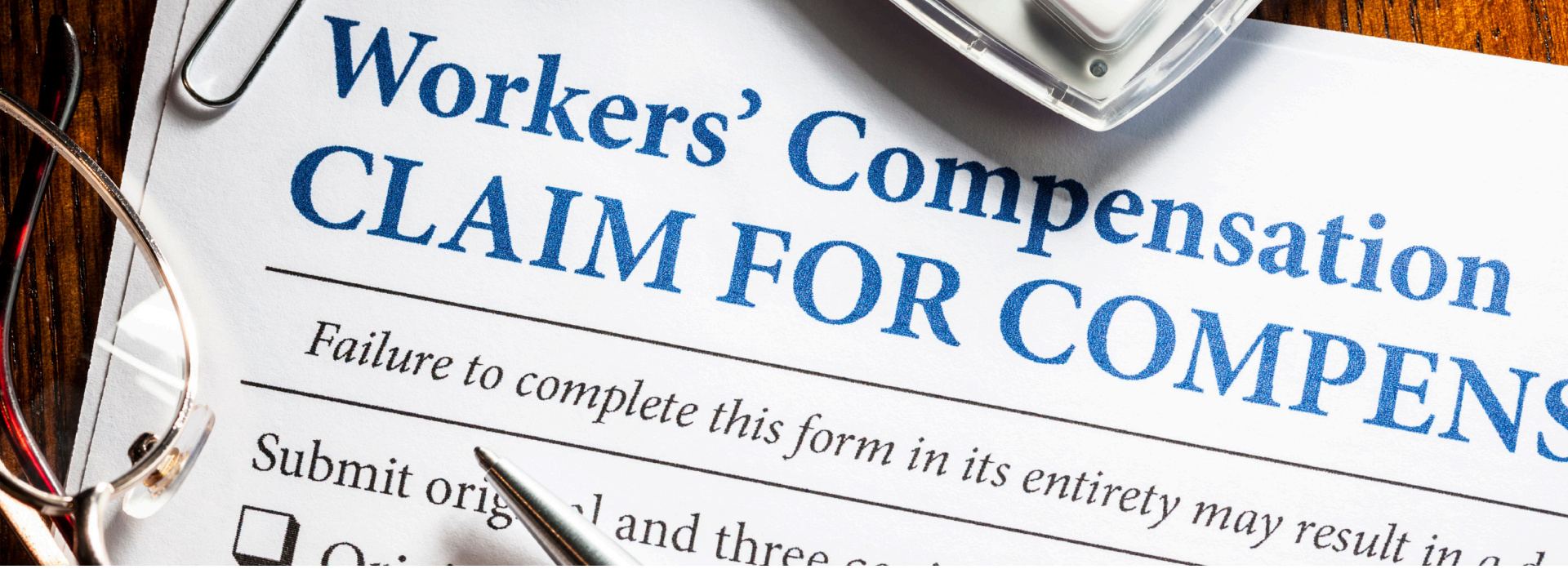

Alternative Payment Models for California's Workers' Compensation System:

A Review of Issues and Possible Next Steps

D. Quigley, M. Sorbero, M. Dworsky, P. Rasmussen, N. Qureshi

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RAND CORPORATION

RAND Assembled an Interdisciplinary Research Team with Substantial Expertise

- **Denise Quigley** (Ph.D. Policy Analysis, RAND PRGS)
  - 25+ years' experience in qualitative and mixed-methods research on policy and health care, including collaboration with Dr. Dworsky on RAND's 2020 evaluation of incidence of mental health conditions among first responders and 2018 evaluation of the Return-to-Work Fund
- **Melony Sorbero** (Ph.D. Health Services Research, University of Rochester)
  - Mixed methods researcher with 30 years of experience studying payment policy, patterns of care and health system performance; expert in value-based purchasing
- **Michael Dworsky** (Ph.D. Economics, Stanford)
  - Lead author of 6 previous studies on WC in California, including 2 recent studies on occupational health and WC issues specific to firefighters and peace officers
- **Petra Rasmussen** (Ph.D. Health Policy and Management, UCLA)
  - Mixed methods researcher with 10+ years experience conducting policy research including alternative payment mechanisms
- **Nabeel Qureshi** (M.P.H. Health Policy and Management, Columbia University)
  - Ph.D. Candidate at the Pardee RAND Graduate School with experience conducting mixed methods research and policy analysis broadly and also specifically for workers' compensation in California

California Workers' Compensation (WC) Payment is based on Fee For Service

- California WC uses a relative value scale-based fee schedule to pay physicians
  - SB 863 (effective January 2014) required adoption of fee schedule for physicians
- Official medical fee schedule (OMFS) set based on Medicare payment
  - WC is set at 120% of Medicare
  - Labor Code Section 5307.1 directs DWC to adjust OMFS to conform to Medicare Payment System

RAND Study to Assess Alternatives to Using the OMFS in WC in California

- Alternative payment models (APMs) seek to mitigate fee for service payment incentives
- Study goals were to:
  - Assess evidence on APMs
  - Examine advantages and disadvantages of APMs
    - Include assessment of APM applicability to WC system
  - Make recommendations to California Legislature on alternative payment pilot program

We Used a Mixed-Methods Approach to Address Research Goals

Initial assessment of APMs and applicability to WC in California

Scoping review and environmental scan of **literature on APMs**

Semi-structured interviews with WC staff in **other states that implemented APMs in WC**

Moved forward with **bundled payments** and **quality incentive programs**

Obtained input from WC stakeholders in California

- **Employee representatives** (union reps, applicant attorneys) [SI]
- **Employer representatives** (employers, insurers) [FG]
- Leaders in California health care **provider associations** [SI]
- California **health care providers** [FG]

Quantitative analysis of claims data to **identify high-volume provider specialties** providing care in WC

FG: Focus group
SI: Semi-structured interviews

RAND Evaluated Several APMs Relevant for Workers' Compensation in California

- Quality incentive programs
  - Value-based payment systems
  - Pay-for-performance
- Accountable Care Organizations (ACOs)
- Bundled payments
- Global budgets (including capitation)

Main Features of Quality Incentive Models

- Pay-for-performance
  - Primary goal: Improve quality performance
  - Providers receive additional payments or other incentives when they reach certain benchmarks
- Value-based payments
  - Primary goal: Improve quality performance and encourage consideration of cost
  - Assess providers' performance on quality and other measures relative to set benchmarks
  - Hold providers accountable for the cost and quality of care through the inclusion of specific measures
    - Total cost of care, costs of episode of care, utilization of low-value services

Main Features of ACOs and Bundled Payments

- ACOs
  - Primary goal: Efficient care coordination and care provision
  - A group of physicians, hospitals, and other providers voluntarily partner to deliver coordinated care to a designated group of patients to reduce duplicative and low-value care
  - Risk-adjusted spending and quality targets set by payer
- Bundled payments
  - Primary goal: Efficient care provision
  - A patient's care is defined in terms of episodes of care
  - For the defined episode, providers are given a single, comprehensive payment that covers all services performed during that episode of care

Main Features of Global Budgets

- Global budgets
  - Primary goal: Efficient provision of care with set budget
  - Provide a set dollar amount for a facility to spend
  - Requires networks of hospitals and health care providers to work together while receiving a fixed monthly payment for a patient or group of patients
    - Similar to capitation which sets a risk-adjusted dollar amount for each patient a provider sees

Outline for Presentation of Findings

- Describe issues raised by stakeholders
- Examine important WC considerations
- Stakeholders' perspective
  - Pay-for-performance
  - Bundled payments
- Conclusions and policy implications

WC Stakeholders Primarily Pointed to Access Issues

Issue Raised	Consistency
Access to WC care	
Not enough providers in WC	Consistent, except insurers
Administrative burden of WC care	Consistent, except insurers
Low provider reimbursement for time spent	Consistent, except unions and insurers
Timeliness of WC care: High rates of delays/denials	Consistent, except unions
Medical provider network (MPN) inadequacies	Consistent, except employers
Overutilization	Raised by some providers, employers, and insurers
Lower-quality providers in WC	Raised by some providers and employers
WC is focused on cost, not outcomes	Singular issue, raised by some providers
WC is "adversarial"	Singular issue, raised by some providers
Management services organizations reduce reimbursement for providers	Singular issue, raised by some providers
Limited modified return-to-work options provided by employers	Singular issue, raised by employee reps
Training on WC administration process/rules needed	Singular issue, raised by employer reps
Care coverage in WC is limited	Singular issue, raised by employer reps

Important Considerations and Potential WC-Specific Challenges

	Pay-for-Performance	Value-Based Payments	Bundled Payments	Accountable Care Organizations	Global Budgets (including capitation)
Important considerations					
How model's measures and metrics are designed	Yes	Yes	Yes	Yes	
How payment is designed	Yes	Yes			
Potential WC-specific challenges					
Requires risk adjustment	Yes	Yes	Yes		Yes
Low volume of cases could affect impact	Yes		Yes	Yes	Yes
Found in use in WC in other states	Yes	No	Yes	No	No
Recommendation	**Discuss with stakeholders**	**Discuss with stakeholders**	**Discuss with stakeholders**	*Not recommended*	*Not recommended*

Stakeholder Perspective on Pay-for-Performance

- All stakeholders discussed incentivizing providers
  - Except not including emergency medicine doctors
    - Likely not respond to incentives
    - Rarely know they are seeing a WC patient and cannot refuse a patient based on their insurance status
- Suggested several types of incentives for providers:
  - Bypass utilization review (UR) or independent medical review (IMR) processes
  - Receive expedited approvals
  - Reduction in paperwork requirements; payment for all reports
  - Access to a care manager or navigator
  - Early or increased payment

Suggested Performance Measures

Measure	Entity Being Measured/Incentivized
Patient experience (e.g., rating of providers and key aspects of patient experience such as access to care, care coordination, communication with provider)	Health care providers
Timeliness of reporting	Health care providers
Quality/completeness of reports	Health care providers
Timeliness of care (e.g., time to first appointment, time to treatment)	Health care providers
Provision of guideline consistent care	Health care providers
Return to work rates	Health care providers

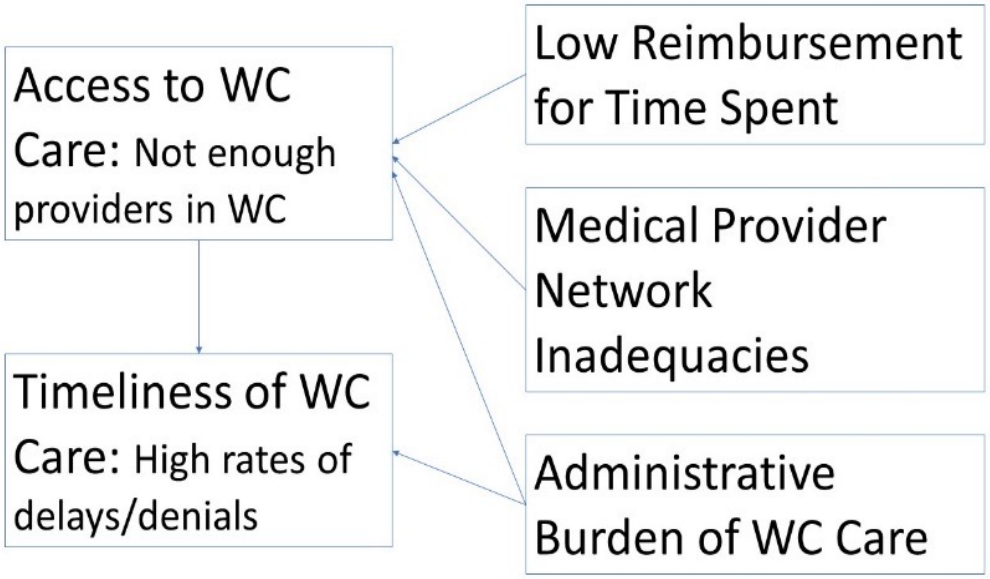
Challenges and Feasibility Issues Raised About Quality Incentive Programs

- Several raised quality incentive program should be accompanied by administrative & statutory changes
  - Some thought a quality incentive program could be successful on its own
  - But most highlighted possibility of using incentives to also address administrative issues that currently exist
    - (e.g., relief from UR or certain administrative duties for providers)
- Many raised importance of getting the incentives and performance measures correct
- A few providers raised problem of possible creative billing or gaming by providers

Concerns About Bundled Payments

- Consensus that bundled payments are not best option
  - Emphasized challenges in defining bundled payment
  - Concerns about incentivizing under provision of care
  - Issues with signaling to providers that they will be responsible for care provided outside their purview
- Bundled payment amount would be too much or too little for some and the right amount for others
- Employee representatives particularly concerned that bundled payments could exacerbate issues with provider supply

Recommendations Aim to Improve Access to WC Care by Addressing Several Interrelated Issues Raised by Stakeholders



- Pay-for-performance pilot focused on WC providers
- Small set of changes to OMFS
- Assessments of timeliness of Request for Authorization (RFA) responses and MPN adequacy

Recommendations for Key Features of Pilot Pay-for-Performance Program

- Voluntary program initially to allow providers and other stakeholders time to acclimate
- Engage affected stakeholders in planning process
- DWC centrally manage pilot program
  - Allows for pooling data across insurers to improve accuracy and reliability of performance estimates
  - Ensures consistency in measures and definitions used
  - Creates efficiency in centralizing data cleaning, processing and analyses
  - Establishes incentives that could be consistent across insurers and claims administrators, or determined by each

Recommended Measures and Incentive Structure for Pilot Pay-for-Performance

Measures

- Administrative aspects of successful participation in WC
  - Timely submission of reports by primary treating physician
  - Completeness of reports
  - Approval rates for utilization reviews/initial treatment plans
- Patient experience
- Expand in future to include:
  - Guideline consistent care
  - Improvement in functional status
  - Ability to return to work

Incentive Structure

- Can include financial, non-financial rewards or both
  - Easing UR and preauthorization requirements for high-performing providers
  - Reimburse for reports that are not currently compensated

Use Two-Stage Process to Develop WC Pay-for-Performance Pilot Program

First Stage

Hold stakeholder working groups to discuss:

- Stakeholder commitment
- Program goals
- Data needs
- Overall program design and definitions

Perform analyses to assess feasibility of specific metrics

Second Stage

Develop detailed plan

- Finalize program's components and processes
- Participants' roles and responsibilities

Assess resources needed for successful implementation

Perform analyses of data to tailor measures to California WC data and determine level of performance to receive reward

Additional Considerations: Improve Provider Reimbursement for WC-Specific Reports and Processes

- Focus on reports and processes that require effort beyond that typically involved in delivery of care
- Assess level of effort and resources required to complete reports to set reimbursement
  - Reimburse for uncompensated reports (e.g., Doctor's First Report of Occupational Injury or Illness)
  - Improve reimbursement for under compensated reports (e.g., Primary Treating Physician's Progress Report)
- Link level of payment to timeliness of submission and completeness of reports

Ensure Timely Responses to Requests for Authorization

- Stakeholders perceived penalties are not consistently levied when claims administrators do not meet time requirements for RFAs
- Recommend assessing frequency with which time requirements for RFA responses are exceeded and whether penalties are levied
- Consider incentives to further encourage adherence to current requirements

Ensure Adequacy of Medical Provider Networks

- Stakeholders perceived that MPN directories are out of date and that few providers are accepting new WC patients
- Recommend “secret shopper” studies
  - Professional actors use script describing injury in calls to providers
  - Results may indicate need for requirements on maintaining directory or network adequacy
- Study on how many providers does an injured worker need to call to schedule timely appointment