

WORK COMP INSIGHTS

Workers' Compensation and Health Care Reform

In the wake of sweeping changes in the U.S. health care system, employers are forced to evaluate the way the reform will affect their bottom lines. One factor that was largely left out of the focus of health care reform—but is certainly linked to it—is workers' compensation. The program represents less than two percent of U.S. medical spending, and thus was fundamentally ignored in the 2010 legislation that overhauled the nation's health care system.

Because the Supreme Court ruled to uphold the health care reform, the resulting changes leave employers wondering what to expect in future workers' compensation claims. Before they can be directly measured, experts can only speculate about the ultimate effects of health care reform on workers' compensation. While it will

unquestionably have an impact, the extent, nature and even desirability of this impact for employers remain far from clear.

Weighing Pros and Cons

Some aspects of reform will almost certainly provide indirect benefits, while others may increase workers' compensation medical expenses. A few direct results of the reform will surely impact workers' compensation.

- *A large number of previously uninsured workers have been given the right to coverage.* Common sense would dictate that employees with health insurance would file fewer workers' compensation claims, making this a positive factor. However, a recent RAND Corp. study reveals that employer

characteristics are a more significant determinant for compensation claim filing than whether employees are covered under a health plan. This could mean that an employer that was already supportive when an injured worker filed a health claim may see no difference or may even see an increase in claims with the reform's passage.

On the other hand, in the long term, the fact that more individuals are insured could mean an increase in preventive care and a healthier work force in general, which could eventually decrease the number of workers' compensation claims, as healthier employees will heal faster and return to work more quickly.

Furthermore, workers will be less likely to attribute underlying health problems to occupational disease. They will be more likely to receive prompt treatment of diseases like diabetes or hypertension that, if left undetected, might exacerbate a workers' compensation claim by complicating surgery or other therapies.

- *With more insured individuals, there will be an increased demand for physician services.* The skewed proportion of physicians to insured individuals, especially in certain rural areas, could create delays in receiving initial treatment and in processing workers' compensation-related claims. Reductions in staff at regulatory agencies due to state budget cuts could worsen this effect.

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- *The pre-existing condition exclusion will disappear in group health.* Without it, employees will have less incentive to claim that long-standing conditions are job-related. However, with it may come an increased demand for workplace and job accommodations, which could bring about new exposures and safety issues.
- *Medicare reimbursement levels have been readjusted.* Consequently, Medicare may reduce reimbursement to hospitals. If this does happen, hospitals and specialists will be left in search of alternate sources of revenue, and workers' compensation is a likely target. Although it makes up only a small part of the hospital's revenue, it touts attractively high profit margins. State cuts in Medicare reimbursements will amplify this issue where applicable.
- *Companies will face a 2.3 percent excise tax on medical devices and supplies.* Employers will likely see little difference in their bottom lines due to this tax because these costs are generally already addressed via fee schedules, or they are so inflated that the 2.3 percent is unlikely to be reflected in the final price.
- *With a larger percentage of the population covered by health insurance, providers will face less charity care service delivery.* For this reason, they may be less likely to transfer the costs of providing services to uninsured individuals onto workers' compensation.
- *Electronic medical records will be introduced.* Physicians will be able to diagnose and treat workers' compensation claims more efficiently and accurately, and pharmacy benefit managers will easily be able to spot drug interactions. In the long term, a model of care emphasizing the holistic treatment of chronic care could help patients to return to and maintain full functionality. Adopting a model that emphasizes patient education and coordination of care could decrease medical errors and increase the quality and efficiency of care.

Doing What You Can

You can take steps immediately to reduce workers' compensation claims. By investing time and resources into a strong safety program, you will send the message to your employees that safety is a top priority. Focus on instilling safe habits in employees and your bottom line will benefit.

For more information about workers' compensation and workplace safety programs, contact Signature Insurance Group today.