

Statement of Jay Dhingra
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Senate Select Interim Committee on Workers' Compensation
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I am Jay Dhingra, Vice President of Managed Care for the HCA North Texas Division, a position I've held for the past six years. Thank you for the opportunity to testify today. I've worked in the health care industry in Texas for more than 15 years, of which more than 12 years have been in the managed care arena. HCA is concerned about workers' compensation, both as a large employer and as a major provider of workers' compensation services. I am here today to talk about how managed care, if structured properly, could improve the state's workers' compensation system.

This committee previously has heard testimony that workers' compensation medical costs are out-of-control. To date, efforts to reduce workers' compensation costs have been to cut provider rates, and that hasn't lowered employers' costs. The real problem is over-utilization of services, resulting from inadequate management of care.

The North Texas Division of HCA receives about \$42 million in workers' compensation net revenue annually, and our 13 hospitals and 10 surgery centers in North Texas treat approximately 15 percent of the workers' compensation population in the D-FW area that requires hospitalization. HCA's data and other research data clearly demonstrate that the biggest problem in the state workers' compensation system is not rates paid to providers, but over utilization of specific services. The data in the summary 2001 report of the Research and Oversight Council on Workers' Compensation confirms that Texas has the highest or second highest utilization rates compared to state workers' compensation systems in nine other large states for the top five medical treatment areas, which include surgery, injections, physical medicine (chiropractic manipulations), office visits and diagnostic testing rates. Overall, the amount and duration of medical care provided to all injured workers in Texas exceed the levels recommended in most national treatment guidelines.

The cost differences result primarily from more medical testing and treatment provided to Texas injured workers for longer periods of time than workers with similar injuries in other state workers' compensation programs and in group health plans. HCA's internal data shows that there is a 20 percent higher utilization of physical and occupational therapy in the

worker’s compensation category, compared to the managed care category for patients with a similar diagnosis. A managed care model uses national guidelines for how a specific diagnosis should be treated, and having these general parameters allows evaluation and benchmarking of outcomes. The current workers’ compensation system in Texas lacks well-defined treatment guidelines.

HMOs and PPOs are the traditional types of networks used in managed care. They manage care and manage utilization through pre-certification requirements, limited panels of providers, prospective and concurrent review protocols, performance report cards for physicians, competitive rates with providers, and deductibles or coinsurance arrangements.

Let’s compare how the current Texas Workers’ Compensation Commission approach compares to an HMO managed care model:

Managed Care vs. Texas Workers’ Compensation Model

Stakeholder	HMO model	Texas Workers’ Compensation System
Employers	HMOs are able to contract directly with employers.	Insurance companies sell premium-based policies to employers.
Employees	Employees are offered incentives or given disincentives to receive care from specific providers and have a copay \$\$ for every visit.	There are fewer restrictions for employees to seek care.
Providers	HMOs build a network of providers covering all disciplines. Providers offer discounts for steerage. HMO controls utilization using nationally established guidelines like Milliman and Roberts or Interqual to approve (days in hospital, OP visits, procedures etc.) with pre-certification and concurrent review requirements. Disease Mgt programs. Rates are defined in contract	Insurers pay individual, unrelated providers. Rates are established by the TWCC. Utilization Mgt, if any, is on a retrospective basis. Costly dispute resolution often occurs

Insurance companies have found that apart from the utilization and disease management processes, getting the consumer/patient to have a financial stake in the delivery of care is the best answer to controlling cost. Many health plans use co-payments, higher deductibles and medical spending accounts to provide incentives for patients to use services wisely. Some consideration should be given for minimum co-pays to be paid by employees in the Workers' Compensation program at each episode of treatment, and thus align incentives.

In recommending a managed care approach for workers' compensation, I want to emphasize that Texas hospitals are requesting a well-designed program with limited carriers who have demonstrated expertise and success in managed care. A number of the insurers who now handle workers' compensation cases have limited health care experience. Only those insurance companies who have a proven record of successful HMO operation should be considered.

And, equally important, a workers' compensation managed care program must be properly administered. For example, claims must be processed and paid in a timely manner. Currently, health care providers must go through a lengthy, bureaucratic dispute resolution process with the Texas Workers' Compensation Commission in Austin for each claim that is denied and appealed. This is a time-consuming, expensive process for providers, and ultimately, these administrative costs are increasing employers' expenses. Fully insured health plans are subject to prompt pay requirements, with significant penalties for non-compliance.

With proper design – including incentives to pay claims promptly – and appropriate state oversight, a managed care approach for workers' compensation should be more efficient, and provide injured workers with appropriate medical care. And, savings will result to the system.

In summary, we need a comprehensive plan to control utilization in the Workers' Compensation system and a well-designed and administered managed care approach may be the only answer.