

Integrating Group Health and Workers' Compensation Medical Care



What Is Integrated Health Care?

Traditionally, employers and their employees have been required to deal with two separate systems to obtain employee medical care. Non-occupational medical conditions have been treated through group health plans, while occupational injuries and illnesses have been treated through the workers' compensation system.

With integrated health care, the same individual physician or medical group sees the employee for both occupational and non-occupational conditions. Starting with this simple concept, integration can be implemented in many ways, as described below.

Why Integrate Care?

Rising premiums for group health plans and the high costs of workers' compensation continue to threaten employers' profitability. The same factors can also limit employees' access to group health coverage as the availability of affordable coverage declines.

Integrating care in the two systems can reduce costs by eliminating duplicative treatment and reducing the costly administration of workers' compensation medical care. Integration can also improve quality of care through better coordination of care and broader access to treatment. The form and extent of integration determine the degree of improvement in quality of care and level of cost savings.

This factsheet describes findings from a pilot project conducted in 2006-08 to integrate medical care for unionized janitorial workers in California. The principal participants were the workers' union, Service Employees International Union (SEIU) Local 1877, and a major janitorial employer, DMS Facility Services. Collaborating organizations included Kaiser Permanente, workers' compensation insurers, and workers' compensation brokers. The project was managed by the California Commission on Health and Safety and Workers' Compensation and the University of California, Berkeley's Survey Research Center and Institute for Research on Labor and Employment. Partial support was provided by a grant from the California HealthCare Foundation.

Achieving Integration

The important changes involved in integrating insurance as well as medical treatment will face resistance from entrenched interests. Our experience is that to be successful, implementing integration beyond simply using the same provider requires several conditions:

- ▶ Rising workers' compensation premium rates to motivate employers.
- ▶ Commitment within an employer's organization from both the group health and workers' compensation administrators.

Achieving Integration —continued—

- ▶ A large enough pool of covered workers to motivate insurers to offer new, innovative products. This may involve a very large employer or an association of employers.
- ▶ A strong advocate at the highest level of the employer’s organization or employer association to drive the change despite the resistance of many established interests.

Group health and workers’ compensation are controlled by two different, complex, and often mismatched legal systems. Employers and employees can move integration forward despite these incompatibilities. However, legislative and regulatory changes would facilitate integration, reduce costs, and increase benefits. These changes could include:

- ▶ Aligning the definitions of necessary medical treatment in the two systems.
- ▶ Reducing and/or eliminating many reporting requirements that exist under workers’ compensation but are unnecessary under integration.
- ▶ Placing medical treatment dispute resolution under a single process for both occupational and non-occupational conditions.

Levels of Integration

The extent of integration is an important factor in cost and quality of care.

Basic Integration

At its most basic level, integrating care means that the same individual physician or medical group sees the employee for both occupational and non-occupational medical conditions.

What are the benefits of basic integration?

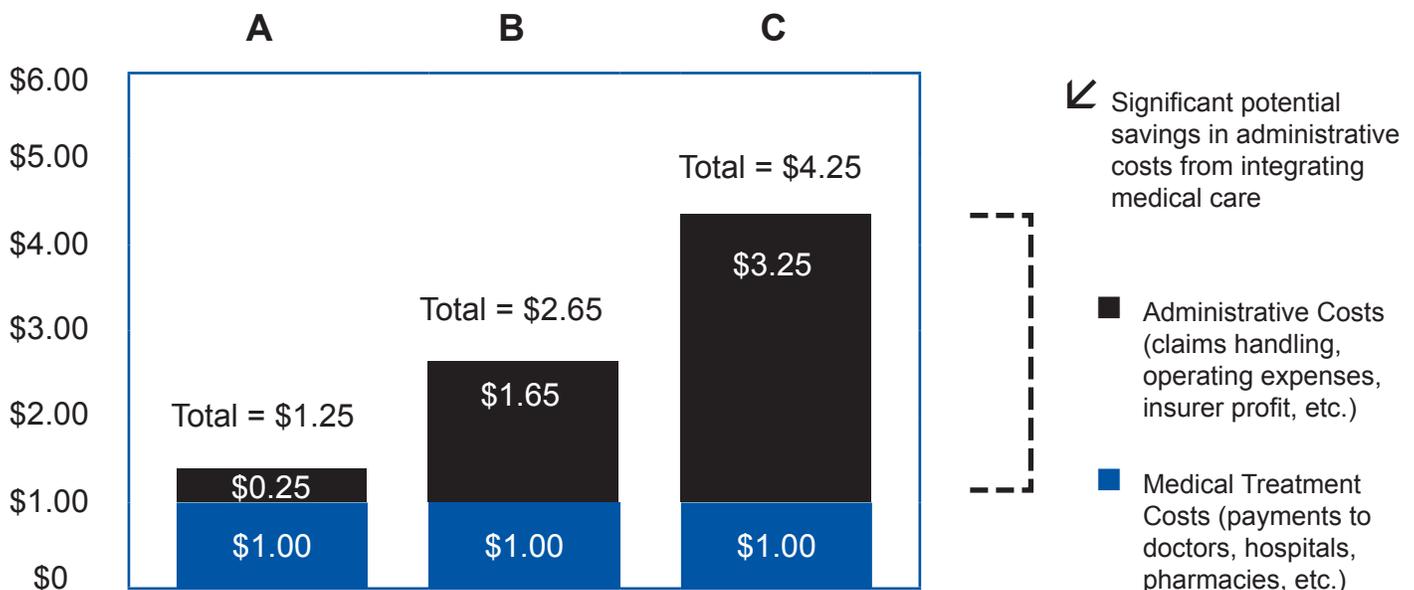
Basic integration can reduce costs by avoiding duplicative care. It can also improve the quality of care through better coordination of medical tests and treatment, as well as avoiding unnecessary or inconsistent care.

How can care be integrated at this level?

The employer and workers’ compensation claims administrator can integrate care at this level by selecting and offering to employees the same provider for both group health and workers’ compensation medical care, and by requiring the provider to fully coordinate all tests and treatment, including pharmaceuticals.

Cost of Delivering Treatment Through Group Health and Workers’ Compensation

In California from 1994-2006, the average total cost of delivering \$1 of medical treatment through group health plans (A) was much lower than the cost of delivering it through workers’ compensation (B). The cost through workers’ compensation was even higher in 2004-06 (C) after changes were made in the system. (Data derived from Workers’ Compensation Insurance Rating Bureau publications, 2007, and Center for Policy and Research publications, 2005.)



Greater Integration

Care can be further integrated under a single medical provider or medical group by combining the insurance premiums for both occupational and non-occupational medical treatment in a single insurance product.

What are the benefits of this type of integration?

In addition to the costs saved with basic integration, this type of integration offers the potential to save significant administrative costs. The main driver of workers' compensation medical care costs is the administrative expense to review and approve treatment recommendations and pay providers. This can be 8 to 15 times higher than in group health, and it consumes two-thirds or more of premium dollars related to medical benefits.

How can care be integrated at this level?

Combining insurance means paying a single premium to the group health insurer to cover occupational and non-occupational treatment. Usually this is a single premium per worker per month (the capitated rate commonly used by health insurers). This approach eliminates many of the administrative processes (e.g., utilization review, bill review, bill payment, etc.) that drive high administrative costs in workers' compensation.

Full Integration

Full integration means that the employee receives the same medical benefits regardless of whether his or her condition is work-related. No distinctions are needed regarding causation to determine whether the employee may receive care, whether the employee may see his or her regular physician, or whether deductibles or co-payments are required.

What are the benefits of full integration?

Full integration completely eliminates the expensive administration and overhead that characterize workers' compensation medical treatment. It eliminates disputes and delays in medical treatment related to identifying the source of payment, and eliminates the inefficient overlap between workers' compensation and group health.

How can care be integrated at this level?

Full integration requires health insurance coverage for the entire working-age population. It may require that workers share in some of the costs of care. If these structural changes can be made, workers will have greater access to care and total costs will be substantially reduced.

Benefits of Integrating Care

This chart ranks the benefits of integrating care at different levels, with A+ indicating the best outcome and F indicating the worst.

	No Integration	Basic Integration	Greater Integration	Full Integration
Quality of Care	C	B	B+	A
Access and Timeliness of Care	D	C	A	A
Disputes and Resolution	F	D	B	A
Administrative Streamlining	F	C-	B	A+
Cost Savings	F	C-	B+	A+

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