

Features

California Workers' Comp Overhaul Sets Stage for Nationwide Reforms

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The broad reforms in California's workers' compensation system serve as an example for the nation, as employers and insurers in the state are getting sizeable financial relief from runaway workers' compensation medical costs.

Workers' compensation claims and disability costs have plummeted almost 50 percent since the workers' compensation system was overhauled in 2003 and 2004, according to the *Sacramento Bee*. As premiums have fallen to an historic low, insurers' profits have risen. Last year insurance companies paid just 60 cents in claims for every dollar in premiums paid by employers, according to the Workers' Compensation Insurance Rating Bureau. That's a far cry from five years ago, when insurers paid out \$1.03 in claims for each dollar collected. Those losses translated into premium increases of 200 percent to 300 percent for many employers.

Insurers and employers nationwide can benefit from lessons learned in California: 1) Getting injured workers to the right medical providers at the right time reduces costs; and 2) Aligning provider incentives with those of employers reduces costs even more.

Curb overuse of medical treatment

California legislators recognized that ensuring appropriate utilization of medical treatment was key in driving down costs. With that goal in mind, legislators created standard treatment guidelines and allowed insurers and employers to set up HMO-like physician networks--Medical Provider Networks (MPNs)--to treat workers injured on the job. Similar legislation was recently enacted in Texas and will be followed by other states next year.

MPNs offer employers more control over their employees' medical care than ever before--medical control for the life of the claim. In the past, employers had control over employee medical care for only 30 days after the injury was reported.

The California Department of Workers' Compensation (DWC) requires each MPN to include a variety of doctors and other providers with general medical and occupational injury experience; meet access to care standards for common occupational injuries and work-related illnesses; follow all medical treatment guidelines established by the DWC; and allow employees a choice of provider(s) in the network after their first visit.

The chief goals of the MPNs are to produce better patient outcomes, promote faster recovery, expedite safe return to work and prevent over-utilization of medical treatment. Many insurers and employers view the MPN as a cost-effective means to direct injured workers for appropriate treatment, as well as a way to reduce workers' compensation premiums.

American Insurance Association Spokes-woman Nicole Mahrt told the *Silicon Valley/San Jose Business Journal* that, "The lack of control over where an injured worker receives care is one of the reasons workers' compensation premiums have risen at double-digit rates for the last four years." Studies by the Workers Compensation Research Institute have shown that medical costs are 16 percent to 46 percent lower if a patient receives treatment exclusively within a provider network.

However, certain provider networks have inadvertently fueled over-utilization of medical treatment. By focusing primarily on cost-cutting measures, such as paying providers discounted rates for each treatment in return for more patient volume, insurers may end up with providers that deliver more visits and services than necessary. That could result in poorer patient outcomes over the long-term.

Expert rehabilitation providers get patients better, faster

Employers and insurers who want the best value and the best outcomes from an MPN, or any workers' comp provider network, should consider choosing a specialty network for outpatient rehabilitation. Rehabilitation care (primarily physical therapy and occupational therapy) is one of the most significant cost drivers for workers' comp injuries. And key to controlling those costs is using a specialty network experienced in managing care and getting patients back to work.

Since California put its treatment guidelines in place, physical therapy treatments and chiropractic treatments for injured workers in California have dropped by about half, according to a recent report from the California Workers' Compensation Institute. Fewer visits for treatment resulted in cost reductions of nearly 50 percent.

Creating incentives to produce the best outcomes

Although the creation of MPNs and strengthened treatment guidelines are steps in the right direction toward reforming the state's workers' compensation system, they do not address the underlying issues. Merely renaming former PPO networks as MPNs and capping reimbursements to providers will not go far enough to fix the system. The private sector must change the way medical care is delivered and make healthcare providers more accountable for lowering costs and improving the quality of care that injured workers receive.

Using an expert to administer rehab services can accomplish those objectives. "Carving out" physical and occupational therapy services--rather than using a single source to provide all medical specialties--offers employers and insurers the following advantages:

Provider incentives aligned with those of payors. A specialty network is particularly able to address rehab costs by using novel reimbursement tools such as case rates, pay for performance, and utilization review and management measures. For example, if insurers use case rate programs, in which providers are paid a flat rate per case, providers are motivated to get patients back to work quickly and safely, and incentives to over-treat are minimized.

Directed referrals to a network of highly qualified and credentialed rehabilitation practitioners with a proven track record of reasonable and appropriate standards of care. By promptly directing care to such providers, employers can better control costs and also protect themselves against those workers that have potentially fraudulent claims.

A case management program in which providers are held accountable to provide the appropriate level of care to match the patient's needs. For example, one new California regulation limits patients to 24 physical therapy visits. That cap may encourage some providers to deliver more visits than necessary, and may not allow enough treatment in some severe cases to get an injured worker healthy and back on the job. An effective case management system monitors services use to ensure that patients receive neither too much-nor too little-treatment. Ideally, physical therapists should be reviewed by experienced peer case managers rather than nurses or claims managers who lack the training to properly monitor the continued need for specialty care.

Patient satisfaction measures that deal with the treatment process as well as its outcomes. Do patients have to wait several days to get an appointment? Was enough time spent with the injured worker on how to avoid re-injury? Workers need to feel they've received sufficient treatment as well as instruction on how to avoid re-injury. Workers need to sense providers are interested in their well-being. A satisfied injured worker is less likely to sue the employer and/or insurer.

Independent rehabilitation practitioners who own their own offices. Research has shown that those therapists--as opposed to those working in physician- or corporate-owned physical therapy offices--do not have conflicts of interest in ownership that can drive-up utilization, raise costs and compromise quality of patient care. A study reported in the *New England Journal of Medicine* found that physical therapy was initiated 2.3 times more often by physicians who referred patients to their own rehabilitation clinics than by physicians who referred patients to independent facilities.

Repairing a shattered workers' compensation system requires the creation of incentives for everyone involved--insurers, employers, patients and providers--to do their part to lower costs and improve the quality of care received by injured workers. Their efforts, in the long-run, will boost workplace productivity and create a healthier business environment nationwide.

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