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For Workers Comp Woes at

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Catholic Healthcare West

by Ritza Vaughn

When injured patients enter one of Catholic Healthcare West's (CHW) 40 hospitals in Arizona, Nevada or California, medical staff and employees rush to their aid and provide the highest quality of care and service. But what happens when one of their own employees gets injured? How does CHW make sure employees receive prompt medical attention? How are they guided through the treatment and rehabilitation process and brought back to work as soon as medically possible?

To meet these challenges, Barbara Pelletreau, director of risk services and systems, and Rachel Gonzalez, manager of workers compensation, had their work cut out for them. Together, they manage and oversee the workers compensation program for CHW, which consists of nearly 7,500 physicians and approximately 40,000 employees, making it the eighth largest hospital system in the nation and the largest not-for-profit health care provider in California.

For a century and a half, these employees have carried out CHW's tradition of delivering compassionate, high-quality affordable health services. They provide care 24 hours a day for more than four million patient visits a year. As is the case with all health care organizations, this mission of care and service for patients exposes workers to significant workplace risks, from back injuries and muscle strains to contracting colds and other contagious diseases. As a result, CHW must

foster not only patient well-being, but employee safety as well.

At the close of 2003, CHW was impacted, like many employers, by the nationwide increase in workers comp costs. "The financial repercussions got everyone's attention," says Pelletreau. "The average work-related injury was costing CHW \$44,000. As a nonprofit organization, these costs and losses impacted our operating margin, taking funds away from our core mission to improve health services to patients. It became imperative to take action and bring these costs under control."

Pelletreau and Gonzalez met these challenges with a unique prescription that turned their program around by reducing workers comp funding by 50% over three years and also ensuring an exemplary level of workplace safety for their employees.

The Workers Comp Team

As the director of risk services and systems, Pelletreau oversees the CHW workers comp program and is responsible for the financial and actuarial management of the organization's trust (which funds its self-insured workers comp program) as well as professional liability and other risk services.

Pelletreau came to CHW in December 2002. "When I first

spoke to CHW, I saw an organization with significant workers comp challenges, and I knew with my experience, I could make a difference. CHW already had a solid foundation in terms of having a leading risk management information system and quality business partners.”

Gonzalez, who previously was the workers comp coordinator at CHW’s Sequoia Hospital in Redwood City, California had recently been promoted to manager of workers compensation, reporting directly to Pelletreau. In this position, Gonzalez manages the day-to-day operations of the workers comp program, directing each facility on best practices and managing the performance of the third party administrator.

“Rachel has significant capabilities as a change agent. This is a valuable skill in a workers comp program, as we’re constantly trying to get people to break old habits,” says Pelletreau. “Rachel worked a major turnaround at Sequoia Hospital, which at one time was one of the worst hospitals in terms of workers comp results. Under her charge, the hospital received the distinguished recognition of Best Practice in 2003, a significant accomplishment. It’s great to have Rachel working with me at the enterprise level.”

Reducing Injuries

“Employees in the health care setting are exposed to a higher level of injury risk than any other profession, except maybe construction,” says Gonzalez. “In health care, medical staff members are sometimes providing care after long hours and in high-stress situations—injuries can result from transporting patients, slip-and-fall accidents, needlesticks and sharp injuries. There’s a lot of risk to control.”

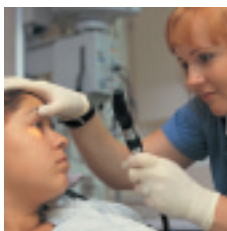
During any given eight-hour shift, a transport technician will walk an average of 14 miles and perform about 250 patient transports, offering significant opportunities to sustain injuries.

In fact, injuries due to transferring and handling patients represent at least half of all workers compensation costs in health care.

In terms of other risks, the Centers for Disease Control and Prevention estimates that there are approximately 400,000 needlestick injuries annually among hospital-based health care workers. Injuries from other types of sharp instruments, including scalpels and other surgical tools, bring the total “sharp instrument” injuries to 800,000 incidents.

OSHA estimates that 5.6 million workers in health care and related occupations are at risk of occupational exposure to blood-borne pathogens, including Hepatitis B and C and HIV.

Nursing, a vital component to the delivery of



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care, continues to experience significant shortages. According to a study by the University of Pennsylvania, when the staffing levels of hospital nurses are low, injuries such as needlesticks increase dramatically.

“Obviously, these are challenges inherent to operating a large hospital system, but we also face many of the same issues of any employer,” says Pelletreau. “This includes skyrocketing medical inflation, increasing wage replacement costs and higher utilization of health care services. Even with these factors, we believe there are significant opportunities to prevent injuries, reduce costs and improve results, and we work diligently to foster this belief across our organization.”

Common Goals and Objectives

One of Pelletreau’s first projects was to evaluate the needs of the workers comp program and establish clear

goals. She surveyed workers comp coordinators located at the individual health care facilities, and with the feedback from the survey, she defined four simple objectives for the overall program:

- 1) Reduce the frequency of workplace injuries at each facility
- 2) Control medical costs so that they grow only at the current rate of medical inflation
- 3) Reduce loss days, which would directly effect indemnity costs
- 4) Improve the efficiency and effectiveness of the claims process

“These goals set our course, but establishing a culture with clearly defined values and priorities was how we planned to achieve them,” says Pelletreau. “We recognized that the role of culture could not be ignored. Achieving our desired results would require commitment at every level of our organization and a major shift in attitudes and behavior.”

Cultivating Culture

The workers comp team recognized that the only sure way to reduce costs was to

prevent injuries from occurring in the first place. If they could establish a cultural shift toward preventing injuries and creating a safe work environment, these factors alone would be strong cost-saving initiatives that would serve the best interest of employees.

“The goals of the workers comp program were really an extension of CHW’s mission—in this case applied to our own members,” says Pelletreau. “Everyone needed to buy into these values in order for a strong and consistent culture to develop.”

Acceptance was a huge challenge because many people were accustomed to doing things a certain way. As a result, CHW established four process controls, which helped to bring about the right behaviors:

1. *Senior management involvement and incentives.* In order to involve senior management in critical workers comp decisions and oversight of the

program at individual facilities, CHW did two things. First, they implemented a reporting structure to identify a workers comp coordinator who reported directly to senior management—the workers comp “champion”—at the hospital administration level.

“We needed the support of senior management to enforce our program edicts,” says Pelletreau. “At the same time, we needed to raise the workers comp issue on management’s list of priorities.”

After they got the initial attention of upper management, the next step was to design an incentive program. “By tying senior management bonuses to our target objectives, we not only put workers compensation on their radar, we also achieved exactly the type of ‘trickle down’ effect we had hoped for,” says Gonzalez. “Soon our objectives became a priority organization-wide. With senior management hitting performance and outcome targets, program costs lowered and managers were rewarded for their efforts.

But Pelletreau knew she had to be careful to design the bonus program so that the incentives were easy to understand. “We tied bonuses to realistic and measurable goals that were within managers’ control,” says Pelletreau. “We also wanted to reward positive behavior and avoid unintended consequences. Rather than focus our metrics and incentives solely on reducing injuries—which might encourage nonreporting—we were careful to de-

velop the incentive to reduce ‘indemnity’ injuries. This was more specific and allowed us to focus on two positive outcomes: promoting the reduction of serious injuries, which also reduced our disability and replacement costs, and more importantly, promoting employee safety.”

2. *Aligning the technology infrastructure to achieve objectives.* Next, CHW re-evaluated its existing technology infrastructure to determine how the system could be better aligned to achieve the organizational workers comp objectives. On an enterprise level, CHW made sure the right stakeholders had access to the system, as well as knowledge of how to use the tool. In order for workers comp coordinators to analyze and monitor the ongoing performance of their respective programs, they had to become “power users.”

The workers comp team received resounding feedback from the coordinators that they needed more training on how to use the risk management information system (RMIS) for injury analysis at a departmental level within the various facilities, and how to properly code injuries for meaningful analysis. They wanted to be able to analyze key cost drivers. To address these needs, system training and re-configurations occurred, enabling the workers comp coordinators to run customized reports to pinpoint cost drivers down to the individual claim.

“Good technology basically means having the ability to capture data efficiently and analyze it in multiple ways

in a minimum amount of time,” says Pelletreau. “Accurate data and meaningful reports allow us to identify trends, and our users should be able to generate a report with drill-down capabilities in a matter of minutes. Having this information a click away allows us to direct resources to program management rather than data management.”

CHW also leveraged system features to enhance efficiency and responsiveness across the organization. For instance, automating OSHA reporting saved CHW valuable time and resources. In addition, business rules were configured to automatically notify workers comp coordinators when a new claim required their attention due to significant reserve changes or possible litigation. A feature that many systems lack is the ability to track return-to-work results, so CHW made sure that its application was sophisticated enough to monitor when employees returned to modified duty and how much money that saved—a powerful tool that helped improve results significantly.

3. *A scorecard approach to metrics.* CHW knew a mechanism was needed to measure progress towards its goals. To achieve this, it selected specific indicators that related to the organization’s overall objectives to reduce injuries, return employees to work as quickly as possible and control medical costs. These indicators included measuring indemnity injuries, medical costs and loss days. For each bench-



mark, CHW defined what a successful outcome would look like. For example, goals were set to reduce indemnity injuries by 30%, to limit the increase in medical costs to the going rate of medical inflation of 7%, and to reduce loss days by 10%.

“We needed a way to clarify and translate our progression as succinctly as possible,” says Pelletreau. “We utilized a scorecard approach. The value in doing this is that it’s simple and easy to understand—there’s no complex math, accounting or data crunching. In a straightforward way, it communicates strategy to all stakeholders, whether they are lay people or senior-level managers; it also fosters accountability to our goals, quickly identifies areas for improvement and keeps everyone focused.”

Pelletreau and Gonzalez also instituted a monthly scorecard system for all workers comp coordinators to gauge if they are continuing to meet their targets. The grading system is not complex—problem areas are marked red and require further analysis while green means an area is advancing properly—but it has still proved to be a valuable feedback resource for the coordinators.

“What’s great is that the workers comp coordinators all have access to the RMIS system,” says Gonzalez. “In two or three minutes, they can find out what factors lead to bad scores and begin working to mitigate them.”

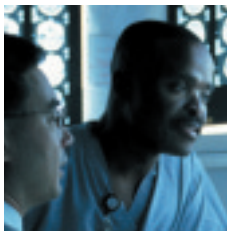
4. *Individual and systemwide roles and responsibilities.* “In a program of this size, it was important to divide and conquer,” says Pelletreau. “We needed to clearly define who was handling what and be sure they had the right skills for the task.”

The workers comp team made clear delineations of what needed to be managed at a system level versus responsibilities that would be managed by the individual facilities. For example, systemwide leadership made certain the third party claims administrator had sufficient resources and was

focused on claims best practices. In contrast, return-to-work programs and “no lift” policies would require adoption and implementation at the hospital level. “This established consistency in certain best practices, but allowed for program customization in critical areas where individual facilities needed more control and flexibility,” says Pelletreau.

Good Medicine for Program Ailments

With the processes in place, CHW communicated and implemented the program’s vision, values and objectives throughout the entire organization. A key component to rolling out these changes was communication and education.



With all eyes focused in the same direction and with a shared understanding of objectives, every employee became accountable in the effort to achieve program results.

CHW organized training sessions at individual facilities, providing employees with a general overview of the workers comp program, the importance of safety and injury prevention, and what they could expect if they were injured on the job. This gave employees familiarity with the workers comp process, knowledge of new policies and procedures, and a vision of the program’s goals and objectives.

The training conveyed a common understanding of what the workers comp team was trying to achieve, and assured people that the program was not only aligned with CHW’s overall mission, but was also designed with their best interests in mind.

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became accountable in the effort to achieve program results. CHW leveraged the project management and coordination skills of its team to ensure that they stayed on track to achieve their objectives—to reduce injuries, reduce loss days, control medical costs and improve the claims process.

Reducing indemnity injuries. “Reducing injuries was our biggest challenge because the old way of doing things was ingrained, day-to-day employee behavior,” says Pelletreau. “We had safety equipment, but people didn’t use it. The workers comp coordinators had to act as a kind of ‘Norma Rae’ character, helping employees to see how their behaviors and habits could bring about change for the workers comp program and prevent severe, long-lasting injuries for themselves.”

Often, the reason employees disregard simple safety procedures is because they do not understand their importance or feel they simply do not have the time. The first step in overcoming this hurdle was gaining employee trust and making them realize that they should have the same regard for their own safety as they do for their patients’.

“I felt my main task was to get people to trust me, to believe that what I was doing was in their best interest, so program positioning was everything,” says Gonzalez. “I constantly encouraged people to apply the same principles of care and concern to their own safety. When you express this type of compassion for people, you can jolt them out of their bad habits.”

For others, the problem came from not being able to “teach old dogs new tricks.” Gonzalez and Pelletreau then had to find a way to implement new safety equipment to those unaccustomed to dealing with it. “CHW has made significant investments in safety equipment,” says Gonzalez. “But when confronted with mechanical technology, people

get intimidated, so we needed to utilize various types of reinforcement. For instance, we have hover mats, which help medical staff transfer patients from the gurney to the bed. We identified a champion for this equipment, who went to colleagues and explained why they should use it. It was a grass roots effort, and people eventually saw that the equipment made the transfer more comfortable for them and the patient. People began to realize that there's more than one way to do something. Enabling change takes a thorough and well-thought out plan with many additional factors to take into consideration. For instance, the placement of safety equipment was critical to encourage usage."

For the hospitals that had safety issues and were struggling to improve results, CHW sponsored a "Get a Lift" program, in which outside vendors came in and demonstrated various safety devices. "These vendors claimed that using their equipment could potentially reduce injuries by 80% to 90% over a year's time, so we believed the investment would be worthwhile," says Gonzalez.

Overall, CHW decreased indemnity claims from 4.76 to 2.38 per 100 FTEs, which translated to an estimated reduction of \$44 million.

Controlling medical costs. To reduce the medical costs associated with workers comp claims, CHW employed strict medical management through two key tactics: partnering with nurse case managers and selecting the most appropriate treating physician.

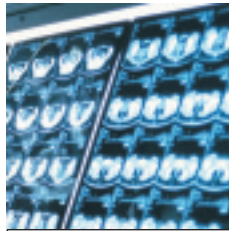
"We provided our nurse case managers with access to our information management system, which allowed all parties to view treatment protocols and disability guidelines," says Pelletreau. "This provided hard savings of \$5 million over three years. The system helped to facilitate communication between nurse case managers and

claims adjusters and allowed them to share vital information about a claimant's treatment plan.

The other critical component for effective medical management was selecting the appropriate initial treating physician. Quality physicians who understand workers comp requirements are essential for cost management.

"CHW has many quality physicians, but we wanted to designate the medical providers best-equipped to respond to injured workers," says Pelletreau. In some cases it was an emergency room, and in other cases, it was an occupational injury treatment center or an urgent care center.

Decreasing loss days. It typically costs more than \$100 a day for an employee to be out due to a work-related injury. As a



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result, CHW wanted its facilities to tightly manage their return-to-work processes. The medical providers who would respond to workplace injuries were trained on return-to-work protocols and transitional work assignments, which allowed employees to heal while maintaining a productive work life.

"When an injured worker cannot immediately return to full duty, the person is given a transitional assignment," says Pelletreau. A diary entry is then triggered in the RMIS system, so the workers comp coordinator can closely manage the process, making sure transitional assignments are strictly adhered to in order to avoid aggravating injuries.

The return-to-work screen in the RMIS system has become an important component for CHW. Coordinators run reports to see what percent-

age of employees have returned to work, and whether it was to full or modified duty.

"This allows us to see where and when people are injured, how long it takes to recover and how many days they're missing," says Pelletreau. Overall, loss days have decreased from 29,155 to 13,913 in two years—a decrease of 54%.

Improving the claims process. CHW outsources the claims management component of its program to a TPA. In order to yield the best results, CHW does not cede complete control over this function. Instead, it plays an enhanced management role, which includes establishing claims handling best practices, quality controls and guidance on continual improvement. To help facilitate this oversight role, CHW utilizes a robust claims management system and provides its TPA with access to the system in order to process claims.

"This infrastructure improves claims processing efficiency and allows us to audit claims online, ensuring that best practices are consistently applied and that we are

getting the best results at the claims level," says Pelletreau. "The main benefit is that this platform allows us to access claims information directly. We can run our own reports without having to rely on the TPA. As a result, we can monitor activity directly and respond with timely interventions."

Through this arrangement, CHW has been able to optimize its claims management process beyond simply administration and settling of claims, to a process that adds value and cost savings at each step of the process.

"We also needed to batten down the hatches in regards to processes that would positively affect the claim through its lifecycle," says Pelletreau. "This meant reporting injuries as soon as possible, and promptly contacting both the employee and supervisor following the incident." CHW established these two factors as best prac-

practices.

tices, obtaining tremendous improvements, including timely reporting of injuries rose from 40% to 96% of injuries reported within the first five days of knowledge of the incident; and employee and supervisor initial contact on claims increased from 60% to 96% of the time.

Gauging Program Success

In the end, did CHW's prescription cure its workers comp woes? Absolutely. With a 40% decrease in indemnity injuries, significant savings in medical costs and a 54% decrease in loss days, CHW achieved an overall 50% reduction in workers comp funding from its facilities.

"Every employer handles workers compensation differently," says Gonzalez. "Our workers comp team put together a comprehensive program that was extremely successful. In the

last few years, I have seen tremendous change throughout the various facilities, and there's been a complete turnaround in people's attitude toward safety measures."

"The success of our workers comp program is attributed to the fact that we have a diverse and talented group of workers comp risk management professionals," says Pelletreau. "Their skills lie not only in their ability to analyze data, but also in their unwavering dedication to improve results and enhance care for our staff members."

Both the financial and cultural improvements have translated into bottom line results for CHW. The organization's financial standing is the best it has been in years, with a net income of \$246 million, compared to \$66 million in 2003. In service to its employees, CHW improved safety and medical care for injured employees,

contributing to better work conditions. In fact, employee confidence is 32% higher than it was four years ago, and CHW has been recognized among the "Best Places to Work" in several of the communities it serves.

"I get a lot of gratification from working with this incredibly bright team," says Pelletreau. "We share the same values, work hard toward improved results and believe in celebrating success. These factors together make it all worthwhile, and our turnaround is a testament to what can be achieved when an organization holds true to its vision and core values." ■

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