

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

Olesya Fomenko

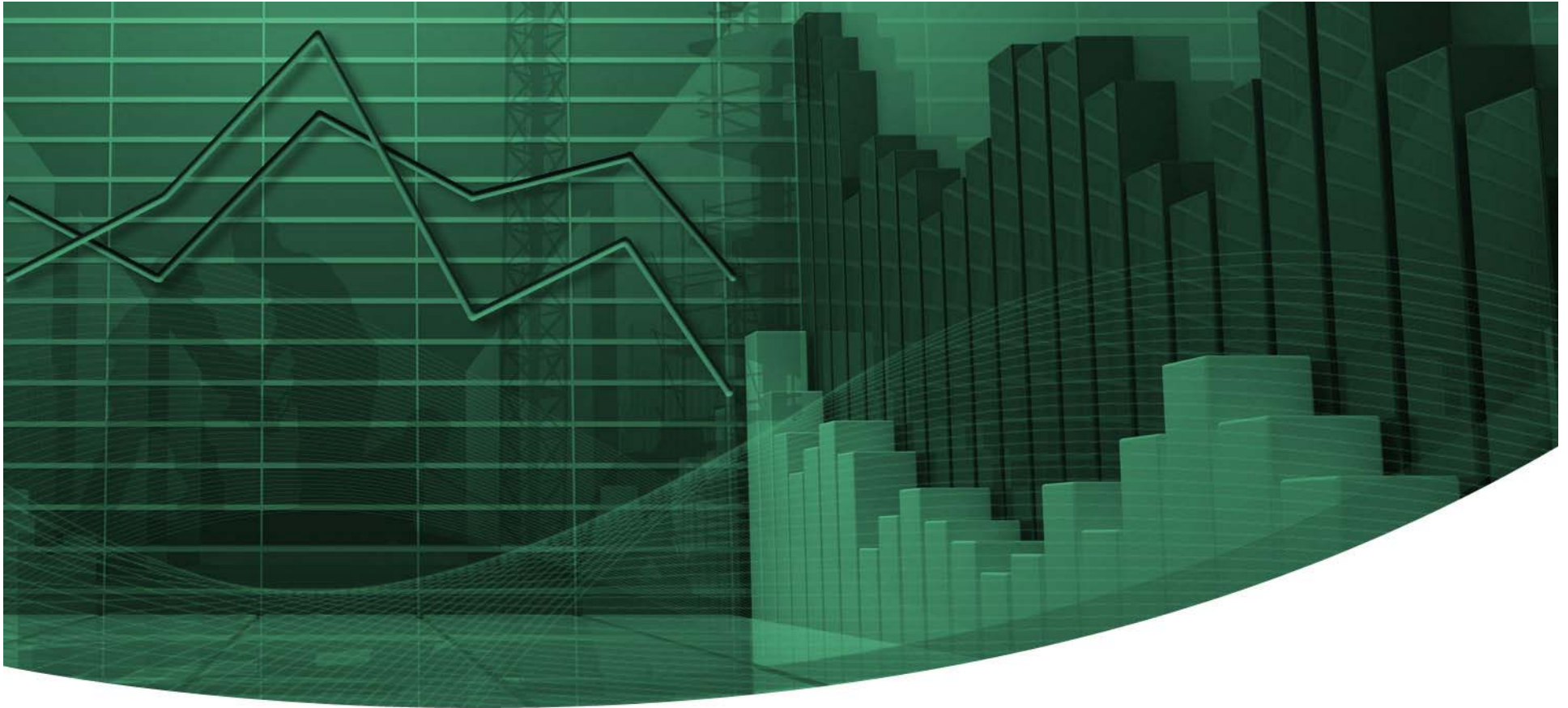


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Agenda

- 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.

Financial Incentives Under Capitation or ACOs: Illustration

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

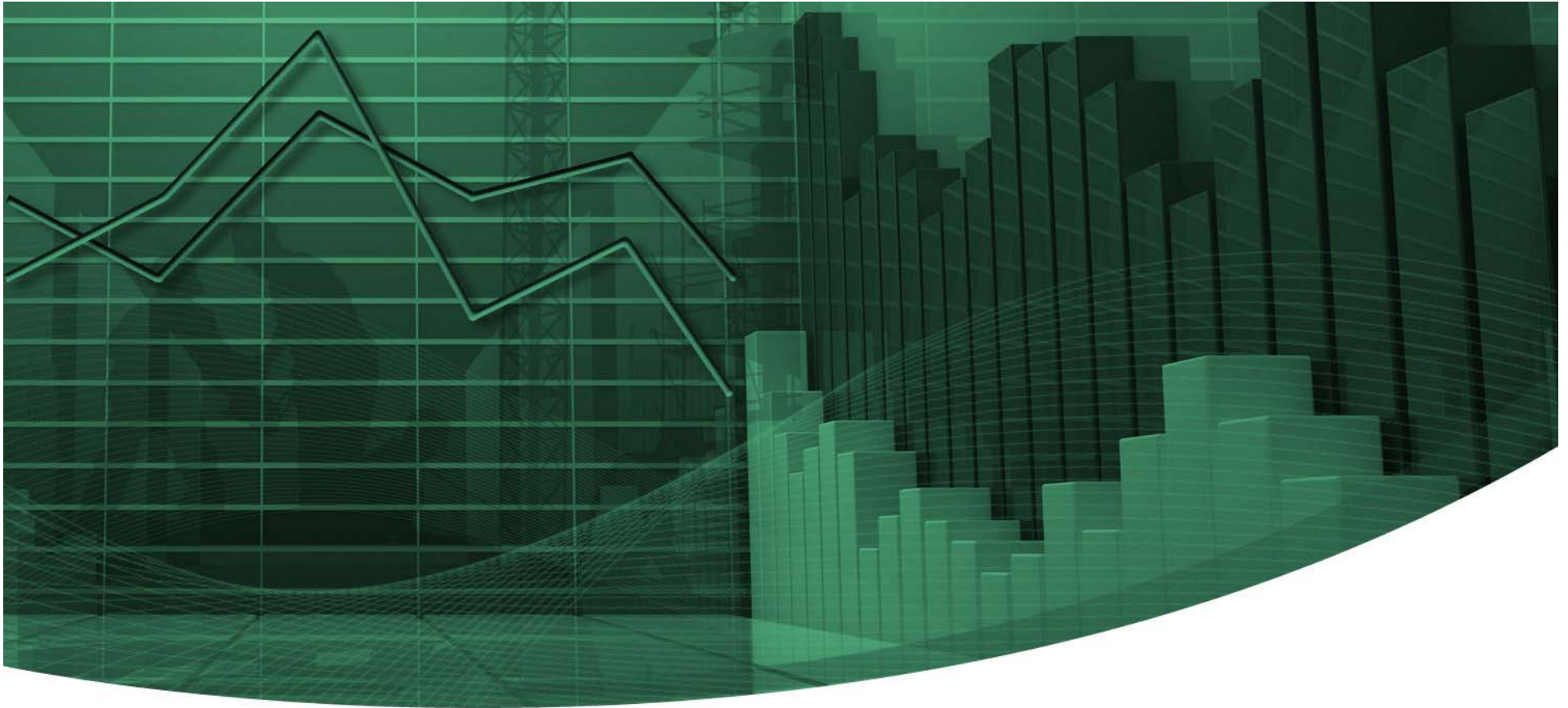
- If work related, provider paid fee for service by WC insurer
- If not work related, provider has already been pre-paid for care

The Mechanism – Capitation/ACOs

- 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

Major Findings

- 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



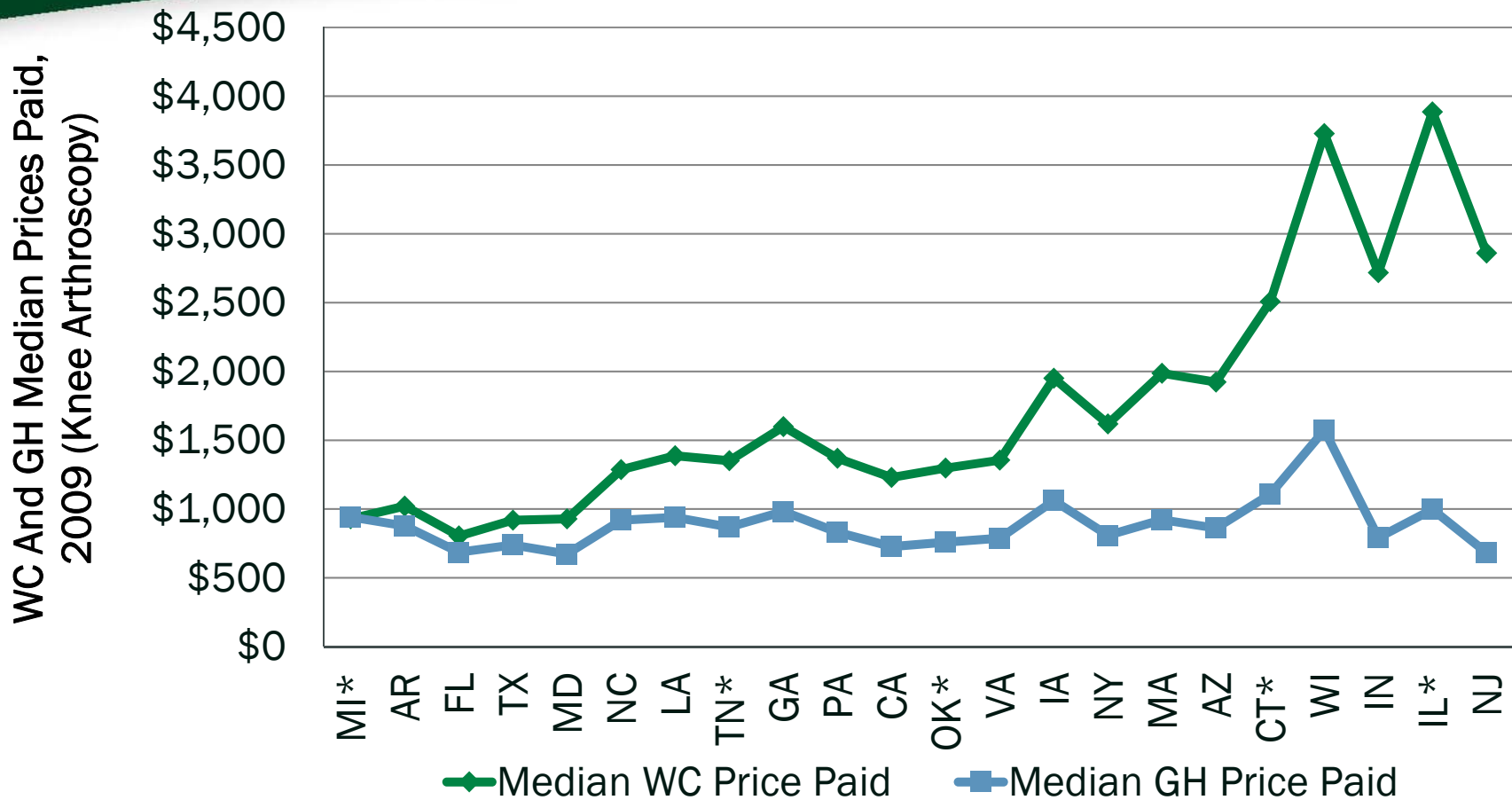
**Do Higher Fee Schedules Increase
The Number Of WC Cases?**



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

Summary

- 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!

- For comments/questions about the findings:

Dr. Olesya Fomenko | Economist
ofomenko@wcrinet.org

- Website: www.wcrinet.org
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