only research that suggests that the best treatment for a whiplash type injury is time, a confident attitude, and active exercises. ICBC then funded the Physical Medicine Research Foundation and, by extension from this foundation, the BC Whiplash Initiative was structured to "train" every medical doctor in the province to comply with ICBC's administrative strategy on injury management of whiplash. The BCMA, through their publication, the *BC Medical Journal* have reinforced to all medical doctors that:

> "The consensus on whiplash management is currently settling upon a combination of therapeutic approaches, which include patient information, reassurance, and mobilization or activation through neck specific exercises. This approach has not been scientifically validated, but is a synthesis of the best current evidence." [1]

Current research has indicated that BC has the highest rate of motor vehicle related whiplash claims and perhaps the highest costs paid by a motor vehicle insure of any jurisdiction in the world. [2] This is despite the fact that much of these MVA related costs are paid by MSP and private insurance extended health plans.

The BC Medical Journal article Practical Management of Whiplash: A Guide for Patients [1], suggests that physicians provide their whiplash patients with a handout that will provide them with safe and sensible exercises to help them manage their injury. In other words, ICBC adjusters direct injured customers a medical practitioner, who will most likely provide the customer with a handout and offer self-help advice on how to manage the injury.

Clearly, this partnership strategy between ICBC and the medical doctors is only assisting the legal community in BC. Litigation costs are several times greater, on a per patient basis, than health care costs. [2] The BC Chiropractic Association continues to gather evidence that early intervention by a chiropractic doctor can reduce overall health care costs and assist ICBC in closing claims sooner with exceptional customer service satisfaction.

The Chiropractic Doctor

The human body has the natural power to heal itself, but it sometimes needs help putting that physiology into action. Chiropractic doctors assist the natural healing process by helping maintain, restore or enhance a patient's health without drugs or surgery.

Chiropractic doctors specialize in the treatment of whiplash and spinal injury. They are "back specialists" and can provide the most appropriate treatment to patients for a faster recovery with minimum inconvenience. Chiropractors work with the body's "total neuro-musculo-skeletal system" - which controls the nerves, muscles and bones. Because the body's various systems depend on one another to a large extent, the neuro-musculo-skeletal system plays a primary role in everyone's health. This interaction means that chiropractic treatment of the spine will often have a beneficial effect on other areas of the body where those symptoms relate to the injury of the spine.

Current research has indicated that the cost of healthcare for back and neck pain was substantially lower for chiropractic patients. Researchers have concluded that chiropractic care can yield improved outcomes in terms of fewer surgical requirements and greater patient satisfaction at a substantially lower cost per patient ratio. [3]

As noted above, a general practitioner is unlikely to be able to assist for WAD injuries. Surgery should not be a consideration, except in extreme situations. Customer treatment satisfaction and the cost of care should be primary considerations for the adjuster and by extension ICBC. This is where a chiropractic doctor has proven to be a cost effective alternative. [4]

In an environment without directed influence from an insurer, most individuals with a WAD or other spine related injury will attend a chiropractic doctor for treatment. Immediate chiropractic treatment of a WAD injury will significantly reduce the need for prescription drugs and assist recovery. [5] It is important that a consultation with a chiropractor take place as soon after the MVA as possible. The longer the wait, the longer it can take for treatment and recovery time. A chiropractor is a primary health care provider which means that customers do not require a referral for diagnosis or treatment.

3 The Injury Recovery Process

Injury recovery is a complex process of physical healing (physiological).

The customer's lifestyle, age, employment situation, pre-existing health and even gender have been studied as factors that can retard or accelerate the recovery process. What is known is that similar type accidents can produce dramatically different levels of injury and pain in different persons. One injured customer may recover quickly and with minimum inconvenience while another may develop chronic symptoms that may require ongoing treatment for quite some time. Customers have their own preference based upon their experience, knowledge, and from their experiences during recovery from previous injury.

Understanding, acknowledging, and respecting customer choice is an excellent model for customer satisfaction and to assist individual recovery.

Unfortunately, not everyone will recover to their pre-injury condition of health. Chiropractors understand this concept and work out an individual treatment plan for each customer. Chiropractors hold the perspective that a treatment plan must be outcome based with the frequency and duration of treatment based upon the professional judgment of the care giver, in consultation with the patient. This will assist in an early return to functional capacity.

Patients that are recovery focused expect a treatment plan to produce results. Since current ICBC policy is driving many customers into litigation, the chiropractors of BC would like to suggest a more cost effective recovery model where chiropractic care for WAD injuries is initiated immediately following a MVA. Numerous research projects [3] [4] [5] have indicated a favorable outcome of WAD injuries when chiropractic care was promptly initiated.

Customers are demanding pain management strategies and ICBC and private auto insurers in other provinces should be leaders by adopting proven health care treatments that will lower overall costs and provide enhanced customer satisfaction, without costly litigation.

Patients realize that chiropractors are specialists in the treatment of whiplash and spinal injury. They are "back specialists" and can provide the most appropriate treatment, affording patients a faster recovery with minimum inconvenience. For ICBC this will translate into millions of dollars in savings that in turn can be passed on to their customers in the form of lower auto insurance premiums.

4 References

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5 Additional Subject Material

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4. Barnsley L, Lord SM, Bogduk N. Clinical Review: Whiplash Injury. Pain 1994: 58: 283-307. **Abstract**: study suggests there is a strong correlation between “whiplash” type injuries and chronic pain.

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Shelley E. Milne
General Counsel
Insurance Corporation of BC
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January 23, 2004 BY E-MAIL regaffairs@icbc.com

Dear Ms Milne:

Submission to ICBC on performance measures

In relation to establishing performance measures and information sharing to assess service quality and corporate performance, the B.C. Chiropractic Association (the "BCCA") submits that the following areas should be addressed by ICBC in any review or in any subsequent application for a rate increase:

1. Health Costs

   (a) What metrics is ICBC using to measure health care costs?

   (b) Do the metrics allow ICBC to identify and assess the factors which drive significant costs?

   (c) Do the metrics allow ICBC to evaluate which types of care are efficient or effective?

   (d) ICBC should be required to provide health cost data by payment code, service code, and specialty code. ICBC's website for service providers provides an indication of the degree of granularity which can be achieved in this regard.

2. Health Cost Management

   (a) What programs has ICBC implemented in the last 5 years to manage health costs?

   (b) What programs are currently in place to manage health costs?

   (c) What metrics have been used in the past 5 years or are being used currently to evaluate the effectiveness of any health cost management programs identified in (a) or (b) above?

   (d) What analysis has ICBC done over the past 5 years or is ICBC doing currently of its actual experience (not its actuarial experience) with health cost management programs, or any claims management program impacting health costs? What cost reductions occurred and where did

those cost reductions occur? What metrics are being used to evaluate the ongoing impact of these programs? What dollar saving is occurring and what customer satisfaction outcomes are being established?

(e) ICBC should be required to disclose all studies and analyses of all programs designed to manage bodily injury claims as those programs do impact health costs either directly or indirectly.

3. Health Outcomes

(a) Does ICBC measure health outcomes?

(b) If so, what metrics does ICBC use to measure health outcomes?

(c) What metrics does ICBC use to measure customer satisfaction with motor vehicle accident health outcomes?

4. Health Service Utilization and Allocation Patterns

(a) What information and criteria does ICBC rely upon to make the decision to authorize payment for health services for neuromusculoskeletal injuries?

(b) Does ICBC have different criteria for authorizing payment for health services for different practitioner groups involved in treating neuromusculoskeletal injuries? If so, what metrics are used to justify the distinctions ICBC makes between the different practitioner groups.

(c) What steps does ICBC take to influence health service utilization and allocation patterns?

5. Health cost allocation

(a) In the absence of a tort judgment awarding costs for past or future care, and in the absence of a major tort settlement where care costs are clearly identified, does ICBC allocate health costs in the vast bulk of tort settlements where a lump sum settlement is paid? If so, how are those health costs allocated?

(b) If, ICBC does not allocate health costs in the vast bulk of lump sum settlements, then what metrics is it relying upon to make the statement as it did in its prior response to information requests that “higher medical costs are being driven upward by tort settlements and awards for future care”?

(c) What metrics is ICBC employing to assess the correlation, if any, between first party costs and tort costs? That is, if first party health costs are decreasing over time as a result of certain cost management programs, is this resulting in more tort claims, greater litigation expense, and higher health costs being paid under the tort claim? Again, if ICBC does not allocate health costs in the vast bulk of lump sum settlements, how does it know?

The BCCA appreciates the work ICBC is undertaking in response to the BCUC and the intervenors in understanding relevant cost issues and looks forward to ICBC's information.

Yours truly,

Dr. Don Nixdorf

Executive Director, BCCA

Cc BCUC, Intervenors

Shelley E. Milne
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September 19, 2003 **BY E-MAIL: regaffairs@icbc.com**

Dear Ms. Milne:

Information requests to ICBC in relation to B.C. Utilities Commission Rate Application Approval of 2004

From

B.C. Chiropractic Association
September 19, 2003

Government has mandated (Insurance Premium Tax Act) that ICBC must show a profit of $36 million for fiscal year 2004. This legislative directive has led ICBC to review all costs and make application for a rate increase for 2004. One specific cost factor is the increase of provincial taxation of motorist's basic insurance premiums from current 4% to 4.4%. It is our understanding that while the BCUC may or may not approve of this type of indirect taxation; it is the role of the BCUC to ensure that ICBC does not "inappropriately" pass this tax on to the public. A second cost factor is an increase in Supreme Court Tariffs estimated to impact ICBC costs by 0.9%. This latter cost factor impacts ICBC's litigation costs. ICBC has suggested that these cost factors are outside of their control. The BCCA would strongly suggest that, although the Supreme Court Tariff increase is outside of ICBC's direct control, internal ICBC policy and procedures do influence the number of claims that become litigated and the length of time these claims are in litigation through their direction to claim adjusters and through internal ICBC claim handling process.

> The BCCA would like to know which ICBC policies and procedures will reduce litigation, increase customer satisfaction, and lower overall claim handling costs?

Injury claims that invoke ICBC's Basic Insurance coverage involve approximately 45,000 customers every year. ICBC Exhibit A.1.5 indicates that less than half of these Bodily Injury claims are still open after 16 months of development.

> Before any rate increase in approved, ICBC should disclose how many of these claims are in litigation and exactly what claim management policies are being pursued to reduce the adversarial litigation process?

ICBC Exhibit A.5 indicates that ultimate payments on these claims will amount to more than $1.1 billion for claims that occur in 2002. Since ICBC does not anticipate any reduction in injury claims for 2003 or 2004, it is unlikely these costs will be contained simply by passing increased costs on to ICBC customers.

Both Accident Benefit (AB) and Bodily Injury (BI) type claims have associated health care costs, but only BI claims are compounded by litigation costs. ICBC is a major payor of health care costs and attempts to set health care policies through their payment processes. ICBC actuaries have identified their Low Velocity Impact (LVI) and Soft Tissue Injury (STI) programs as factors that impact the frequency and severity of injury claims. The BCCA considers these factors as significant also and would like to suggest that ICBC implement an outcome or performance based measurement criteria when implementing injury claim management policies to contain health costs. ICBC should provide details on how the above noted programs "outcome based", and exactly how these programs have reduced health care costs.

> If these programs are ongoing, what benefits have been realized to date? If ICBC has adopted an internal performance based culture for containing costs, then the BCUC should ensure that ICBC is accountable by reducing health costs through their claims management policies.

Rising Health Costs

In introducing its application for a rate increase, ICBC cites an insurance industry publication to support a relatively negative picture of the current insurance industry in a Canadian context. ICBC relies on the following quotation:

> *Although higher automobile repair costs and auto thefts are the major contributing factors, the largest cost pressure facing the industry has been the rising cost of healthcare and associated fraud.*
>
> Page iv, Executive Summary
> Page 1-1, Application

1. Does ICBC maintain before the B.C. Utilities Commission that the statement quoted applies to ICBC?

2. If so, please provide information to support the conclusion that "the rising cost of health care" is the "largest cost pressure facing" ICBC?

3. If so, then within the "rising cost of health care" what are the factors or components of "health care" which are the primary or most significant drivers of rising costs?

4. If so, provide information on the nature and the extent to which "associated fraud" in the provision of health care services is a factor in explaining "rising costs"?

5. If so, provide information on the steps taken by ICBC in the past three years to manage the "rising cost of health care and associated fraud" and what steps are planned for the future?

6. In particular, in the relation to question 6, what steps, if any, are being taken by ICBC to ensure that maximum health outcomes are being achieved at the most reasonable or minimal costs?

7. Further, identify and produce whatever studies or analysis of health outcomes and costs ICBC has performed in the past five years?

ICBC also makes the following statement about health costs in its application:

> *Increases in calendar year claims incurred costs of 3.5% and 1.4% (without Tariff impact) are anticipated for 2003 and 2004, respectively. These increases are due primarily to expectations for vehicle population growth and rising bodily injury claims costs. More specifically,*
>
> *_ Vehicle population is expected to increase by 1.5% in 2003 and 1.8% in 2004. With an increase in vehicle population, there is an increase in the number of policies sold, which results in additional claims incurred costs.*
>
> *_ Bodily injury claims costs continue to rise due mainly to higher medical costs and higher injury settlements. Programs have been implemented over the years, aimed at managing and lowering these costs, yet still providing for the legitimate needs of claimants. The historical and projected claims trends used to determine the actuarial rate level requirements reflect these increasing costs.*
>
> Page 6-1 and 6-2, Application

8. Define all costs that are included in "higher medical costs".

9. What programs have been implemented over the years to manage and lower these costs?

10. Identify and disclose all studies or analyses of these programs to measure effectiveness and health outcomes?

11. How does ICBC assess the "legitimate needs" of claimants?

12. Identify specifically how "these increasing costs" as they pertain to "higher medical costs" are reflected in the historical and projected claims trends used to determine the actuarial rate level requirements?

13. With reference to Exhibit A.3.17 summarizing Accident Benefits – MR and MSP, how does ICBC rationalize its assertions of "rising health care costs" when the total amount paid for all medical rehabilitation accident benefits appears to be trending down significantly from 1997?

MSP Costs

14. Why is ICBC paying medical and other health expenses incurred by MSP when the ICBC Regulation section 88 (6) provides that: "The corporation is not liable for any expenses payable to or recoverable by the insured under a medical, surgical, dental or hospital plan or law, or payable by another insurer."? Does this not mean that ICBC should not be paying any MSP related costs?

15. Explain the historic and current relationship between MSP and ICBC in relation to medical doctor expense. In particular, confirm whether the role or influence of the B.C. Medical Association negotiations with the government for MSP fees has caused medical costs to be shifted from MSP to ICBC when that appears to be contrary to the regulation.

16. In relation to Exhibit A.3.17, explain why no medical doctor or therapist expense is incurred prior to 1994 while significant amounts have been incurred since then?

17. In relation to the same exhibit, explain what is included in "MSP therapists" and what is included in "MR excluding MSP".

18. As well, explain why amounts paid to medical doctors is essentially constant from 1995 while amounts paid to "therapists" has declined significantly? Does this reflect a policy decision? If so, explain?

Econometric models

ICBC and Ecklar Partners make the following statement in the application:

> *For Accident Benefits, the 10-year model (+3.22%) was selected. The model includes variables for average wages, and indicators for the Six Point Plan and the soft tissue injury program. This model has an R-squared value of 70%.*
>
> Page 10, Actuarial Report

19. What is the Six Point Plan? What are the indicators to which ICBC is referring? Explain what significance it has for modeling or managing health costs.

20. What are the indicators for the Soft Tissue Injury Management Program? How does the Soft Tissue Injury Management Program operate as a factor for predicting future accident benefit claims expense?

Low Velocity Impact Program

ICBC and Ecklar Partners make the following statement at page 11 of the Actuarial Report:

Accident Benefits

A change was made to the Low Velocity Impact Program ("LVIP") in 2003 to allow Accident Benefits payments for these claims. It is estimated that this change will produce an additional $13.7 million in claims costs in policy year 2004, broken down as follows:

Medical services: $ 6.0 million
Disability benefits: $ 3.2 million
Allocated expenses for medical reports: $ 2.7 million
Medical examinations: $ 1.8 million

Total $13.7 million

21. Has ICBC completely abandoned the Low Velocity Impact Program? If not, what remnants of it remain? If some part of the program remains how will this impact costs?

22. Is the $6 million for "medical services" only for amounts spent in relation to the services of medical doctors or does it include amounts paid to other health professionals? If the latter, how is this amount allocated amongst medical doctors, physical therapists, massage therapists, chiropractic doctors, and other health care providers?

23. Does the amount of $2.7 million for medical reports and the amount of $1.8 million for medical examinations pertain only to expenses paid to medical doctors? Does it include amounts to be paid to other health care professionals? If so, please specify.

The BCCA has made previous presentations which have included information on how to lower health costs for a vast number of ICBC injured customers. Receipt of this has been acknowledged by ICBC. The BCCA requests information in response to the questions and concerns noted above. The document titled Closing Claims and Lowering Costs, November 2002 is also presented for ICBC's response to factors identified as lowering claim and associated health costs.

Yours truly,

Dr. Don Nixdorf
Executive Director, BCCA