The following article about managing workers' comp medical costs is from a recent issue of Business Insurance. Aetna Workers' Comp Access is prominently featured. Robyn Walsh, head of Aetna Workers' Comp Access, was interviewed for the article.

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Health Insurers Try To Bring Managed Care To Workers Comp

Robyn Walsh
After an employee sustains a workplace injury, everyone agrees that the goal is to get the injured worker back to good health and on the job as quickly as possible.

Efforts to accomplish this in the most economical way are creating new opportunities for players in the group health markets. As the cost of medical care continues to increase, managed health care providers are trying their hand at containing the cost of medical components of workers compensation claims, which are typically higher than for comparable injuries that do not occur on the job.

Yet group health companies have a history of making unsuccessful forays into the workers comp arena, and at least one consultant questions the wisdom of the current effort, as well.

Others argue, however, that circumstances are different this time, and that not only is there a place for managed care companies in the workers comp market, but that employers will benefit from the trend.

"The medical component of workers compensation now accounts for more than 50 percent of the workers compensation dollar," said Joe Marlowe, senior vice president, Aon Consulting in Philadelphia. "It is a very significant cost item for employers."

Most employers with 500 employees or more have either workers comp deductibles or self-insured elements to their coverage and stand to benefit from trimming the medical component of their comp costs, said Anne Ritter, an East Hartford, Conn.-based national practice leader for Aon's Workforce Strategies.

"If I were an employer, I would be asking some very serious questions of my workers compensation carriers and TPAs," Ritter said.

"I think that employers have to drive it right now, really dig and find out what their true costs of care are," she said. "Are there better discounts available? There should be opportunities to decrease overall costs."

Aetna Inc. is one of the group health insurers betting that it can help trim those costs.

"There is a probability of workers compensation costs skyrocketing, medical costs being unchecked and premiums becoming unacceptable for employers," said Robyn Walsh, head of Aetna Workers' Comp Access in Hartford, Conn.

As large employers move toward self-funding, "they wonder, 'Why can't I bring purchasing power to comp like I have for group health?'" Walsh said.

Aon's Marlowe observed, "group health networks have a much greater membership base, giving them leverage for more-favorable reimbursement rates, and they have much more information on physicians and hospitals. Better profiling leads to better decisions on which providers to include or exclude."

It's more difficult for workers comp insurers to "determine who the good performers are vs. the bad performers" because of their lower usage rates, Marlowe said.

Aetna was drawn to managing workers comp medical care because it played to the company's "existing capabilities and strengths," including strong provider networks and large health databases, Walsh said.

"Based on interviews with carriers and employers, we saw opportunities to apply cost management, quality management, network development" and access Aetna's stores of data to trim costs, Walsh said.

Aetna's AWCA network already is in Connecticut, New Jersey, Pennsylvania, Texas and Virginia, and soon should be available in six more states.

Cutting Costs

The Hartford Financial Services Group Inc. contracted with AWCA in June to provide services to its clients in Pennsylvania.

"We know comp claims, but they are experts in managing the medical world," said Judy Kunisch, vice president of medical support and strategy at The Hartford.

"We've traditionally gone outside to traditional occupational health networks for health care; now we're going to the powerhouses, to the people who really know how to do it," said Kunisch.

Resource allocation is one area where Walsh expects experience on the group health side to deliver savings on the comp side.

"In group health, 20 percent of the members are driving 80 percent of the medical costs," Walsh said. "Every patient does not need the same level of case management, and it is a better use of resources if we identify early on, when a person is first injured; if it is an overweight 50-year-old male with diabetes and hypertension who has a broken back or a 30-year-old healthy male with a broken back. We do different things for them, and that has not been done in comp."

WellPoint Inc. is another health plan that sees opportunities to contain costs in workers comp. WellPoint aims to manage "overutilization, inappropriate meds, pharmacy costs and unit costs," said Tim Hoops, the Anaheim, Calif.-based president of WellPoint's workers compensation business unit.

WellPoint offers managed care comp services in California and Missouri and plans to expand to more states.

"Quality care is the goal, not to deny treatments," stressed Hoops. "We are using evidence-based guidelines on what is appropriate."

Their large databases are another strong point for the group health insurers, Walsh said, offering an example of a male injured on the job and requiring surgery. "We know from the group health side that a behavioral health/psychiatric consultation before surgery is extremely beneficial in mitigating depression after surgery, leading to a faster recovery and faster return to work."

Yet psychiatric consultations are not typically provided before surgery for comp injuries, Walsh said. "In the past, workers got what they needed to get back to work, but no more. The assumption is that a worker is always trying to get more than is really needed. We're saying that a broken back is a broken back and should be treated appropriately."

Smitten With Databases

Not all observers think the group health data amassed by managed care companies is pertinent to workers compensation claims.

Some insurers are "smitten with these large databases and physician results," said Joseph Paduda, principal with Strategy Health Associates in Madison, Conn. "That's nice, but a lot of the data is not relevant to workers compensation."

Paduda noted that much of the data pertains to claims that will never arise in workers comp, such as those involving cancer, pediatrics or obstetrics and gynecology.

More important, "functionality is fundamental to workers comp," Paduda said. "With workers compensation, you have to resolve the disabling condition." Group health plan data doesn't show how a claim is resolved. "The data shows treatment occurred and the claim ended, but there is no functionality. Did the claimant die, change health plans, go to an acupuncturist? There is no output determining functionality. As a result, the data is not only incomplete, I would say it is inherently misleading."

Another limitation of group health databases is the very notion of a plan year. "In workers compensation, one-third of medical dollars are paid out more than three years after an injury occurs," Paduda said. "In group health, the data tracks plan year to plan year."

Even the idea of applying managed care cost containment principles to workers comp is flawed, he argued, because of the long-tail inherent in workers comp, the musculoskeletal nature of the injuries and the necessity of a quick return to work. "You fundamentally have to manage care differently," Paduda said, offering the example of standard treatment for back pain. Because back injuries can drag on, the motivation in workers comp is to immediately verify the extent of the injury and get the worker back to work as soon as possible, he said.

Workers compensation claims certainly have "unique differences," Hoops acknowledged. At the same time, "with certain types of injuries, the outcomes should be very similar," he said. "Workers compensation claims require occupational health care providers, more orthopedists and certain types of clinics that understand return to work." Nevertheless, "all of the ancillary services like labs and hospitals are identical," and these areas provide key opportunities for trimming costs.

"A surgical back should cost the same whether it is a group health claim or a workers compensation claim," Hoops said.

Kunisch agreed, saying, "Hartford looked at the injuries, and the injuries are the same. There are more similarities than differences, because we are taking an injury focus."

"The myth is that if you don't have a doctor trained in workers compensation, you won't get a good result," Ritter said. "That is true to some extent, but there are no injuries in the workplace that aren't also seen in group health, whether it be carpal tunnel or back injuries."

That being the case, using the best doctor to treat a particular type of injury can lead to better outcomes, she said.

The trend toward managed care companies entering the workers compensation market may create a sense of dejà vu for some in the industry who remember similar-but short-lived-forays by group health insurers into workers compensation in the 1980s.

"The big difference is that health care is in crisis. And this time, it's not like in the '80s; it's a real crisis," said Ritter, noting that it's getting much more difficult to figure out how to pay for medical costs.

Another critical difference is that, for the most part, group health insurers are not underwriting compensation claims.

"We're still managing the claims," observed The Hartford's Kunisch. "They don't want to manage the claims; they know they don't know how to do it."

"This business is fee-driven," agreed Walsh. "Aetna is not incurring any underwriting risks, which is a different scenario from 10 years ago when health insurers did take on risk despite a lack of underwriting expertise."

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