The Three D's of Insurance: Delay, Deny and Do not Pay Analysis of Collection Rates for Illinois Workers' Compensation Patients

Editorial

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Editorial

Workers' Compensation is a state mandated *no-fault system* form of insurance that ensured that workers injured at work would receive compensation without delay and without regard to fault. It was started in response to serious societal problems caused by a dramatic rise in the number of people injured in industrial settings. It is a benefit provided in exchange for mandatory relinquishment of the employee's right to sue his or her employer under the common civil law of negligence.

There has been a consistent drumbeat from employers and the Chamber of Commerce about workers' compensation costs making states less competitive. Despite the complaints, employers are paying the lowest rate for workers compensation insurance than at any time in the last 25 years, even as other costs have risen dramatically (Table 1) [1]. The table demonstrates that, while the cost of health insurance for the employer has increased 46% since 1991, the cost of workers' compensation has actually decreased by 26%. In 2014, employers in North Dakota paid the least, averaging $0.88 for every $100 they paid workers in wages (Illinois paid $2.38). In 1988, North Dakota averaged $2.39 (Illinois paid $3.58). California employers pay the most at $3.48 per $100 worker's wages. Since 2003, legislators in 33 states passed workers' comp laws that have reduced benefits [2].

Table 1: Cost to employer for $100 of workers' wages [1].

	1991	2014
Cost of health insurance	$8.55	$12.52
Cost of retirement and savings	$5.50	$7.29
Cost of workers' comp	$2.71	$2.00

Even though Illinois enacted a medical fee schedule in 2006 and implemented further reductions in 2011, politicians to continue to demand further reductions and concessions from the injured worker and their medical providers. Neighboring states including Indiana, Iowa, Missouri and Wisconsin, have no medical fee schedules for physicians. A WCRI study points out that since the 30% cuts to physician fees in 2011, "the average price paid for major surgeries in Illinois became 27% lower than in Wisconsin and close to that in Indiana" [3]. The current medical fee schedule pays Illinois physicians for office visits for a low to moderate severity (CPT 99213) at a lower rate than Medicare and the median group health prices paid in 2012.Specifically, the median workers compensation price paid for this procedure was $62 in 2012, 15% (or $11), lower than the Medicare rate, and 18% (or $14) lower than the estimated median group health price paid [4].

Proponents for further cutting the Illinois Medical Fee Schedule have utilized a study released in January 2014 by the WCRI that purportedly shows Illinois as a state with high workers compensation medical costs. This study utilizes a limited data stat and contains only 6 months of data for claims (January 1, 2012 to June 30, 2012) [3]. Review of WCRI's most recent benchmarks actually states that "medical payments per claim in Illinois were closer to the middle group of states, following the 2011 fee schedule reduction" [5]. A recent letter to the governor dated June 16, 2015, chairman of the Workers' Compensation Committee Joan Fratianni, wrote that costs were declining in Illinois, with insurers reporting a 19% decrease in total benefit payments from 2011-2015. A WCRI report found that Illinois experience the largest decrease in average medical payment per claim among the study states.

Despite this data demonstrating these net saving trends, stake holders continue to argue for further reductions. They often make the argument that there is no justification for payment at a higher rate than Medicare or group health plans. The workers' compensation system require significant administrative burns that do not accompany other patient's including the implementation of utilization review, meetings with case managers, months of payment delays an increased correspondence. We have specifically analyzed the costs associated with managing accounts receivable (AR) for both workers' compensation and personal injury patients to further understand costs associated with this process.

Materials and Methods

We analyzed retrospectively all patients accounts receivable (AR) treated at a single orthopedic clinic between 2006 and 2014. All patients were divided into workers compensation, personal injury, PPO, Blue Cross and Medicare. Analysis included total amount billed, collected and time to collection.

A total of 117,682 unique patient visits occurred from 2006 until 2014. We analyzed visits for workers compensation (WC), PPO, Blue Cross Blue Shield (BCBS), Medicare (MDC) and personal injury (PI).

Each encounter was analyzed for the billed amount, amount collected and time to collect. Any charges that were not collected on were considered AR. We analyzed the billed amounts pursuant to the applicable fee schedule. Each data subset had a different fee schedule amount.

Results

Review of the statistical data demonstrated that 98% of all accounts receivable belonged to workers compensation (87%) patients and personal injury claims (11%), even though they represented 58.8% and 5.2% of the total claims respectively. Only 2% of AR was the result of PPO, BCBS or Medicare (Table 2). Review of the collection rates (AR/billed amount) demonstrates a similar pattern of poorer collection rates for workers compensation and personal injury. The collection rate for the workers compensation population was 68% (32% of claims never paid) while the average time in collections was 3.6 years (1,342 days) for active claims. The collection rate for personal injury was even lower at 51% (49% of claims never paid) while the average time in collections was 2.1 years (764 days) for active claims. The PPO, BCBS and Medicare patients has significantly better collection rates and time in collections (BCBS- 7.9 days, PPO- 13.1 days, MDC- 14.5 days).

We subsequently graphed the accounts aging or time in collections versus the total accounts receivable (Figure 1). Due to the fact that there was such a disparity between the collection timeline for workers' compensation and personal injury and the other subgroups, we subsequently graphed the subsets of PPO, BCBS and Medicare separately (Figure 2).

Table 2: Analysis of collection rates and time in collections.

	WMC	PI	PPO	BCBS	MDC
% of AR	87%	11%	1%	1%	0%
% AR/Billed	32%	49%	2%	1%	4%
Days in AR	1,302	764	13.1	7.9	14.5

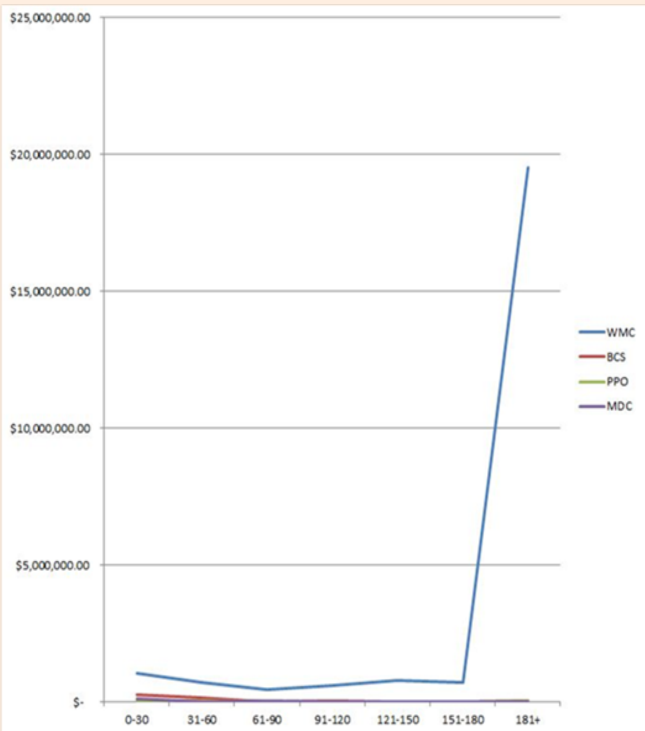

Figure 1: Accounts aging.

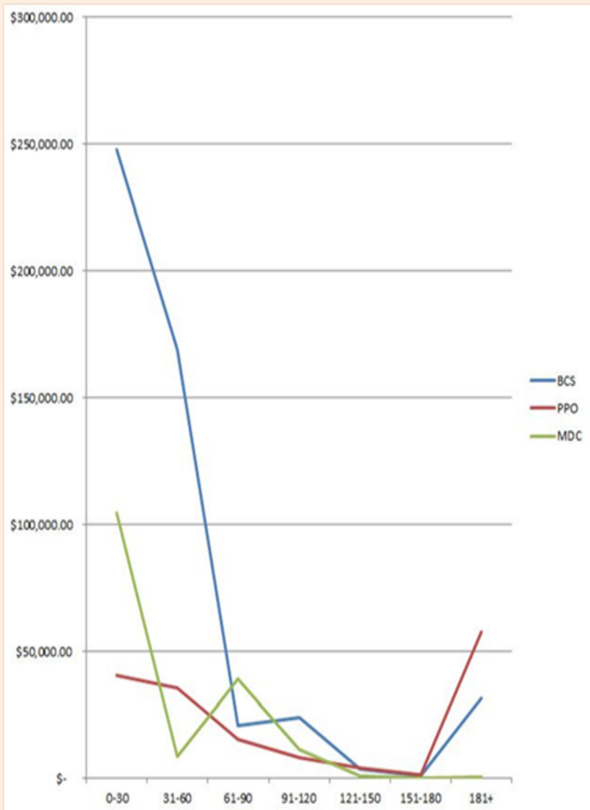

Figure 2: Accounts aging for PPO, BCBS and Medicare.

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Discussion

Employers and insurance companies in Illinois continue to demand decreases in medical reimbursement, citing runaway costs in the workers' compensation system. Even though insurers have experienced a 19% decrease in benefit payment from 2011 to 2015 and benefitted from the largest decrease in average medical payment among the study states, the state's political leaders argue that we need to continue to lower costs in a seemingly endless competition to lure businesses.

Ultimately, we need to recognize that the purpose of workers' compensation was to provide timely access to appropriate medical treatment. The compact that the injured worker struck in the 1900's with business leaders was to give up their right to sue in exchange for the basic tenant of no fault and timely access to medical treatment. When Illinois enacted a fee schedule in 2006 and further reduced reimbursement by a 30% reduction in 2011, they placed a stress on medical providers that are under significantly different cost structure than other types insured patients. They are subjected to utilization review, case managers, independent medical exams, and endless forms that disrupt clinic flow. As demonstrated by this analysis, medical providers are also subject to the insurance tactics of delay, deny and do not pay. 32% of active workers' compensation claims and 88% of active personal injury claims that have been billed out have never received a single payment.

In our medical practice, 32% of our workers' compensation bills are never paid. Workers' compensation and personal injury claims represent 98% of out accounts receivable. A significant amount of resources have to be dedicated to the pursuit of unpaid bills. 70% of our office staff is dedicated to this pursuit, with only 30% of the staff involved in the actual practice purpose- treating patients.

We believe that access to medical treatment, one of the fundamental tenants of the workers' comp act, is perilously close to becoming an issue due to continued reimbursement cuts in the face of increased costs. While many services are paid at rates lower than Medicare, these cases are subject to significantly increased costs structure due to the issues discussed above. Recent data from WCRI places medical payments per claim in Illinois were closer to the middle group of study states. Furthermore, national data indicates that in Illinois, medical costs do not constitute a majority of workers' compensation costs. This is because Illinois pays 51% of its workers compensation costs to indemnity payments versus 49% to medical benefits. This compares to a 34% indemnity payment and a 66% medical benefit regionally (Indiana, Iowa and Missouri). On a national level, 41% of workers compensation payments go to indemnity versus 59% to medical [4]. Indemnity costs will not be addressed by medical fee cuts although continued fee cuts will affect access to timely, appropriate treatment.

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