

## **Texas Workers' Compensation Analysis of the Available Data**

Controversy over the Texas Workers' Compensation system frequently depends upon interpretation of various statistics about system performance. Competing claims have been raised based on known numbers, and statistics have been incorrectly construed leading to incorrect conclusions. It is important that all the available data be understood so solutions can be devised based on a clear perception of known facts. A brief survey of the implications and limitations of the known data is reported here.

### **Cost Per Claim**

- According to several sources, cost per injured worker claim in Texas is higher than other states.
- Data from the Workers Compensation Research Institute (WCRI) shows that total benefit payments per claim for 2001 and 2002 were 73 percent higher than the median for the 12 states that were studied. Total cost includes both indemnity payments and medical costs, and both are above the comparable 12-state medians.<sup>1</sup>
- The WCRI also reports data from the National Council on Compensation Insurance, Inc, which indicates that cost per claim in Texas is higher than 40 other states.<sup>2</sup>

### **Medical Cost Per Claim**

- Medical cost per claim is the product of price per service and service utilization. Medical cost per claim in Texas was 78 percent higher than the 12-state median for 1999 to 2000, but the components of that cost were not uniformly high.<sup>3</sup>
- Average price per service for physician services was at or below the median in 1999, before fee schedule cuts were imposed by the Texas Workers' Compensation Commission last year. Price per service for chiropractors, physical and occupational therapists, and hospitals was above the median.<sup>4</sup>
- A 2002 WCRI study of state workers compensation fee schedules reported that Texas physician fees at that time were at the median, ranking 20 out of 40 states, except that Texas fees for physician visits, at 8 percent lower than Medicare, were so low that it "raises the question about access to care".<sup>5</sup>
- In the key findings for Texas in one major report, WCRI reported, "The average payment per claim to chiropractors in Texas was 360 percent higher than to chiropractors in other states for treating a similar group of cases. Chiropractors were involved in the treatment of 23 percent of claims with more than seven days of lost time – almost four times as many as the 12-state median..."<sup>6</sup>
- Comparisons of the cost of treatment between work-related injuries and group health plans are not relevant, because work-related injuries generally incur higher costs because of the additional diagnostic work necessary to establish that the injury is work-related and to establish the validity of indemnity claims.

### **Utilization**

- Compared to 11 other states, utilization as measured by the number of visits per claim in Texas was 45 percent higher for physicians, 20 percent higher for physical or occupational therapy, and 119 percent higher for chiropractors.<sup>7</sup>

- In 2000, a special study of regional variations in Texas published by WCRI concluded that utilization varied dramatically by geographic area in Texas and suggested that one possible cause was variations in unbundling.<sup>8</sup> Unbundling is the practice of billing numerous visits or procedures instead of billing for a single broader service.
- House Bill 2600 authorized the use of Medicare bundling rules. Their correct implementation already may be eliminating the problem of unbundling that currently might be masquerading as excessive utilization in the historical data. Data is not yet available to determine the net effect of these bundling rules on total medical cost.

### **Outcomes**

- In a special study of outcomes for injured workers, the WCRI reported that Texas and California had poor perceived recoveries of physical health and functioning and poor return to work compared to Massachusetts and Pennsylvania.<sup>9</sup> Workers who never returned to work were more likely to have low levels of education, low wages, and preferred to be interviewed in Spanish.<sup>10</sup> According to WCRI analysts, variations in those variables explain some, but not all, of the outcome differences for Texas and California.
- In 2002, a special WCRI report was published comparing chiropractic and physician-directed care for back strains, sprains, and non-specific back pain in five states including Texas. Although the data varies by state, in Texas, chiropractor-treated cases had 25 percent higher cost per claim than physician-directed cases. Medical cost per claim was 21 percent higher and indemnity cost was 44 percent higher because chiropractor-treated cases were more likely than physician-directed cases to incur indemnity claims.<sup>11</sup>

### **Injury Frequency**

- The frequency of work-related injury claims in Texas is lower than average for the nation and it is decreasing.<sup>12</sup>
- The number of occupational injuries and illnesses per 100 full-time workers has been decreasing gradually for the past decade, both for Texas and for the nation as a whole.
- The reported frequency of injury for Texas employees has consistently been approximately 20 percent lower than average for the nation over the past decade.

### **System Cost**

- Total system cost is a product of claim frequency and claim cost, plus administrative cost and insurer profits. In terms of total cost per covered worker, the Texas workers' comp system is not unusually costly, ranking 14th among 45 states.<sup>13</sup>
- Assertions have been made that medical claims and indemnity cost have been decreasing since 2000. Those claims were based on accident-year underwriting results that include estimates for claim-related costs that will be incurred in 2003 and beyond.<sup>14</sup> Recent fee schedule cuts and new bundling edits for workers' compensation claims is likely to cut costs in 2003 and future years, but the public data to assess the actual effect of those cuts is not yet available.
- Total cost data on medical claims reported to the Texas Workers' Compensation Commission show increasing costs through 2002, with increases of 12 percent in 2001 and 14 percent in 2002.<sup>15</sup> Reported data for 2003 are incomplete, but will reflect the initial effects of the combined fee schedule cuts and bundling edits.
- Data from NCCI for 2002 indicate that, compared to other states, Texas workers' compensation carriers are relatively profitable, ranking 9th out of 37 states. This data also is

based on accident-year underwriting results that include estimates for claim-related costs that may be incurred in 2003 and beyond.<sup>16</sup>

### Access to Care

- By 2002, relatively few primary care physicians were serving injured workers because workers' comp fees for primary care services were inadequate to cover the cost of care including an unusually high administrative burden, but patient access to some specialist care was much better.
- Since the Commission-imposed fee cuts became effective last year, access to care for all specialties has been severely affected. Prepublication results from TMA's Survey of Texas Physicians shows that only 23 percent of Texas physicians now accept all new patients with work-related injuries, down from 45 percent in 2002. By comparison, 45 percent of physicians will accept all new Medicaid patients and 68 percent accept all new Medicare patients.
- Many physicians who are on the Commission's list of approved doctors are only treating current patients or those seen in hospital emergency rooms.

### Summary

In spite of declining and overall lower injury rates in Texas, costs for workers' compensation have been high on a per-claim basis. High costs were caused, not by high fees to physicians, but by poor return-to work rates and high utilization of some medical services. Both factors are affected by administrative policies that do not require patient care to be directed by licensed physicians. The apparent high utilization in the past might have been partially due to unbundling, which may be effectively controlled by policies that are newly in place. Poor outcomes are partially attributable to unique Texas demographics. Access to physician care for injured workers has become an emerging critical concern since 2002. Future efforts to improve the system should be based on a clear understanding of the implications of all the relevant data.

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<sup>1</sup> Compscope Benchmarks: Multistate Comparisons, 4th Edition

<sup>2</sup> Compscope Benchmarks: Multistate Comparisons, 4th Edition

<sup>3</sup> Anatomy of Worker's Compensation Medical Costs and Utilization: Trends and Interstate Comparisons, 1996-2000, Workers Compensation Research Institute, p266

<sup>4</sup> Anatomy of Worker's Compensation Medical Costs and Utilization: Trends and Interstate Comparisons, 1996-2000, Workers Compensation Research Institute, p368

<sup>5</sup> WCRI Research Brief, Benchmarks for Designing Workers' Compensation Medical Fee Schedules, Workers Compensation Research Institute, pp 5-7

<sup>6</sup> Anatomy of Worker's Compensation Medical Costs and Utilization: Trends and Interstate Comparisons, 1996-2000, p266-267

<sup>7</sup> Anatomy of Worker's Compensation Medical Costs and Utilization: Trends and Interstate Comparisons, 1996-2000, Workers Compensation Research Institute, p368

<sup>8</sup> Area variations in Texas Benefit Payments and Claim Expenses, Workers Compensation Research Institute

<sup>9</sup> Outcomes for Injured workers in California, Massachusetts, Pennsylvania, and Texas, Workers Compensation Research Institute

<sup>10</sup> Outcomes for Injured workers in California, Massachusetts, Pennsylvania, and Texas, Workers Compensation Research Institute, p72

<sup>11</sup> Patterns and Costs of Physical Medicine: Comparison of Chiropractic and Physician-Directed Care, Workers Compensation Research Institute, pp xix-xx

<sup>12</sup> Texas Workers Compensation System Data Report, Texas Worker's Compensation Commission

<sup>13</sup> Compscope Benchmarks: Multistate Comparisons, 4th Edition, Workers Compensation Research Institute

<sup>14</sup> NCCI Calendar-Accident Year Results by State, National Council on Compensation Insurance, Inc.

<sup>15</sup> Texas Workers Compensation System Data Report, Texas Worker's Compensation Commission

<sup>16</sup> NCCI Calendar-Accident Year Results by State, National Council on Compensation Insurance, Inc.