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

by David R Leng, CRM, 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 is it that a system developed to manage the utilization of care and costs associated with Workers' Compensation actually ends up costing employers more than is necessary? Here are five common mistakes that are often made when working with WCMCOs:

1

Employers assume that the goals of the Workers' Compensation Managed Care Organization (WCMCO) 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 goal of the employer is to provide the right treatment at the right time by the right physician so that the employees can safely return to work as quickly as possible.

On the other hand, the aims of the WCMCO are more complex and require an understanding of how they work. While they may share the employer's return-to-work goal, they also have to make a profit. As a result, when the WCMCO recruits physicians, they negotiate fees lower than those mandated by the state, bill at the mandated price, and pay the discounted fees to the physician. The WCMCO is paid 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 increased utilization – more visits, more tests, etc. 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

The 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 needs to be an understanding of

the functional requirements of the job, 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 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 review. 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 percent and 50 percent of case managers in Workers' Compensation organizations are considered not fully effective at what they do.

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– David R. Leng

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 percent lower costs of care.

3 Employers don't 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." The 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 study in the Society of Occupational Medicine, *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 there is a body of research supporting the results of evidence-based guidelines, there remains a significant gap between the scientifically supported approaches to care and the day-to-day practice.

4 Employers don't 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 health care for injured workers, while reducing costs to employers.

5 Employers don't 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. There is a surprising paucity of information on the results of care from WCMCOs. A project by the Robert Wood Johnson Foundation Workers' Compensation Health Initiative found that a number of 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 need to 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, employee satisfaction.
- d. 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 the injured employee and their employers. All too often the present system, as structured, produces unintended bad results. Employers need to proactively turn their attention to the way Workers' Compensation Organizations think about, implement, and measure their performance. ▼

Editor's Note: David R. Leng, is a 20-year veteran of the insurance industry. Co-Founder of Keystone CompControl, the nation's largest network of Workers' Compensation specialists, he is one of only 27 nationwide Level-5 members of the Institute of WorkComp Professionals and was named the 2007 Advisor of the Year by that organization. David, who has 16 years experience specializing in Workers' Compensation, is an alumnus of Penn State where he received a Bachelor of Science in Insurance. He holds many professional designations, including Certified Insurance Counselor (CIC), Certified Risk Manager (CRM), and Charter Property Casualty Underwriter (CPCU), and has been designated a Certified WorkComp Advisor (CWCA) by the Institute of WorkComp Professionals. A frequent contributor to Dynamic Business magazine, David has also been published in several other periodicals. Since just 2004, David has saved his clients well over \$9,200,000. He can be reached at 724.863.4225 x372, or via e-mail, dleng@keystonecompcontrol.com. Website: www.level5workcomp.com

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