



California Department of Industrial Relations Commission on Health and Safety and Workers' Compensation

New Experiments 24-Hour Integrated Health Coverage for Service Workers

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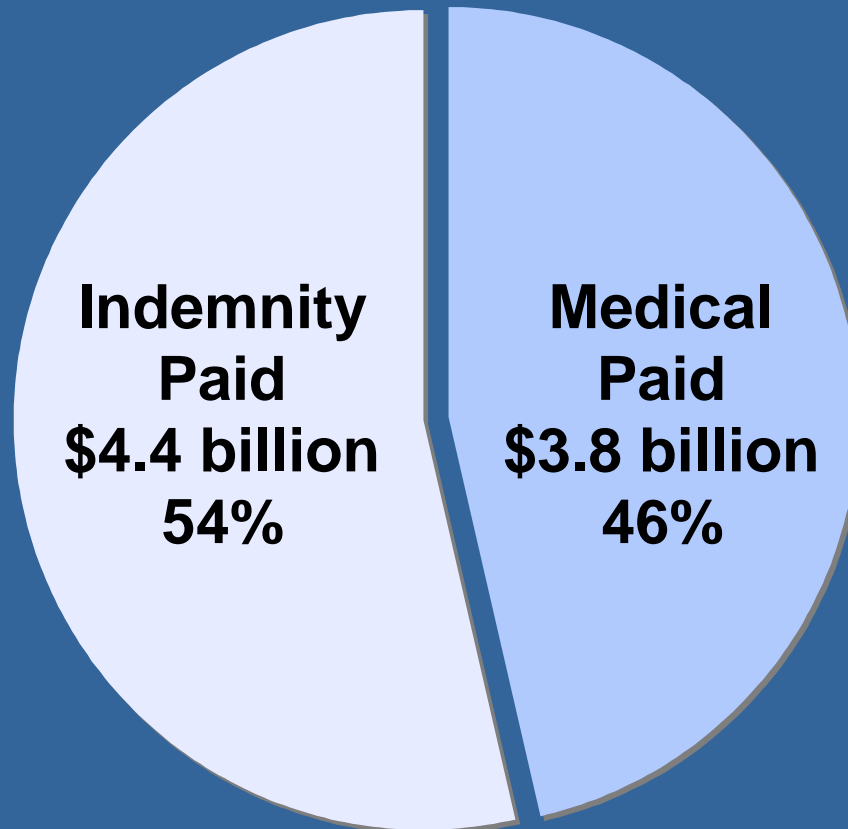
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California's Workers' Compensation System

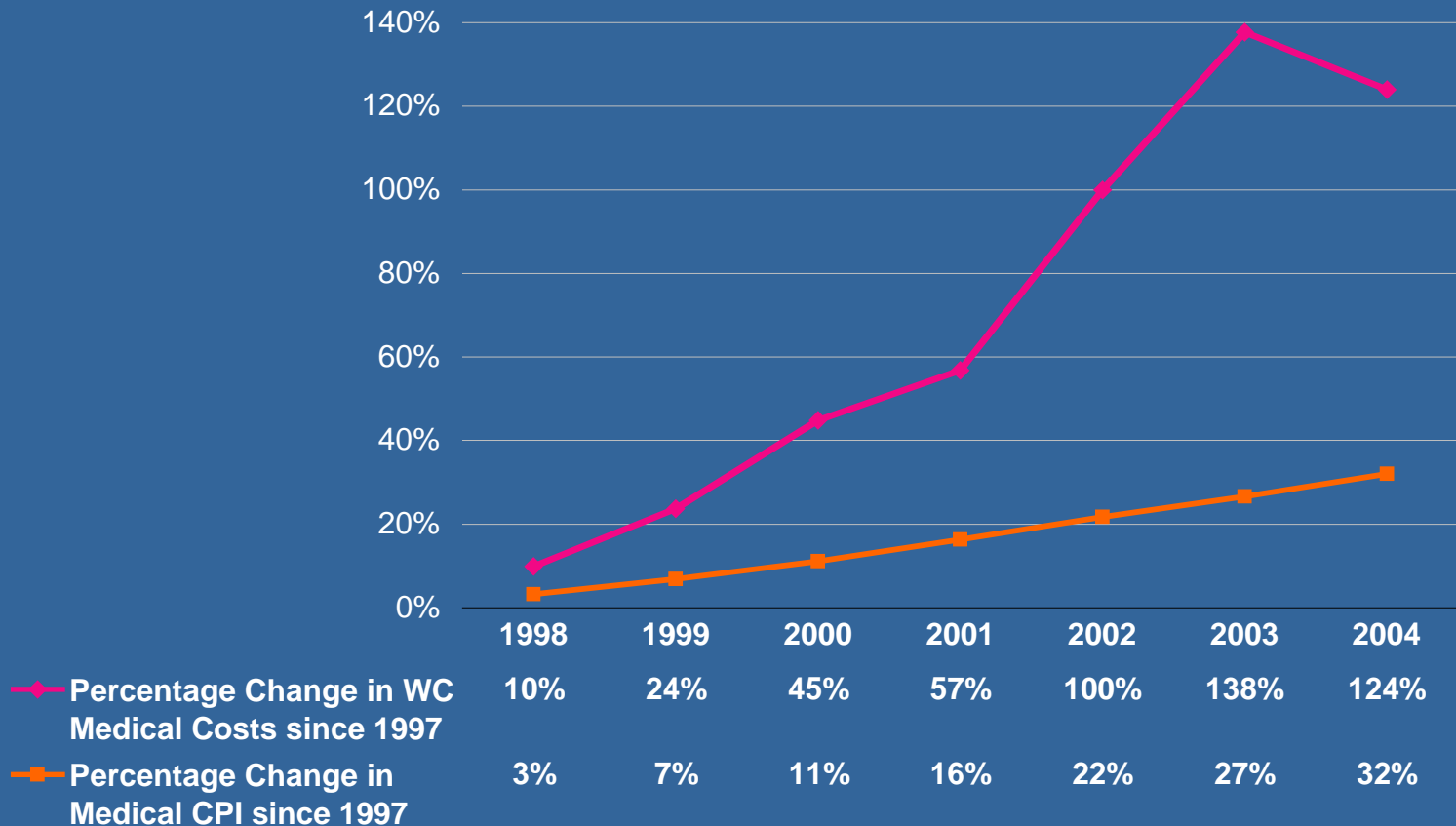
1913 “bargain” between labor and employers

- Employers provide no-fault insurance against workplace injuries.
- Delivers five benefits:
 - Temporary disability payments (TD)
 - Medical expenses (both evaluation & treatment)
 - Vocational rehabilitation or Supplemental Job Displacement Benefits (SJDB)
 - Permanent disability (PD)
 - Death benefits

Paid Workers' Compensation Indemnity and Medical Benefits California - 2005



Growth in California WC Medical Costs Compared with Medical Care Inflation since 1997



WC Medical Reforms in California

Recent reforms reduced WC medical costs

- **Caps on chiropractic and physical therapy**
- **Medical treatment guidelines**
- **Employer control through approved networks**
- **Medicare-based medical fee schedules**

Carve-Outs with 24-Hour Care Can Reduce WC Medical Costs

Workers compensation carve-out programs with 24-hour medical care can

- Protect workers**
- Improve benefit delivery**
- Reduce costs**

What are “Carve-Outs”?

Workers’ compensation “carve-outs” allow organized labor and management to establish

- Improved benefit-delivery systems, and
- Alternatives to the dispute resolution procedures in the state system.

Carve-outs in California

- Labor-Management negotiated agreement
- Statute only allows unions and union employers to negotiate carve-out agreements
- Can cover all aspects of workers' compensation medical and benefit delivery
- Negotiated as addendum to collective bargaining agreement
- “Carves out” a system essentially separate from State system (DWC and WCAB)

How Were Carve-Outs Established?

Carve-outs were established by workers' compensation reform legislation in California.

- **SB 983 in 1993** for construction industries.
- **AB 749 in 2002** adds aerospace, timber.
- **SB 228 in 2003** expands to all industries
- **SB 899 in 2004** allows employer and union to negotiate any aspect of benefit delivery if employees are eligible for group health and non-occupational disability benefits.

Key Components of a Carve-Out

A carve-out agreement may include the following components:

- Alternative dispute resolution (ADR)
- Alternative delivery of medical benefits, such as 24-hour integrated care
- Agreed list of medical evaluators (AME)
- Joint labor-management safety committee
- Return-to-work program to facilitate safe transition back to full employment

Carve-outs: Potential Benefits for Employers & Unions

- **Cost savings through**
 - Lower medical costs
 - Fewer delays and disputes
 - Reduction in overuse,
 - Standardization of provider fees
 - Discounts from insurers
- **Prompt medical care**
 - Faster healing
 - Fuller recovery

Carve-outs: Potential Benefits for Employers & Unions

- **Effective return to transitional work and to sustained employment**
- **Fewer misunderstandings and delays; faster resolution of disputes; reduced litigation**
- **Satisfaction, morale, productivity, and competitiveness of the business**

Opportunities for Improvement

- **Achieve further medical care cost savings**
 - **Reduction in overuse**
 - **Standardization of provider fees**
- **Reductions in Group Health Care Costs**
- **Quality improvement – more appropriate use**
- **Administrative cost savings – only if health insurance is integrated**
- **Worker satisfaction → reduction in disputes**

Challenges in Carve-Outs

- **Determining the cost of the combined program.**
- **Estimating the potential savings and premium reductions.**
- **Passing actual savings on to management and labor**

Savings for Employers Improvements for Workers

How can carve-outs save money while improving benefit delivery?

- **Alternative Dispute Resolution (ADR)**
- **Medical treatment**
- **Medical dispute reduction**
- **Medical-legal evaluation (PD, causation, apportionment)**
- **Duration of disability**

Alternative Dispute Resolution: ADR

The ADR process for compensability and other legal issues generally includes 3 stages:

- **Ombudsman**: In the first stage, the ombudsman provides information to injured workers, answers questions, and helps solve problems.
- **Mediation**: If problems are not solved in the first stage, the process may move to a second stage in which a mediator, a neutral third party, assists in resolving the conflict.
- **Arbitration**: If dispute resolution is not successful in the second stage, the dispute may move to the third stage, or arbitration.

If not satisfied with the arbitration decision, the employer or the employee may appeal to the WCAB Reconsideration Unit and, ultimately, to the State Court of Appeal.

ADR Advantages

Ombudsman

- Nearly all potential disputes are “defused”
- Very little litigation and greatly reduced need for attorney representation for either party

Mediation

- Infrequently required due to ombudsman’s intervention
- Usually does not require attorney representation

Arbitration

- Rarely required
- When required, usually uses respected, retired workers’ compensation judges

24-Hour Integrated Medical Care

Carve-outs offer an opportunity to negotiate integration between occupational and non-occupational medical treatment:

- Agreed list of medical providers
- Can negotiate service delivery design
 - Capitated medical plans
 - Potential for co-pays and deductibles with contribution by workers
 - Dispute resolution with medical provider network, like group health

Advantages to 24-Hour Medical Care

- Improved quality and coordination of care
- Elimination of duplication between group health and workers' compensation, i.e diagnostic tests.
- Same medical provider for occupational and non-occupational treatment
- Improved access to care because there is no dispute over coverage
- Fewer disputes (and delays) over treatment
- Reduction in administrative costs of two systems

Resolution of Medical Treatment Issues

Treatment issues resolved within the health plan:

- Disputes minimized - similar to group health (e.g., Kaiser)
- First step: Dispute resolution process within the health plan
- Last step: Independent Medical Review (IMR) by the California Department of Managed Health Care

Medical-Legal Evaluation

Agreed list of Medical-legal Evaluators (AME)

- Yields high quality evaluations respected by both sides
- Resolves disputes quickly and fairly
- Helps control PD and TD costs
- Results in appropriate apportionment and causation decisions without litigation

Temporary Disability Duration and Return-to-Work

- Encourages cooperation between employer, worker, and medical providers to determine appropriate return-to-work
- Eliminates attorneys from most return-to-work decisions
- Aligns incentives for all parties to reduce time away from work

Summary of Carve-Out Advantages

Carve-Outs can provide substantial advantages to both unions and management:

- **Reduced disputes, faster benefit delivery, less litigation cost, better return-to-work**
- **Lower insurance cost - union labor more competitive**
- **Reduced medical treatment disputes**
- **Potential for higher quality care at lower cost**

Joint Partnership: Medical Care Integration Pilot

- **Funded by California Healthcare Foundation**
- **California Commission on Health and Safety and Workers' Compensation (CHSWC)**
- **University of California at Berkeley**
- **Kaiser Permanente**
- **State Compensation Insurance Fund**
- **SEIU Local 1877 (5,500 janitors)**
- **Building maintenance contractors**

Establishing the Medical Care Integration Pilot

- Meetings with Labor
- Meetings with Management
- Meetings with Healthcare providers
- Determine feasibility and cost benefit
- Joint meetings with labor and management
- Agreement is reached
- Proposal for ongoing monitoring and evaluation

Carve-outs: Further Information

- ❖ **How to create a workers' compensation carve-out in California: Practical advice for unions and employers, 2006**
- ❖ **Carve-outs: A Guidebook for Unions and Employers in Workers' Compensation. CHSWC, 2004**
- ❖ **Analysis of the experience of the first carve-outs in the California construction industry**

www.dir.ca.gov/chswc

CHSWC website

www.dir.ca.gov/chswc

- ✓ **Reports of CHSWC studies and projects**
- ✓ **Information bulletins**
- ✓ **CHSWC meeting notices and minutes**
- ✓ **Guidebooks and information for employers, employees and injured workers**
- ✓ **Video: “Introduction to Workers’ Compensation”**