

When Caregivers Stop Caring

Glenn B. Pfeffer, MD

Something remarkable is happening in California. A group of self-insured companies are leading a transformation of the workers' compensation system that will improve patient care and decrease overall cost. While these changes might normally go unnoticed, they deserve special attention. The lessons from California have far-reaching implications for the entire health care system.



In 2004, the California State Legislature adopted workers' compensation reform that allows employers, or their workers' compensation insurers, to create medical provider networks. An injured worker is required to receive treatment from health care providers within his or her designated network. There were great expectations among physicians for this new system. A carefully constructed and well-run network would enhance the care of an injured worker by directing treatment to the most appropriate workers' compensation specialist. The carrier and specialist would cooperate to provide the highest quality and most cost-effective care. Treatment outcomes would invariably improve, injured employees would return to work sooner, and total costs would decrease. Physician and patient satisfaction would remain high. Unfortunately, few provider networks in California have come anywhere close to meeting these expectations.

Two insurmountable problems exist with the majority of provider networks. The first has to do with their size. Instead of carefully chosen select networks, insurers typically contract with vast generic groups of providers, many of whom have no particular interest or expertise in the treatment of injured workers. The only criterion for membership seems to be the willingness of a health care provider to accept a discounted fee for service. To add insult to injury, the California Division of Workers' Compensation just proposed an additional 21% decrease in surgical reimbursement. This myopic approach to cost saving continues to drive the best doctors, the ones most needed, out of the workers' compensation system.

The second, and most insidious, problem is the adversarial relationship that exists between carriers and their own network physicians. In 2004, the state legislature included in its reform the requirement that caregivers adhere to treatment guidelines published by the American College of Occupational and Environmental Medicine or adopted by the California Division of Workers' Compensation. Carriers have hired armies of utilization (peer) reviewers to

police physicians. Rigid interpretation of the guidelines results in frequent denial of treatment. The huge cost of utilization review now approaches the entire administrative budget of all group health in California. As a result, insurance costs continue to rise, and carriers are seeking a 25% increase in their premiums this year, largely to offset their utilization review costs. Medical provider networks of this type are broken.

There are, however, a few stunning examples of successful medical provider networks in California. Marriott International and Southern California Edison are exemplary. When the opportunity arose, these companies created their own treatment networks from the ground up. Marriott has done this in several states, according to Jill Dulich, Senior Director of Claims, and has found that "the best way to control costs is to control the quality of care that we provide" (written communication, April 2010). The select physicians in their networks are not subject to prospective utilization review and are paid at full workers' compensation rates. Marriott has seen a remarkable savings of 14% in their indemnity costs. The Marriott model warrants emulation by all insurance carriers.

While there are many differences between workers' compensation and group health, the lessons from California are clear: Government cannot legislate high-quality care; the best care will ultimately be the most cost-effective; a decrease in caregiver reimbursement is an insignificant cost savings, especially when compared with the cost of a bad outcome; and, most importantly, caregivers have to care about their medical system, or it will fail miserably.

Author's Disclosure Statement

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Dr. Pfeffer, the journal's Associate Editor for Foot and Ankle, is Director, Foot and Ankle Center, Cedars-Sinai Medical Center, Los Angeles, California, and President of the California Orthopaedic Association.

Address correspondence to: Glenn B. Pfeffer, MD, 444 South San Vicente Blvd, Suite 601, Los Angeles, CA 90048 (e-mail, Pfefferg@cshs.org).

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