



## Work Comp Reform - Spurring National Changes

By Michael Weinper, MPH, PT

Trends that start in California often spread to the rest of the country. That may be the case with the state's recent workers' compensation reforms, which seem to be producing significantly lower medical costs.

Both employers and insurers there are getting financial relief from runaway workers' comp costs. Workers' compensation rates have dropped an average of 27% since the reforms were enacted, and insurers are seeing an unprecedented reduction in the cost of claims. The average loss ratio-- the amount insurers pay out in claims per premium dollar collected -- dropped from 87 percent in 2002 to 41 percent in 2005.[1]

What do these results mean for stakeholders nationwide?

In a nutshell: Getting injured workers to the right medical providers at the right time reduces costs. And aligning provider incentives with those of employers reduces costs even more.

### Ensuring appropriate utilization is key

Curbing over-utilization of medical services was a primary goal of California legislators in creating standard treatment guidelines and allowing 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[2], and will be followed by other states next year.[3]

MPNs give 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 both 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
- \* Allow employees a choice of provider(s) in the network after their first visit

Key goals of the MPN 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 and a way to reduce workers' compensation premiums. American Insurance Association Spokeswoman Nicole Mahrt said, "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." [4]

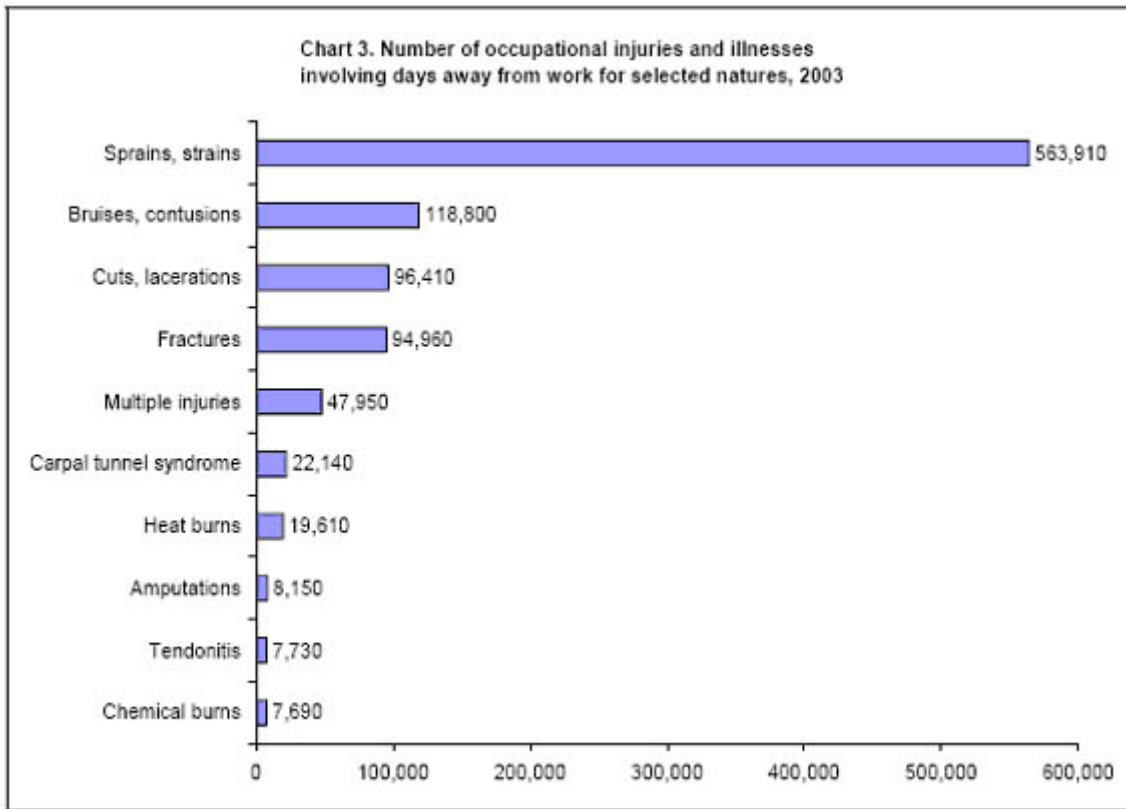
In fact, studies by the Workers Compensation Research Institute have shown that medical costs are 16% to 46% lower if a patient receives treatment exclusively within a provider network.[5]

However, certain provider networks have inadvertently fueled overutilization 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, resulting in poorer patient outcomes over the long term.

### The right providers at the right time

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 (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.

Rehabilitation therapists are trained to identify and treat musculoskeletal disorders (MSDs), which are among the most prevalent, most expensive and most preventable workplace injuries in the country. The U.S. Department of Labor defines a musculoskeletal disorder as an injury or disorder of the muscles, nerves, tendons, joints, cartilage or spinal discs.



**Sprains and strains are at the top of the list for lost work days. Rehabilitation therapists are trained to identify and treat such disorders.**

Source: *Bureau of Labor Statistics*, March 2005

Within the MSD category are repetitive injuries, the No. 1 workplace injury. Not only are repetitive motion injuries (such as carpal tunnel syndrome) extremely common, they cause workers to stay away from work longer than injuries that appear to be far graver, such as falls or amputations.[6]

### Aligning provider incentives with patient outcomes

While the creation of MPNs and strengthened treatment guidelines is a step in the right direction toward reforming the state's workers' compensation system, it does not address the underlying issues. Merely renaming former PPO networks as MPNs and capping reimbursements to providers will not go far enough. The private sector must change the way medical care is delivered and make healthcare providers more accountable for lower costs and improve the quality of care that injured workers receive.

One way to accomplish those objectives is to use an expert to administer rehab services. "Carving out" physical and occupational therapy services -- rather than using a single source to provide all medical specialties -- offers employers and insurers these advantages:

- \* **Provider incentives aligned with those of payors.** A specialty network is particularly able to address rehab costs with the use of 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 utilization of services 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 a particular type of 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, and 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 these 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. [7]

The remedy for the country's broken workers' compensation system boils down to creating 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. The long-term results will be increased workplace productivity and a healthier business environment nationwide.

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#### Footnotes

1 Insurance Commissioner John Garamendi, California Department of Insurance, August 8, 2005. 2 Cenicerros, R., "Physician Networks Top Texas Comp Reforms," Business Insurance, June 13, 2005. 3 Cenicerros, R., "Employers Turning to Networks to Help Curb Rising Comp Costs," Business Insurance, April 11, 2005.

4 May, T., "Workers' Compensation Networks Get Set to Roll Out in '05," Silicon Valley/San Jose Business Journal, November 12, 2004.

5 Workers Compensation Research Institute, [www.wcrinet.org](http://www.wcrinet.org), "What's New," Healthier Choices: Borrow Smart Strategies from Managed Care," from The Dallas Morning News, March 8, 2005 6 "Lost-Worktime Injuries and Illnesses: Characteristics and Resulting Days Away From Work, 2003," Bureau of Labor Statistics, March 30, 2005. <http://www.bls.gov/news.release/pdf/osh2.pdf>

7 Mitchell, J.M., Scott, E., "Physician Ownership of Physical Therapy Services. Effects on Charges, Utilization, Profits, and Service Characteristics." Journal of the American Medical Association, October 1992.

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