

Managed care helps control rising comp costs

MANAGED CARE IS PROVING TO BE GOOD MEDICINE FOR THE AILING WORKERS COMPENSATION SYSTEM.

by Sylvia Alston

COMMONLY USED BY private health insurers and the federal government to control the cost of medical treatment, managed care shows great promise in helping Kemper National control costs in workers compensation — its largest product line.

Managed care is an array of cost-containment tools and techniques that help injured people get appropriate care at reasonable cost.

Such cost control is vital in the area of workers compensation, where medical expenditures have been growing at an alarming pace, threatening the continued viability of the workers compensation system.

Consider: Rising medical expenses have been consuming an ever-increasing share of each workers compensation claim dollar in recent years — a pattern that's likely to continue. Soon health care outlays are expected to consume 50 cents or more of each workers compensation claim dollar.

According to the National Council on Compensation Insurance (NCCI), more than 40 cents of each workers compensation claim dollar already goes to cover medical expenses — up from 30 cents of each dollar in the 1970s. As a result, only 60 percent of each insurance dollar goes for wage replacement.

NCCI estimates that such rapidly rising medical expenses have already helped fuel a nearly three-fold increase in the cost of workers compensation to American businesses: \$60 billion in 1990, up from \$23 billion in 1982.

Factors driving up medical costs

The reasons why workers compensation medical expenditures have been rising at such a threatening pace are the same as those that drive up health care costs overall. Among them:

❖ Health care overutilization

According to the Rand Corporation, as much as 20 percent of all medical procedures and treatment is excessive or inappropriate.

❖ Erroneous and duplicate billing

Billing overcharges, mistakes and duplications can increase the overall workers compensation medical bill by 10 to 20 percent.

Fraud also must be factored in here, although estimates vary regarding the percentage of bills issued for procedures that were never performed.

❖ Technological advances

The use of new, more expensive medical technology often pushes up the cost of treatment.

Workers compensation medical expenditures also are growing due to cost shifting. Today, Medicare, Medicaid and private health insurers are attempting to control escalating costs by challenging or denying excessive charges or implementing medical fee schedules. As a result, many health care providers have shifted a greater share of their overhead costs to treatment covered by workers compensation.

Because of such cost shifting, the cost for workers compensation-covered health care has grown faster than care paid for by other forms of insurance.

Consider a 1989 study of medical billing practices in Minnesota by the state's Labor and Industry Department.

In every injury category cited, medical treatment paid for by workers compensation insurance cost more than similar treatment paid for by private health insurance, Medicare or Medicaid.

The cost for back injuries, for example, was nearly three times higher for workers compensation insurers than for private health insurance or the government.

Restoring the balance

Applying managed care techniques to workers compensation can help restore the cost-containment balance, according to Tom Chapman, president of Kemper National Services, Inc., a wholly owned subsidiary of Lumbermens Mutual Casualty Company, the flagship of the Kemper National Insurance Companies.

"Managed care brings an informed buyer into the marketplace," said Chapman. "Quite often, there are several medical treatment routes that can be taken toward restoring an injured worker to full function. Our role is to act as an advocate for policyholders and their employees, suggesting alternatives for treatment and assuring that the medical care rendered is both appropriate and efficient.

"Managed care is not about telling physicians how to practice medicine," Chapman continued. "But it does recognize that we can no longer afford

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a blank-check mentality, purchasing medicine at any price."

Some of the managed care tools being used by Kemper National and other workers compensation insurers to control medical costs before, during and after an injured worker seeks medical care include:

❖ Case management

Staying in contact with the injured employee, the employer and the

with groups of preferred providers committed to delivering appropriate, cost-efficient treatment.

Managed care has meant real savings for Kemper National policyholders. In 1991, for example, medical bill reviews revealed inappropriate and unnecessary charges of more than \$54 million in 1991. Bill reviews also identified \$40 million in duplicate bill charges.

and treatment providers to help him enter a residential treatment center specializing in the care of brain-injured individuals.

While there, the employee participated in a varied treatment program that included simulated independent living and a job re-entry program.

To help smooth the worker's return to work after rehabilitation, the case manager worked with his employer to identify an alternative, part-time position that the recovering employee was able to assume within 11 months of the accident. Four months later, he returned to work full time.

Preventing legislative road blocks

According to the Health Insurance Association of America, nearly every state introduced some form of managed care legislation in 1991. More bills are expected this year, as health care providers adversely affected by managed care continue to lobby for legislative intervention.

"We don't oppose reasonable legislation that enables the free market to work and that addresses potential abuses," said Chapman. "However, we will insist on a meaningful dialogue between all parties — health care providers, legislators, insurers and policyholders — aimed at preserving the promise of managed care.

"If we're going to get a handle on workers compensation costs, we all need to work together to restore balance in medical spending," he added. "Managed care could well prove vital to the continued health of our nation's workers compensation system."

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Careful management of workers comp claims helps keep costs reasonable and gives the injured employee the rehabilitation he or she needs to return to work.

treating health care provider(s) to coordinate information and facilitate efficient and appropriate treatment.

❖ Medical and hospital bill review

Making sure that workers compensation insurance pays only those bills that are appropriate for the injuries sustained and the treatment rendered.

❖ Utilization review

Evaluating the necessity and appropriateness of certain types of medical services, such as hospitalization, chiropractic and physical therapy treatment, etc.

❖ Management of relations with medical care providers

Verifying that injured employees receive suitable care, as well as working

In addition, policyholders saved more than \$12 million through discounts obtained from preferred providers. Another \$35.4 million was saved through utilization reviews.

A case in point

Managed care can be humane, as well as productive. Consider one beverage company employee who sustained a severe, closed-head injury following a car accident that left him comatose.

Kemper National promptly assigned an on-site case manager to help coordinate appropriate medical treatment for the employee.

When the injured worker regained consciousness, the case manager worked closely with him, his employer