Since its passage in 2010, the Affordable Care Act (ACA) — commonly referred to as health care reform — has been the subject of intense political debate and a source of anxiety for many employers. Although most employers have focused on the law’s health benefit requirements, the ACA is also expected to impact how they manage their workers’ compensation costs. Employers should understand how reform will affect the quality of care available to their employees, the calculation of workers’ compensation premiums, and claims filings — and what they can do to manage those effects.

Proponents of the ACA say that it will lead to a healthier society. Because more people will have access to health care, advocates say, there will be a reduction in comorbidities — additional diseases or disorders that individual patients often have along with a primary disease or condition. For example, diabetes and hypertension are typical comorbid conditions of obesity. These comorbidities can frequently complicate workers’ compensation claims. Consider that a California Workers’ Compensation Institute analysis of claims from 2005 to 2010 found that average benefit payments on claims for employees with obesity as a comorbidity were 81% higher than those without.

There is, however, no significant evidence to support the contention that an employee is less likely to file a workers’ compensation claim simply because the employee is insured. For example:

- A recent Assured Research study examining health insurance penetration rates and workers’ compensation loss ratios in individual states from 1999 to 2011 showed little correlation between the two measures.

Data from the Centers for Disease Control and Prevention indicate that heart disease remains the leading cause of death in the US and that the percentage of Americans with a high body mass index has steadily climbed over the last 50 years — two trends that are not confined to the uninsured population.

### COST SHIFTING

Employers have long been concerned that injuries from non-work-related causes will be shifted to workers’ compensation. Doing so is tempting due to workers’ compensation’s combination of higher reimbursement rates for medical providers and lack of deductibles and co-payments for employees. There is significant evidence to show that treatment for the same diagnosis costs more under workers’ compensation than under group health insurance because of higher reimbursement rates and greater utilization of services. A recent Workers’ Compensation Research Institute study of 16 large states, for example, showed that workers’ compensation payments for shoulder surgeries were often significantly higher than group health medical payments for the same procedure.

Some have speculated that the greater access to health insurance promised by the ACA will reduce this shift to workers’ compensation. However, it has become clear that the law will not result in all Americans having health insurance coverage. With the ACA requiring that employers offer coverage to all employees working 30 or more hours per week starting in 2015, one in ten large companies are planning to cut back on hours for at least a portion of their workforce, according to Mercer’s National Survey of Employer-Sponsored Health Plans 2013. Other employers are using higher co-payments and deductibles to help offset cost increases.

It appears, therefore, that the financial incentive for employees to shift treatment toward workers’ compensation will continue under the ACA.
ACCESS TO CARE

Probably the most predictable outcome of the ACA is that it will increase the number of individuals in the US with health insurance coverage. Despite the potential benefits, this could put additional stress on a health care system that is already short on doctors. Among the 34 member nations of the Organisation for Economic Co-Operation and Development, the United States ranks 27th in physicians per capita (see FIGURE 1). And this problem does not appear to be going away: The Association of American Medical Colleges forecasts that physician demand will dramatically outpace supply over the next decade, leading to a shortage of more than 90,000 physicians in the United States in 2020.

This is particularly troubling as it relates to specialists — for example, orthopedic surgeons — and the potential for delays in obtaining diagnostic tests and scheduling elective surgeries and other procedures. Longer periods of disability and complications as a result of such delays would ultimately drive workers’ compensation costs up.

With this added pressure on a limited number of medical providers, it becomes more important than ever for employers to develop medical networks that focus on quality of care and outcomes — even if it means paying more on a fee-for-service basis. Employers that pay their medical providers fairly and quickly will have more timely access for their injured workers and should ultimately have lower workers’ compensation costs.
STANDARDS OF CARE

Traditionally, the health care industry’s focus has been on volume; more patient admissions, tests, and procedures translated to higher revenues. Post-reform, however, the industry has shifted its focus to improving standards of care and achieving better patient outcomes.

If this transition results in less emphasis on costly procedures, which often produce questionable results, workers’ compensation costs could be reduced. Although it remains to be seen whether the standards of care developed under the ACA for group health care would be enforced under workers’ compensation, this is a promising development for employers.

PREMIUM REFUNDS

The ACA provides for insurers to rebate premiums to employers that have better than expected performance with their health care programs. Employers can either refund such premiums back to their workers or use them to offset future premiums.

The National Council on Compensation Insurance (NCCI) has indicated that if premium refunds are given to employees, this would be considered payroll under workers’ compensation premium calculations. In other words, having a good performance on its group health program could increase an employer’s workers’ compensation program costs because premium calculations are tied to payroll. Employers should keep this in mind when deciding what to do with health care premium rebates that may be received.

MANAGING THE EFFECTS OF HEALTH CARE REFORM

There is little doubt that health care reform will have an impact on workers’ compensation costs and claim trends. And while the extent will not be known until the ACA has been fully implemented, employers can take steps now to lessen any potential negative impacts, and increase the value of the positives. For example, employers should:

► Increase efforts to identify medical providers that can provide the best quality care for injured workers, and take the necessary steps to ensure the workforce has access to these providers.

► Carefully manage the approach to health care premium rebates, which could affect how payroll is calculated under workers’ compensation.

► Closely monitor any shifts in injury claims to workers’ compensation. Despite the ACA’s promise of greater access to health insurance coverage, there remains a financial incentive for employees to seek treatment under workers’ compensation rather than group health.

► Remain committed to loss control efforts. Don’t let concerns over the ACA cause a loss of focus on this key area.

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Marsh will continue to monitor the impact of the Affordable Care Act as it is implemented and report our findings to clients through our Workers’ Compensation Center of Excellence.

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