



WORKERS' COMPENSATION EXECUTIVE COMMITTEE

Proposal for Reform

The medical expense portion of workers' compensation costs has been growing for years at an alarming pace and is the primary driver in rising workers' compensation rates across the country: The PA Chamber Workers' Compensation Executive Committee proposes a comprehensive package of legislative reforms to help control medical costs. These changes will not reduce the level of benefits to injured workers but are designed to improve the quality of care and curtail waste and abuse in the current system. The reforms address five areas: Prescription Drugs, Utilization Review, Fee Schedule, Managed Care, and Eliminating Administrative Burdens.

I. PRESCRIPTION DRUGS

According to the Workers' Compensation Research Institute (WCRI), the cost of prescription drugs is one of the fastest growing components of medical expense. The utilization and abuse of narcotics is driving this cost and becoming a significant threat to the health and safety of workers. Of particular concern are Schedule II narcotics, such as oxycodone and morphine, which pose a high risk of addiction. We propose the following reforms:

1. Mandatory drug testing at set intervals when Schedule II narcotics are prescribed

- Insures that usage of the prescribed drug is not causing additional harm
- Verifies that patients are taking the drugs and not selling them
- Allows physicians to more closely monitor patient recovery
- Minimal cost to system offset by substantial savings in drug and disability expenses

2. Allow employers to specify the utilization of one or more Prescription Benefits Managers (PBM) to provide prescription drugs.

- Insures the most cost-effective method for delivery of care
- Makes coordination of various drugs possible to protect patient
- Helps curb drug abuse

3. Prohibit physician offices from dispensing more than first fill of any drug

- The average price paid to physician dispensers is often higher than what would be paid to pharmacies for the same prescription.

II. UTILIZATION REVIEW

Utilization Review is a cost containment tool provided by the Workers' Compensation Act to insurers and employers to determine if medical treatment is reasonable and/or necessary. The current UR process for challenging medical expenses has proven ineffective in curtailing abuse. Decisions by physicians are often ignored by judges and peer review is seldom utilized.

Proposed Reform: Require workers' compensation judges to utilize an impartial peer review physician if the UR determination does not comport with medical guidelines or if the judge does not agree with the determination of the UR Organization.

- The judge would be bound by the peer review determination
- All peer review providers will meet prescribed standards and be certified by the Bureau of Workers' Compensation
- The parties will participate in the selection process

- This system would provide for determinations that reflect current medical practice and help reduce incidences of abuse

III. FEE SCHEDULE

The current fee schedule for workers' compensation claims is based on Medicare rates from 1995 that are adjusted annually and does not provide for procedure codes added since 1995. Further, adoption of a new diagnosis coding system (ICD10) in 2013 will make linking of treatment and payment codes impossible. We propose the following reforms:

- 1. Adopt a Medicare fee schedule modified to reflect current fee levels by specialty according to most recent WCRI data**
 - Will reduce the administrative burden of trying to link current procedures with a 15-year old law
 - Allows rates to float with changes in Medicare reimbursements
 - Reduces incidence of abuse where fee descriptions do not exist
- 2. Pay all physician bills at intermediate care rates.** This will eliminate the burdensome down-coding practice and level out reimbursements
- 3. Require the Bureau of Workers' Compensation to update the fee schedule annually for new procedures that will be the basis for fee determinations.** This will reduce incidence of abuse and overutilization of unproven medical procedures
- 4. Provide that employers will only be required to pay bills received within 180 days of the treatment.** This will speed up the processing and closing of cases.

IV. MANAGED CARE

Efforts to improve care management have included the creation of Coordinated Care Organizations and extending the period in which a WC claimant must seek treatment through an employer-designated healthcare provider panel. Although these policies have been constructive, both can be improved to help fulfill their intended purposes of improving care for injured employees and curtailing "doctor shopping" and over-utilization of treatment.

Proposed Reform: **Extend provide panel period from 90 to 180 days and CCO utilization for the life of the claim.**

V. ELIMINATING ADMINISTRATIVE BURDENS

The current workers' compensation system requires extensive and burdensome paperwork and submission of notices – much of which serve little purpose in insuring compliance or effectively tracking outcomes. We propose the following reforms:

- 1. Consolidate and/or eliminate extraneous and redundant forms.** This will reduce costs and improve efficiency.
- 2. Give employers the option of making payments and sending forms electronically.** This will substantially reduce the cost of postage and paper as well as improve efficiency.
- 3. Streamline the process for obtaining independent medical exams (IMEs) and set fees for certain services.**