

Integrating or Aligning Workers' Compensation with Green Mountain Care



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VERMONT HEALTH REFORM



Vermont System

- Regulated by department of financial regulation and the department of labor
- Property and casualty carriers administer all claims, including high risk pool

Vermont System

Statutory Benefits

- Medical care/treatment that is reasonable and necessary to treat injury
- Lost time if disabled due to work injury; roughly 2/3 of usual work wages
- Permanent impairment only if injury results in permanent impairment; per AMA Guides to the Evaluation of Permanent Impairment
- Vocational rehabilitation if unable to return to suitable employment
- Death benefits if evidence supports the death arose due to work injury

Vermont System

Medical Care

- Medical care and disability duration determined by the treating medical provider
- Physician choice after first visit
- Unlimited third party medical and indemnity payments with no deductible or copayments
- Reasonable surgical, medical and nursing services and supplies, including prescription drugs and durable medical equipment
- Assistive devices and modification to vehicles and residences that are reasonably necessary to an injured worker who has or is expected to suffer a permanent disability
- Reasonable hospital services and supplies, including surgical, medical, and nursing services
- Reasonable expenses related to travel for evaluation and treatment, including transportation expenses, meals, lodging.

Workers' Compensation and Health Care Reform

Mid-90s : 24-hour coverage pilot projects

- 10 states passed legislation to implement “24-hour care” models in the mid-1990s.
- Of these, only two states succeeded: Oregon and California.
- Of these two states, only California had a statistically significant sample size for reporting results.
 - Results found that premium costs were 47.5% higher than those in the comparison group. The pilot projects eventually shut down.

Integration Issues

- ERISA
- Safety
- Administrative savings
- Exclusive remedy
- Workers' rights
- Returning to work as health goal
- Cost to employers
- Impact on insurance industry

ERISA

- Under section 4(b)(3) of ERISA, the state retains authority to regulate workers' compensation programs.
- Even if some employers maintain ERISA health plans, the state could require those employers to establish separate workers' comp plans
 - State could require employers to contribute and participate in a publicly administered worker's comp system

Safety

- Advocates questioned efficacy of experience rating
 - At the same time, advocates thought safety could decrease in the absence of experience rating
- Some scholarly articles conclude that rating methods do not provide adequate incentives to promote safety
- There may be more effective alternatives than workers' compensation for promoting safety in the workplace

Publicly-funded, monopolistic system

- North Dakota/Canada are pure monopolistic funds
 - Ohio, Washington, and Wyoming operate monopolistic funds with exceptions for self insurance or hazardous industries
- State funds typically have higher loss ratios, but save money through other efficiencies and through working with other state agencies on loss prevention control

Publicly-funded, monopolistic system

- Potential for administrative savings

COMPARISON OF COSTS AND BENEFITS, CALIFORNIA AND CANADA WORKERS' COMPENSATION, 2007 (1)		
	California (2)	Canada (3)
Covered employees	15,250,000	13,980,000
Wage replacement benefits (\$ million)	\$4,532	\$5,255
Medical care and vocational rehabilitation (\$ million)	\$5,385	\$2,052
Sub-total: Benefits paid (\$ million)	\$9,917	\$7,307
Insurer underwriting profit (loss) (\$ million)	\$1,976	\$0
Administration expenses (4) (\$ million)	\$5,323	\$1,306
Total cost (\$ million)	\$17,601	\$8,613
Total premium revenue (5) (\$ million)	\$13,200	\$8,998
Benefits paid per covered employee	\$650	\$523
Administrative expenses per covered employee	\$478	\$93

VERMONT HEALTH REFORM



Publicly-funded, monopolistic system

- Pros:

- Potential for administrative savings for system as a whole
- Potential for increased safety through greater loss prevention control

- Cons:

- Future of workers' benefits uncertain
- Big shift from no public insurer to exclusive public insurer
- State costs increase due to administrative complexity
- Loss of workers' compensation insurance product

Hybrid of private funding for indemnity and public funding for health

- Health care provided under state system
- Indemnity provided by property and casualty insurers

Hybrid of private funding for indemnity and public funding for health

■ Pros:

- Workers receive health care regardless of whether injury work-related
- Easier for state to administer
- Possible savings

■ Cons:

- No other system does it
- Cost-sharing for workers would need to be addressed
- Decreased focus on occupational medicine could increase indemnity payments

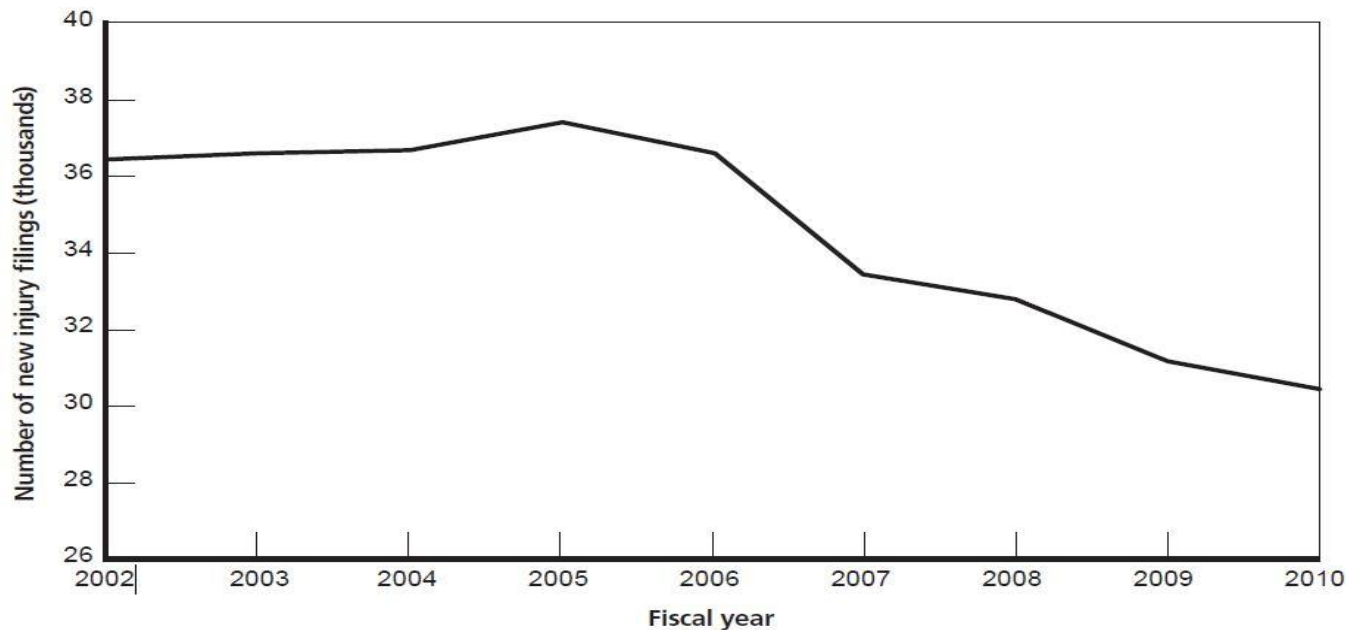
Greater administrative alignment

- Vermont currently collects data when contracting with insurers to run the assigned-risk plan. Because the data mechanisms are already in place, Vermont could require all insurers to submit such information.
 - Underwriting
 - Premium audit
 - Claims performance
 - Lost prevention
- With increased information from insurers, Vermont could apply loss-ratio restrictions similar to the restrictions currently placed on health insurers or other administrative reform parameters to ensure efficiency and safety.

Greater administrative alignment

- Massachusetts: 5-10% decrease in usage of workers' compensation after implementation of health care reform

Figure 2.2
Trends in Employer Filings with the Massachusetts Department of Industrial Accidents,
Office of Claims Administration



SOURCE: Massachusetts Workers' Compensation Advisory Council, various years.
RAND TR1216-2.2

Greater administrative alignment

- Pros:
 - Least market disruption
 - Workers receive health care regardless of whether injury work-related
 - Workers' rights remain intact
 - Potential reduction in workers' comp claims due to fewer uninsured
- Cons:
 - Potential administrative inefficiency
 - Less focus on occupational medicine could increase indemnity payments

Recommendations

- Administrative alignment until Green Mountain Care is established
 - Universal health itself may substantially decrease workers' compensation claims.
 - Greater administrative alignment can produce savings for employers while maintaining the current insurance market.
 - Workers' will maintain their rights to first dollar health care coverage and other health care benefits.