How Will the Affordable Care Act Impact Workers Compensation?
The Patient Protection and Affordable Care Act, known as the ACA, is a landmark piece of legislation, that will change the American healthcare landscape perhaps for generations to come.

Since the ACA's enactment in 2010, millions of words have been written regarding the impact the law will have on individuals and families and their personal healthcare coverage. However, there's been very little written about the impact the ACA will have on the workers compensation system.

Although no major elements of the ACA are specifically directed at workers compensation medical care, several aspects of the law that will have an indirect yet significant effect on employers' costs associated with workplace injuries.

Foreseeing the Consequences

Workers compensation medical costs have never been higher, although growth has moderated in the last few years. In fact, they now equal 1.3 percent of the aggregate medical expenditure in the U.S. Advanced technology, specialized services utilization, and soaring drug prices are just three of the factors that have contributed to the steep rise in these costs.

Helmsman Management Services has been a leader in the effort to contain workers compensation medical costs. Through the use of predictive modeling, integrated managed care, early treatment and intervention, regional medical directors, pharmacy benefits management, and other evidence-based strategies, we've been able to help organizations produce better patient outcomes and reduce the impact of medical costs on their bottom line.

Similarly, we've been at the forefront of investigating the ACA's likely impact on workers compensation medical costs. The following are five key areas where we predict the law could potentially have a significant effect, both positively and negatively:

1. The ACA will likely accelerate medical cost inflation.
   Perhaps the most publicized aspect of the law is the requirement that all Americans have a qualified healthcare plan; failure to obtain one can result in costly annual penalties. As the media have reported, millions of previously uninsured Americans have signed up for a qualified plan. In addition, beginning in 2015, employers with 50 or more full-time employees must offer affordable, minimum-value coverage or pay a penalty.

   The law also extends Medicaid coverage at the state level to millions more. Other provisions prevent insurers from refusing coverage to those with pre-existing conditions and ban lifetime healthcare limits. The result of these mandates? According to some estimates, the ACA is expected to facilitate coverage for an additional 30 million lives.

2. The ACA will help produce a healthier workforce.
   Nearly everyone agrees that the nation as a whole will benefit when more Americans can access healthcare services. However, absent a significant increase in the number of physicians to treat everyone, the needs of these newly insureds are sure to strain the nation's healthcare delivery system.

   While it's predicted that the number of insured Americans will rise by 21 percent, the supply of doctors is predicted to increase by just 7 percent between now and 2020. Two additional factors will also put pressure on the system: the number of medical residency positions is limited by Medicare funding, and the availability of licensed practical nurses, who can assist with the overload, varies state to state.

   Couple this "doctor deficit" with the fact that many more individuals will be able to access specialists, such as neurologists, as well as specialized medical technology, such as MRI, and it's reasonable to expect that medical costs will rise. Naturally, such cost inflation will drive up workers compensation costs as well.

3. The ACA will likely accelerate medical cost inflation.
   The Patient Protection and Affordable Care Act, known as the ACA, is a landmark piece of legislation, that will change the American healthcare landscape perhaps for generations to come.

   Unlike previous versions of the Affordable Care Act, the ACA includes provisions that may have a significant impact on workers compensation costs. These provisions include:

   - The requirement that all Americans have a qualified healthcare plan, or pay a penalty. This has resulted in millions of previously uninsured Americans obtaining coverage.
   - The prohibition on lifetime healthcare limits, which may lead to more expensive medical care.

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There may be longer wait times for initial medical evaluations of injured workers. These delays could result in rushed and/or incomplete compensability decisions. As much as employers want to avoid paying for non-workplace-related injuries, they also want to provide care for those who have in fact been injured at work. Rushed decision-making undercuts their ability to achieve either goal.

Higher demand for physicians will lead to less timely treatment of workplace injuries. The sooner an injury is evaluated and treatment begun, the better the outcome. Delayed treatment of these injuries will lead to claim escalation, diminished return-to-work rates, and increased indemnity costs.

Providers in some states may become less interested in seeing workers compensation patients. With demand increasing, primary care providers may not want to devote resources to cases in which the patients’ care is tied to the workers compensation fee schedule, particularly in states where fee schedule reimbursements are low compared with other payers. This may lead to upward price pressure.

A decline in workers compensation utilization may help to lower costs. As more Americans obtain private health insurance, fewer workers who’ve been injured away from the job will feel the pressure to attribute these injuries to the workplace. This should reduce the number of claimants and, in turn, the associated costs. On the other hand, the co-payments and deductibles associated with private health plans will continue, making out-of-pocket costs lower for employees in the workers compensation system.

Access to specialty care in most states will be largely unaffected. There are fewer specialty shortages than the projected primary care shortages, and as health status improves, specialist demands may decrease. This is likely to vary across the country, and in some areas demand for orthopedic surgeons, for example, may exceed supply and create access issues for injured workers. In general, workers compensation fee reimbursements are more generous for specialists, compared with other payers, so specialists have more incentives to continue to treat injured workers even when busy. In fact, in many states, workers compensation reimbursements for specialists are significantly above those of Medicare.5

3. The ACA will increase the competition for access to physician care.
As discussed above, millions more Americans will access healthcare services, while the supply of physicians won’t grow at a commensurate rate. As healthcare providers struggle to keep up with the demand, we expect to see both negative and positive effects on the workers compensation medical process.

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4. The ACA will result in shifting of medical costs.
There are both negative and positive aspects of such cost shifting. On the positive side, the reduction in the number of uninsured workers means fewer will attempt to file for or remain on workers compensation for injuries unrelated to the workplace.

Another factor that will discourage inappropriate filing of workers compensation claims is that individuals will most likely prefer to work with their primary care physicians, where the patient can influence the treatment decisions, rather than having to discuss treatment options with workers compensation providers. Also encouraging is that chronic conditions such as low back pain are more likely to be managed by a worker’s primary care physician rather than through the workers compensation system.

One negative aspect of this cost shifting is the concern that many current employers with 50 or more full-time employees will avoid the mandate to offer health insurance, by employing more part-time workers instead. Our workers compensation experience has found that part-time workers are more prone to workplace injuries than full-timers. We expect that such a tactic on the part of employers will result in an increase in claim frequency.

Another potential negative, noted above, is that workers injured away from the job could decide they can’t afford their health plans’ deductibles and co-payments and may seek to utilize the workers compensation system for their treatment.

Finally, much of the gain in expanded health coverage comes individuals qualifying through state Medicaid eligibility, which is not fully funded. The need to keep Medicaid funded could result in more states looking to establish set-asides in workers compensation settlement agreements, again driving up employers’ costs.

5. Monitoring claims management performance will become even more important.
Given that no one knows what the true extent of the ACA’s impact will be on workers compensation, it’s critical that we monitor and improve claims management performance, and strategize to further control medical costs.

Helmsman has taken steps to prepare for the ACA’s implementation, such as strengthening our provider networks to ensure that our customers’ injured workers continue to have timely access to medical care, and making sure that our regional medical directors and nurse case managers are available to help navigate claims through what will become an increasingly complex world.

Consistent, innovative, results-driven performance monitoring and cost controls are what help us produce better claims outcomes for our customers.
Preparing for the ACA's Impact

Are you and your organization ready for the ACA? While some aspects of the law's implementation have begun, others will not take effect until 2015 or later (see figure below, "Key Dates").

We predict that the likely impact of the ACA on workers compensation medical costs won’t be felt for at least two to three years, making this the perfect time for organizations to work with their workers compensation partners to adapt to the coming changes.

We recommend evaluating your carrier’s or TPA’s ability to help you minimize the negative consequences of ACA implementation by considering the following questions:

- How focused is your carrier or TPA on controlling medical costs and is there a demonstrated track record of success?
- Does your carrier or TPA maintain strong physician/provider partnerships and networks?
- How does your carrier or TPA work with your organization to monitor claims performance and evaluate results?
- Does your carrier or TPA offer sophisticated medical resources to manage increasingly complex relationships?
- Does your carrier or TPA measure and control the impact of chronic pain and opioid use?
- Does your carrier or TPA promote wellness programs to encourage healthy employee lifestyles and informed healthcare decisions?

The Challenge Ahead

When legislation as sweeping as the Patient Protection and Affordable Care Act is passed, almost everyone will benefit from certain aspects of the law and wish they could make other aspects disappear. For the foreseeable future, the ACA is the state of healthcare in America.

As members of the workers compensation system, it’s up to all of us to look for ways to adapt to these changes while continuing to work to rein in medical costs. Through innovation and data-driven decision-making, employers, brokers, insurers and TPAs can help reduce workers compensation claim frequency, improve return-to-work rates, increase productivity, and lower costs.

To learn more about how we manage claims to the best possible outcomes, visit www.helmsmanTPA.com or email info@helmsmanTPA.com.

Key Dates

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1. NCCI, 2012
3. U.S. Department of Health and Human Services, Center for Medicare & Medicaid Services, Office of the Actuary; Sep. 2010
5. Source: Workers Compensation Research Institute

www.helmsmanTPA.com

The illustrations, instructions and principles contained in the material are general in scope and, to the best of our knowledge, current at the time of publication. No attempt has been made to interpret any referenced codes, standards or regulations. Please refer to the appropriate code-, standard-, or regulation-making authority for interpretation or clarification. Provided that you always reproduce our copyright notice and any other notice of rights, disclaimers, and limitations, and provided that no copy in whole or in part is transferred, sold, lent, or leased to any third party, you may make and distribute copies of this publication for your internal use.

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