



Workers' Comp Reforms in California May Spur Changes Nationwide

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

As a result of California's workers' comp overhauls, the cost of medical treatment and benefits is the lowest ever: 45 cents for every \$1 on premium earned by insurers. Insurers were paying \$1.41 at the height of the workers' compensation crisis in 1999, according to the state's Workers' Compensation Ratings Bureau.¹

One of the state's key reforms allows employers to designate Medical Provider Networks (MPNs) to treat workers injured on the job. Similar legislation will likely be enacted in Texas this year, followed by other states next year.²

Ensuring appropriate utilization

The key goals of the MPNs are to produce better patient outcomes, promote faster recovery, expedite safe return to work, and curb over-utilization of medical treatment. Many insurers view the MPN as a cost-effective means

to direct injured workers for appropriate treatment and a way to reduce workers' compensation premiums for employers. 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."³

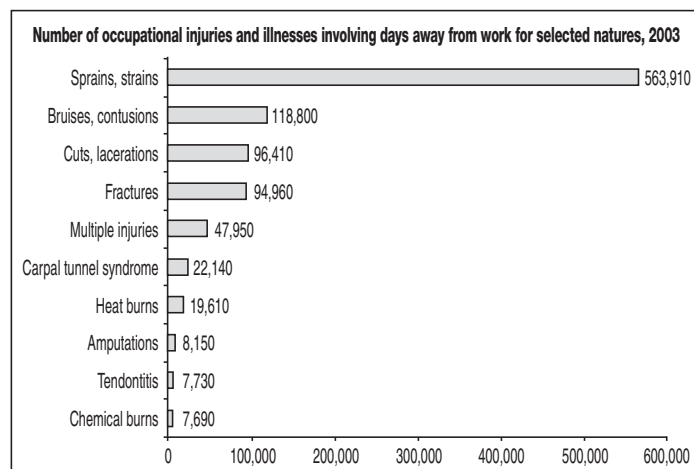
In fact, studies by the Workers Compensation Research Institute have shown that medical costs are 16 percent to 46 percent lower if a patient receives treatment exclusively within a provider network.⁴

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.

No substitute for experience

Employers who want the best value and the best outcomes from an MPN should consider choosing a specialty network for the outpatient rehabilitation portion of their MPNs. Rehab 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, which are among the most prevalent, most expensive, and most preventable workplace injuries in the country.



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

¹ Chan, Gilbert, "Deeper Cuts Proposed on Workers' Comp Rates," Sacramento Bee, May 18, 2005.

² Ceniceros, Robert, "Employers Turning to Networks to Help Curb Rising Comp Costs," Business Insurance, April 11, 2005.

³ May, Troy, "Workers' compensation networks get set to roll out in '05," Silicon Valley/San Jose Business Journal, November 12, 2004.

⁴ Workers Compensation Research Institute, www.wcrinet.org, "What's New," "Healthier Choices: Borrow Smart Strategies from Managed Care," from The Dallas Morning News, March 8, 2005.

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