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Five Costly Mistakes Employers Make with Workers' Compensation Managed Care Organizations

By Frank Pennachio, CWCA

While workers' compensation managed care is widely viewed as a means of controlling expenses, the results are sometimes quite different from what is expected. In fact, in many cases, the consequences are not only unintended but also undesirable and costly to employers. How can a system that is developed to manage the use of care and costs associated with workers' compensation actually end up costing employers more than is necessary? Five common mistakes often made when working with workers' compensation managed care organizations (WCMCOs) include:

1. Employers assume that the WCMCO's goals are aligned with their goal of safely returning the employee to work as quickly as possible. When employers select a WCMCO, they believe they are engaging experts who share their objectives in the same way they choose an attorney or accountant. On the surface this makes sense. When employees are injured, the employer's goal is to provide the right treatment at the right time by the right physician so that employees can safely return to work as quickly as possible.

On the other hand, the WCMCO's aims are more complex and require an understanding of how they work. While they may share the employer's return-to-work goals, they also must make a profit. As a result, when the WCMCO recruits physicians, it negotiates fees lower than those mandated by the state, bill at the mandated price and pay the discounted fees to the physician. The WCMCO receives a percentage of the savings, and the balance is reported as a savings to the employer.

This arrangement has two unintended and undesirable outcomes. First, top doctors are not attracted to the network. Second, it encourages more visits and tests to make up for the loss of income. The more treatments, the more that is billed, and the more the WCMCO earns. It is well-documented that utilization is a prime driver of medical costs in workers' compensation that are higher than in non-occupational employee health insurance. Ironically, the "savings" to the employer increases as more bills are processed.

2. Employers engage a WCMCO that does not have physicians who are properly trained in occupational medicine. Treatment of job-related injuries requires an expertise that transcends

the medical model followed by physicians who are trained to treat pathology, disease and impairments. In workers' compensation cases, there must be an understanding of the job's functional requirements, care coordination and communication with the employee and employer, a knowledge of how the employer can accommodate an injured worker and a grasp of the important psychosocial factors involved in returning to work.

Overworked physicians have little time or incentive to visit patients' workplaces or to explore alternatives with the employer to maximize functional and vocational recovery. This responsibility falls to the nurse case manager whose role is to consult with physicians, assist in reviewing treatment plans and help facilitate the optimal and efficient recovery of the injured worker.

Again, the system sets the stage for undesirable outcomes. First, case management is in effect a rework because the right work is not being done, adding another layer and more expense. Second, doctors do not perceive nurses as peer reviewers. Lastly, many case managers are not properly trained nor do they have the skills to coordinate and guide this complex process. In the white paper, "The 'Management' in Case Management," Byran Chong, IBM Global Social Segment, notes, "Between 10% and 50% of case managers in workers' compensation organizations are considered not fully effective at what they do. These employees lack knowledge and skills, and many are not motivated to improve."

The result is episodic care management with a focus on cases flagged for intervention by the payer rather than a holistic approach of managing all those involved in the process to optimize outcomes.

In contrast, a study of Louisiana workers' compensation claims showed how a specialized care network of occupational medicine physicians and other specialists with experience in treating workers' compensation patients and expert knowledge of the physical demands of work, resulted in significantly fewer lost days and 40% lower costs of care.

3. Employers do not realize the importance of evidence-based guidelines When concerns were raised with WCMCOs regarding over-utilization and higher-than-expected costs, the companies developed "Utilization Reviews" designed to monitor the care injured employees receive to ensure that it is appropriate, necessary and efficient.

It makes sense to have proven medical protocols for injuries so that the right treatments can be applied with the right schedule to get the injured worker back to work. While these protocols exist, many WCMCOs do not use them. Since the present system financially rewards the networks when a claim goes bad, there is an understandable reluctance to adopt these important measures.

The American College of Occupational and Environmental Medicine (ACOEM) Practice Guidelines Committee publishes scientific, evidenced-based occupational medicine practice guidelines, commonly referred to as ACOEM Guidelines. ACOEM Guidelines consider the frequency, duration, intensity and appropriateness of all modalities and procedures that are most commonly used in the treatment of injured workers and establish benchmarks for the return to work.

A Society of Occupational Medicine study of evidence-based care for low back pain in workers eligible for compensation concludes that those workers who had evidence-based care had less time off work, spent less time on modified duty and had fewer reoccurrences compared with those who had usual care.

While a body of research supports the results of evidence-based guidelines, a significant gap remains between the scientifically supported approaches to care and the day-to-day practice.

4. Employers do not engage in relationships with medical providers. So much of managing the cost of disability claims is working with the right doctor who can diagnose the injury correctly, knows the protocols for workers' compensation injuries and is able to put in place proper guidelines for medical care and return to work. Rather than relying on discounts, employers should provide incentives by extending the scope of services to include post-offer employment screening, drug testing and maintaining work wellness. An appropriate fee schedule combined with evidenced-based guidelines will ensure quality healthcare for injured workers, while reducing costs to employers.

5. Employers do not require quantitative measures of results. A crucial part of assessing the quality and effectiveness of any medical program is the development of appropriate performance measures. Little information on the results of care from WCMCOs is available. A Robert Wood Johnson Foundation Workers' Compensation Health Initiative project found that many barriers exist to introducing standard performance measures in WCMCOs, including the inadequacy of patient data maintained by WCMCOs and the low demand from purchasers for the standard performance measures.

Employers must be proactive and insist that they receive:

- a. Qualifications of the physicians and nurse case managers. Are they properly trained experts in the care of occupational injuries?
- b. Timely and appropriate care. Are evidence-based guidelines used?
- c. Outcomes: duration of disability, reduction in medical and indemnity costs, return to work and employee satisfaction. Disability prevention: Is there a program to match fitness to job requirements, post-offer employment screening, etc.?

WCMCOs were implemented to provide high-quality, cost-efficient service to injured employees and their employers. All too often the present system, as structured, produces unintended bad results. Employers must proactively turn their attention to the way workers' compensation organizations think about, implement and measure their performance.

Frank Pennachio

Frank Pennachio is a co-founder and Director of Learning of the Institute of WorkComp Professionals, an organization that tests and certifies insurance professionals to alert employers about the hidden costs and overcharges in the workers' compensation insurance system. He may be contacted at frank@workcompprofessionals.com.