

Technology helps manage workers' compensation risks in the health care setting

By Ritza Vaughn and Barbara Pelletreau

The health care industry, like many sectors, is feeling the effect of a nationwide increase in workers' compensation costs. Workers' comp insurance has risen 50 percent in the last three years,(1) driven in part by a 12 percent increase in medical costs and a 6.8 percent increase in indemnity (wage replacement) expenses.(2) In some states, workers' comp cost increases are even more severe. California, medical costs per claim increased by 125 percent between 1997 and 2002.(3) And in Florida, workers' compensation claims costs are 18 percent higher than most states.(4)

Facing these conditions, many large health care organizations are being challenged to develop and execute a well-defined program that brings costs under control and ensures a higher level of safety and quality of care for employees. In addition, protecting the safety and health of employees can directly translate into improved patient care and safety.

Few resources in health care are automatically allocated to work safety issues. Risk managers are left to justify such investments – and an Internet-based claims system can provide the tools to accomplish that. If risk managers can electronically generate reports and analyze, say, three years' worth of data, they may see that back strain injuries cumulatively cost them \$300,000. An investment in worker safety, training and equipment, plus an Internet-based system to quickly identify these trends, then becomes justified and well worth the cost.

With this in mind, many risk managers are combining established workers' comp best practices with an Internet-based system as the "missing" tool to enhance best-practice results and further improve cost containment, efficiency and outcomes. The ultimate benefit is a culture of safety based on injury awareness and preventive behavior.

Benchmarking and analyzing key performance measures

Controlling costs and improving the outcomes of a workers' compensation program are daunting tasks for many health care risk managers. Of primary concern is dealing with the workplace injuries most common to the health care setting. **(Sidebar: Page 14)**

There are many opportunities to prevent injuries, reduce costs and improve results. A critical problem has always been not knowing where losses have come from and not being able to pinpoint problem areas that would benefit from loss-control and injury prevention programs.

Until recently, health care organizations did not have the systems in place to capture the full range of workers' comp data. They've had to depend on the insurance carrier or broker's capability. Risk managers now are demanding more control and direct access to claims information. Internet technology empowers them to run their own reports and design these reports in a manner that drills down to the most useful information. For instance, workers' comp challenges have focused on two particular areas: benchmarking (comparing a program's results and performance to the industry's average measurements) and sophisticated data analysis (to identify high-cost, high-risk areas that require improvement).

These two trends require that risk managers have a high level of customization in their reporting capabilities. They must account for losses with varying degrees of detail, perform ad hoc reporting that enables analysis from different angles, and construct actuarial triangles in order to make more sophisticated loss projections.

With an Internet-based system, an array of risk management reports is available to help decision-makers implement interventions such as those mentioned in the Sidebar on Page 14. For example, an organization can run reports on common best practice measurements, such as the timeliness of injury reporting and the initial investigation rate. Improved outcomes likely will follow if these best-practice variables achieve favorable levels.

Many organizations also run reports on outcomes, including total loss days or total disability costs. By measuring workers' comp outcomes at regular intervals, an organization can see how its program performs and improves over time **(Case Study: Page 17)**.

SIDEBAR:

Employee safety areas of concern

Health care workers have physically demanding responsibilities that present significant opportunities to sustain job-related injuries. There are three primary areas of concern for employee safety:

- **Back-breaking work.** An American health care worker suffers a back injury every 30 minutes.(1) Injuries due to transferring and handling patients represent at least half of workers' compensation costs. This will only increase as more than 60 percent of adults, or approximately 97 million people (including health care workers), are now overweight, according to the National Center for Health Statistics. Repeat injuries, known as "cumulative trauma," can also lead to devastating long-term consequences.
- **Sharps and needlesticks.** The Centers for Disease Control & Prevention (CDC) estimates there are almost 400,000 needlestick injuries annually among hospital-based health care workers. Estimates for all sharp instrument injuries are as high as 800,000 across the country.(2) These injuries put workers at risk for infectious disease. OSHA estimated that 5.6 million workers in health care are at risk of occupational exposure to blood-borne pathogens, including Hepatitis B and C and HIV.(3)
- **Nursing shortage.** With the nursing shortage, many services have been shifted back to already overworked and tired employees, resulting in increased injuries. For example, needlestick injuries in hospital nurses increased dramatically when staffing levels were lowered, according to a June 2002 study by the University of Pennsylvania researchers published in the American Journal of Infection Control.

As the Case Study on Page 17 illustrates, risk management reports that are run from an efficient Internet-based system can help decision-makers implement interventions.

The first two areas listed above deal with specific types of injuries. The related high-risk activities such as lifting and transporting patients or dealing with sharp instruments have been targeted with safety procedures and injury-prevention programs. Many health care risk managers have also invested in safety equipment, such as mechanical lifts. Training programs that focus on needle recapping and proper disposal techniques have also resulted in decreased incidents of injury. At the same time, accident investigations and training directly following new incidents have helped to heighten awareness and reiterate common precautions to health care units.

The third area of concern focuses on an industry-wide problem that affects patient safety as well as worker safety. Likely, the shortage will continue to tax nurses who are already overworked, but health care organizations should stress the importance of taking breaks and give nurses the latitude to perform their jobs safely. Taking a short cut may save 15 minutes, but in the long run cost thousands of dollars. The Department of Labor points out that a hospital can save an average of \$27,770 each time a severe musculoskeletal disorder is prevented.(4)

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Utilizing Internet-based systems to drive workers' comp best practices

Health care risk managers who utilize Internet-based information technology can exchange data and obtain information in ways that were previously nonexistent. For example, a traditionally labor-intensive paper-pushing process such as medical billing review is being revolutionized as bills are scanned and electronically routed and stored for easy access.

When vital data are easily accessible, risk management professionals are able to tackle high-priority tasks (such as safety improvement education programs that are informed by efficient data analysis) that directly affect the bottom line rather than lower-priority administrative functions (such as re-inputting data into spreadsheets).

Of course, if an organization is planning to implement an Internet-based system, it is important to factor in the need for upfront training. There can be a high level of frustration if end users don't know how to run an application or obtain the information they need.

Internet-driven improvements

The following section outlines several claims management best practices that are now being driven over the Internet with improved results:

Optimum efficiency. Efficiency gains are critical to a successful workers' compensation claims operation. As a result, the health care industry has begun to implement Internet technology to break away from predominantly paper-based, labor-intensive and inefficient claims processes. Internet technology enables an end-to-end automated and electronic claims process. Scanning, document imaging and electronic data interchange via the Internet increase the volume of claims handled without increasing overhead. The resulting electronic process ensures that all stakeholders have access to the same claims information.

Prompt claims reporting. The Hartford Financial Services Group conducted a study of more than 53,000 claims that found a statistically positive relationship between the time certain types of workers' comp injury claims are reported and the ultimate amount for which the claim is settled.(5)

Claims reported two weeks after occurring had average settlement values 18 percent higher than those reported in the first week; claims reported in the third and fourth week after an injury occurred had average settlement values about 30 percent greater than those reported in the first week; and claims reported after one month of occurring had average settlement values 45 percent higher.(6)

Prompt reporting allows workers to immediately obtain appropriate care for injuries, and this practice alone can result in significant cost savings. While organizations have tried to adopt a strict policy of prompt reporting, the policy is undone by a slow, paper-based manual process.

If a long period of time passes before a claim is reported, it can delay indemnity payments, interfere with the investigation of the claim and add legal exposure. Today, Internet technology provides an infrastructure to make the reporting process fast and simple. Catholic Healthcare West's risk management program was able to use technology to increase timely reporting from 40 to 86 percent of the injuries reported within the first five days of an incident.

Statutory penalties avoidance. Another best practice in workers' comp is adhering to statutory guidelines to avoid penalties. Almost everything in workers' compensation has a statutory timeline attached to it. If these timelines are not met, an organization will face stiff penalties. There may be hundreds of statutory timelines depending on the nature of the claim and the jurisdiction. If statutory timelines for the payment of benefits and medical treatments are not met in California, for example, an organization must pay a 10 percent penalty on the amount due. Additional penalties of up to \$1,000 may be levied and if payments are consistently late, an organization will be forced to pay a 10 percent penalty on all claims payments. Internet system-based business rules can automatically alert staff when payments are due. This technology can help organizations avoid penalties.

Management of return-to-work outcomes. When an injured worker is able to stay at work, or returns within a few weeks, the average cost of the injury is less than \$1,000.(7) However, when an injury extends beyond 30 days, costs can increase up to \$50,000.(8) As a result, managing return-to-work outcomes can have a significant effect on costs, including indemnity and medical expenses.

Through an Internet-based system's business rules, nurse case managers can receive immediate notification of new injuries and promptly facilitate medical management. They can also begin to communicate return-to-work expectations with the frontline manager and physician, establishing a collaborative effort to get the employee the best care and back to work as soon as possible. By utilizing technology to coordinate return-to-work outcomes, Catholic Healthcare West was able to reduce its lost-time claims per 100 payroll full-time equivalent employees (PFTE) by 41 percent, and its total disability costs per PFTE by 31 percent.

Promotion of injury prevention and safety protocols. With worker health and safety in mind, the best possible outcome would be to prevent injuries from occurring in the first place. Therefore, health care risk managers must implement injury prevention and safety programs. Today, Internet-system-based risk management reports provide a rich level of injury analysis so risk managers can determine what type of injuries frequently occur and how they can be avoided.

Risk managers also utilize Internet-based systems to carefully track the results of their safety programs. As the Sidebar on Page 14 indicates, lift injuries are a common occurrence. An organization may invest in mechanical lift equipment and potentially reduce lift-related injuries by more than 90 percent.⁽⁹⁾ However, for that potential return to be realized, it is first important to implement appropriate new policies and procedures and properly train staff on behavioral changes. Otherwise, the investment in equipment could be wasted. Data analysis can indicate when additional education efforts are required.

CONCLUSION

The success of any workers' compensation management program – particularly one covering large and multiple facilities – is based upon risk managers receiving the “right” information to do their jobs effectively. Data analysis capabilities are critical to improving program results, and powerful Internet-based systems can provide organizations with enhanced efficiency in communicating claims data.

When data can be used to inform effective policies and procedures, they can support an organization's financial objective of reducing workers' comp costs and achieving measurable improvements in outcomes. As seen in the Case Study on Page 17, these benefits can justify the investment in these systems while at the same time promote the health and safety of health care workers.

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INTERNET RESOURCES

Workers Compensation Research Institute

www.wcrinet.org

An independent, not-for-profit research organization

Occupational Safety & Health Administration

www.osha.gov

Dedicated to the Occupational Safety & Health Act of 1970

National Institute of Occupational Safety and Health

www.cdc.gov/niosh/homepage.html

Conducts research and makes recommendations for the prevention of work-related injury

NCCI Holdings, Inc.

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