Claim Shifting to WC: Effects of the ACA and Fee Schedules

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To what extent do financial incentives influence provider’s decision to call a back injury work-related

Provider incentives to shift to WC from:
- Capitated GH plans or plans with “value-based” reimbursement mechanisms
- Fee for service GH plans when WC fees are higher

What is cost impact on WC and employers?
The Impact Of ACA On Case-Shifting From Group Health To Workers’ Compensation
Study Findings
States Where Capitation Common

- Patients covered by capitated plans
  - 31% more likely to have workers’ compensation pay for soft tissue injury
  - Not more likely for fractures, lacerations, contusions
  - Effect is stronger in states where capitation is common. Likely reflects provider knowledge of incentives.
Consider a worker seeking care for back pain

Fee-for-service GH Insurance Plan

- If not work related, provider paid fee for service by GH insurer
- If work related, provider paid fee for service—often higher prices—by WC insurer

Capitated GH Insurance Plan

- If work related, provider paid fee for service by WC insurer
- If not work related, provider has already been pre-paid for care
Central part of ACA is creation/expansion of Accountable Care Organizations (ACO)
- Capitated or “Value-based” reimbursement mechanism
- Risk-sharing arrangements

ACO: network of doctors and hospitals sharing financial and medical responsibility by providing patients with coordinated services
Growing use of capitation is likely to increase the number of soft-tissue cases seeking payment under WC (“claim-shifting”)

- If capitation grows by 30 percentage points:
  - 9.2% more soft tissue claims paid by workers’ compensation
  - No increase in fractures, lacerations, and contusions

- If Florida increased capitation from 20% to 50%
  - 9.2% increase in soft tissue claims paid by WC
  - $45 million or 3% increase in WC costs
Do Higher Fee Schedules Increase The Number Of WC Cases?
Importance: Fee Schedules And Price Variation

- Substantial variation in fee schedules and prices across states
- Higher prices and faster growth in prices in states without fee schedules
- These may result in variation in WC claims across states
In Most States WC Paid Prices Above GH

* Implemented a double-digit fee schedule decrease for a common knee arthroscopy from 2009 to 2012.

Source: A New Benchmark For Workers’ Compensation Fee Schedules: Prices Paid By Commercial Insurers? (2013)
Major Findings

- 20% growth in WC reimbursement rates for physician services with office visits increases the odds a soft tissue injury is called work-related by 6%
- No evidence of case-shifting for patients with injury by trauma (e.g., fractures, lacerations, contusions)
- 6% increase in number of soft tissue conditions among patients with fee-for-service GH plans = 1.5% increase in workers’ compensation costs
Costs To Employers

- Employers pay for both GH and WC, so isn’t this shifting costs from one to the other?
- No, case shifting raises costs to employer
  - WC typically pays higher prices for medical care
  - WC income benefit payments typically exceed non-occupational disability insurance payments (if even offered)
  - More workers covered by WC than non-occupational disability insurance
  - Higher WC income benefits may result in longer duration cases
Growing use of capitation is likely to increase the number of soft-tissue cases seeking payment under WC (“claim-shifting”)

- Higher WC fee schedules shift soft tissue cases to WC
- Variation in WC prices across states and over time means WC claims for soft tissue are higher in some states than others due to claim-shifting
- Claim-shifting raises employer costs from higher medical and income benefit costs
Thank You!

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