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# The Impact of COVID-19 on Workers' Compensation

An Initial Survey of Payers

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**Joseph Paduda**

Principal

**Health Strategy Associates, LLC**

**203.314.2632**

[jpaduda@healthstrategyassoc.com](mailto:jpaduda@healthstrategyassoc.com)

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The purpose of this survey was to gather as much information on workers' compensation payers' perspectives, views, adaptations to and concerns about the impact of COVID-19 on their organizations as quickly as possible. The genesis of the survey was a series of conversation I had with payers in mid-March. Most were attempting to deal with very similar challenges. Some had made significant progress on individual issues while others were only just getting started. This survey, and another one to be conducted in several weeks, is intended to help payers learn from each other and accelerate their efforts to adapt to a very fluid and entirely unforeseen event.

Health Strategy Associates, LLC conducted a survey of 15 payers' views on various aspects of COVID-19 over a seven-day period ending on April 6. Respondents included large state funds and private carriers, regional insurers, national third-party administrators, large employers, and governmental entities.

To preserve confidentiality, respondents were assured their organizations' names would not be published and their responses would be edited to remove any terms or locations that could identify the respondent.

The survey was brief, including 10 primary questions and took about 10 minutes to complete.

## Key Findings

Major impacts of COVID-19 on workers' compensation include:

- Declining payrolls.
- Delayed return to work.
- More death claims among healthcare workers and first responders.
- Inability of workers' comp patients to access needed care.
- Rapid increase in demand for telemedicine and related services.
- Confusion over which COVID-19-related claims should be accepted and underlying rules and standards to make that judgment.
- Need to adapt to a massive shift from injury-based to disease-based claims (very different and more complex decision process regarding claim acceptance).
- Dealing with "work from home" (WFH) claims.
- Long-term impact on actuarial data and associated projections.

## How has the industry responded?

For an industry loathe to accept—much less embrace change—it is evident that most payers have moved incredibly quickly, rapidly shifting work from centralized offices to workers' homes and dramatically ramping up tele-everything.



## Remote work

Many—but certainly not all—workers' comp executives had long prohibited or at least highly limited remote work. Forced to accept what they long resisted, payers are finding that remote work is feasible and has its benefits.

There is an additional take-away: some payers that had carefully planned, incremental and modest approaches to “testing” WFH turned on a dime.

One example stands out. A very large payer was able to move thousands of front-line workers out of multiple offices and enable them to do their jobs from their homes—in a week. This involved:

- Thousands of workers moving thousands of desktop computers, monitors, and other peripherals to their homes;
- A massive effort by the payer's IT department to ensure those computers were secure, able to access centralized databases and applications, and protected from intrusion; and
- Changes in management approaches and interaction between managers and their reports to ensure claims handling requirements and standards were maintained.

## Telemedicine

Unlike group health, Medicare and Medicaid, in workers' comp telemedicine and its several variations have long been “just around the corner.” It is fair to say most payers have done little more than “explore,” “test,” “evaluate,” or “study” telemedicine. This is entirely in line with the industry's long history of resistance to innovation and any substantive change (note the discussion of working from home as just one example).

Events have forced rapid adoption. Payers that had previously embraced telemedicine were able to quickly ramp up access to care for patients, while those that paid lip service to telemedicine find themselves ill prepared to help patients who are unable to continue treatment due to providers closing offices and clinics or fears of contracting or spreading the virus.

## Results

Respondents believe COVID-19 will have a very significant impact on the worker's compensation industry. On a scale of 1-5, with 5 rated extremely significant, responses averaged 4.4.

## Impact

Respondents were asked what that impact will be and here are summaries of individual statements.



- Increases in death claims.
- Delayed RTW due to delayed procedures, physicians not signing off on RTW, no job to return to.
- Confusion over which claims to be accepted, different responses to COVID-19 by different organizations and professionals in those organizations make it very difficult to manage.
- Decline in premiums due to declining payroll and cash flow problems. especially among small businesses – could have a very long tail impact on payroll and premiums.
- People don't have ability to get tested, not enough testing available, so how to address that, what to do about it? As an industry we have been tough on these conditions [diseases] in the past...what now?
- COVID-19-related claims are disproportionately hitting public entities and healthcare; most other employers have seen very few claims.
- Claim counts in other sectors – construction, manufacturing, services, retail have practically disappeared.
- The legal side of workers' comp is shut down—no hearings, appeals, courts, etc. How will that affect decisions on claims over the near term?

## How many COVID-19 claims?

We asked respondents if they had encountered COVID-19-related claims; half said they had “many,” and around a quarter said “several.” Two had yet to see any claims filed.

## Pharmacy-related considerations

Respondents were asked if they had worked with their pharmacy benefit managers (PBMs) to adapt to the impact of COVID-19, and specifically what they wanted their PBMs to do.

- Most respondents have yet to spend much time on pharmaceutical issues related to the virus. A minority of respondents had made or is working on changes to their formularies. A similar number loosened restrictions on early refills and quantity limits for non-controlled substances. In addition, requirements for prior authorization have been reduced—again only for drugs that are not controlled substances.
- A few are thinking about encouraging patients to use mail order fulfillment as an alternative to retail pharmacies, however it appears only one respondent has made any significant progress on this.
- A plurality would like their PBMs to educate them about issues related to drugs used to help with COVID-19 symptoms and potential for some drugs to treat the disease itself.



[Note: Despite some public figures' statements, as of this writing, there are NO drugs that have demonstrated efficacy in treating COVID-19.]

## Single biggest concern related to COVID-19

The final question asked respondents for their single biggest concern related to COVID-19. This elicited a broad range of responses and concerns, personal reflections and fears as well as thoughts on societal implications. Some focused on a range of workers' comp-specific thoughts while others expressed grave concerns about the overall impact on the economy, financial and mental health effects.

Boiling it down to a single theme, respondents are gravely concerned about the same issues voiced in the news every day. We just don't know enough about COVID-19, how long the pandemic will last, or what its ultimate impact on jobs and employment will be. And, we don't know what the workers' comp system's ultimate responsibility for COVID-19 will or should be.

A couple of responses merit special mention:

- As an industry and organization we have to be careful about applying "industry rules" in a situation that is unique and has never happened before...we need to re-engineer ourselves for this time and make sure we don't do anything that ultimately could tarnish your brand because you didn't the right thing.
- Reading about the fall and will we get round two [another cycle of infections]; hopefully we are smarter on round two - won't have a vaccine by then in all likelihood. How prepared would we be for that...most [patients] get better...[I] don't see anything about a portion of the population that will be debilitated long term due to possible lung damage - if public entity and LT claims, will there be long term health issues?

## Conclusions and Recommendations

This is a completely new situation, one that will favor organizations and individuals that are open, collaborative, and flexible. Approaches typified by the "this is how we do things" mentality will work—IF how we do things encompasses:

- Flexibility;
- An open acknowledgement that we don't "know" things, yet we're okay with trying new things even if those new things are radical departures from past practices;
- A willingness to drastically change procedures and policies and change them again if they aren't working; and
- Finally, embracing the reality that some of our efforts are going to fail, and that's fine, because the only thing worse is not trying new things to adapt to a very different world.