

ICIS SAYS...

The Industry Claims Information System (ICIS) currently encompasses transaction-level data on more than 3.5 million California workers' compensation claims contributed by large and midsize national and regional insurers and self-insured employers for claims with dates of injury from 1993 through 2004. This "data warehouse" was built by CWCI and resides on a relational database platform at CWCI's Executive Offices. The data warehouse was built to meet the changing and expanding research and analysis requirements of the workers' compensation industry and the CWCI's membership.

The value of data depends on its practical applications. The Institute often relies on ICIS to generate "hard numbers" that can be used to advance the public policy debate on a wide variety of workers' compensation issues and concerns. In many cases, ICIS is the first and only source for this much needed empirical data. This section will highlight recent examples of these practical applications. The following ICIS Says Report provides a preliminary look at the utilization and the average cost per claim for physical therapy and chiropractic manipulation in California workers' compensation following the implementation of the medical treatment utilization schedule and 24-visit caps.

ICIS SAYS: Early Returns on Workers' Comp Medical Reforms: Part 2.

The Utilization & Cost of Physical Therapy and Chiropractic Manipulation in California Workers' Comp Following Implementation of Mandatory UR and 24-Visit Caps

by

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Background:

Several recent studies have documented sharp increases in the average number of visits for physical therapy and chiropractic manipulation in California workers' compensation between 1995 and 2002, even though there was little change in the underlying claimant or injury characteristics to warrant increased utilization.¹ Until SB 228 took effect in January 2004, the only limits on the amount of physical therapy or chiropractic care available to California injured workers were restrictions on the number of services per visit included in the Official Medical Fee Schedule ground rules. Thus, by the time the reforms were implemented, physical therapy and chiropractic manipulation together comprised almost 37 percent of all California workers' compensation outpatient medical payments.²

SB 228 created a mandatory utilization review program that limited chiropractic and physical therapy visits in two ways:³

¹ Gardner L, Swedlow A. The Effect of 1993 – 1996 Legislative Reform Activity on Medical Cost, Litigation and Claim Duration in the California Workers' Compensation System. *Research Note*. CWCI. May 2002

Swedlow, A. Changes in Chiropractic Utilization in California Workers' Compensation. *ICIS Says Research Report*. CWCI March 2003

Eccleston S. and Zhao, X. "The Anatomy of Workers' Compensation Medical Costs and Utilization California, 5th Edition". WC-05-19, Cambridge, MA, November, 2005.

² Preliminary Analysis of Workers' Compensation Medical Fee Schedules and Utilization Management Reforms. CWCI September 2005.

³ For more information: Labor Code Section 4604.5 (d)

- First, the adoption of the ACOEM guidelines with a presumption of correctness effectively meant that any use of physical therapy or chiropractic services had to be supported by nationally recognized peer-reviewed guidelines based on high-grade medical evidence. The state requires medical care to be consistent with the treatment guidelines based on the date of service, regardless of the injury date.
- Second, SB 228 imposed 24-visit caps on physical therapy and on chiropractic services for injuries on or after January 1, 2004. The bill went on to state that if a claims administrator authorized more than 24 visits, no further utilization review control could be exercised. State lawmakers subsequently revised this section in the 2004 workers' compensation reform (SB 899), however, imposing an additional 24-visit cap on occupational therapy services and removing the ban on future utilization review if more than 24 visits were authorized. These conditions apply to injuries on or after January 1, 2004.

Research Goal:

The goal of the physical therapy and chiropractic manipulation analysis was to determine any emerging correlations between the implementation of the utilization review program (the ACOEM guidelines and the 24-visit caps) and changes in the average utilization and cost of these services.

ICIS Data:

The Institute used the ICIS database to compile a sample of 610,371 claims with January 2002 through September 2004 dates of injury that involved physical therapy or chiropractic manipulation. Analysts then grouped the claims according to the month and year of injury, calculated the average number of visits and treatment costs for each claim at 3, 6 and 9 months from the date of injury, and created a series of trend lines to illustrate the results for all claims in the sample. To account for shifts in the mix of underlying injuries present at various points on a trend line, average payments and visits were case-mix adjusted for employee, employer and injury characteristics. The ICIS database contains utilization and payment data through 2004. Due to the December 2004 cut-off of the data, 3, 6, and 9 months were truncated from the end point of each 3-, 6- and 9-month trend line, respectively.

Results

Tables 1 - 5 show the detailed trend lines for physical therapy and chiropractic visits and payments.

Table 1. Average Physical Therapy Payments at 3, 6 and 9 Months of Development

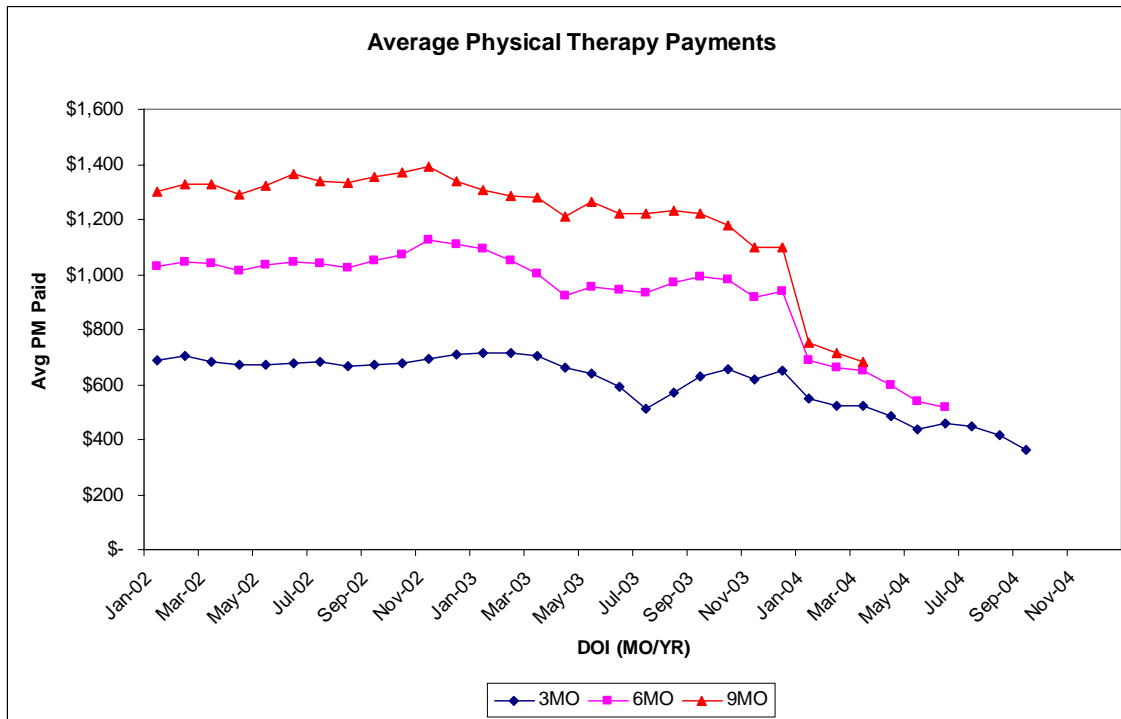


Table 2. Average Chiropractic Manipulation Payments at 3, 6 and 9 Months of Development

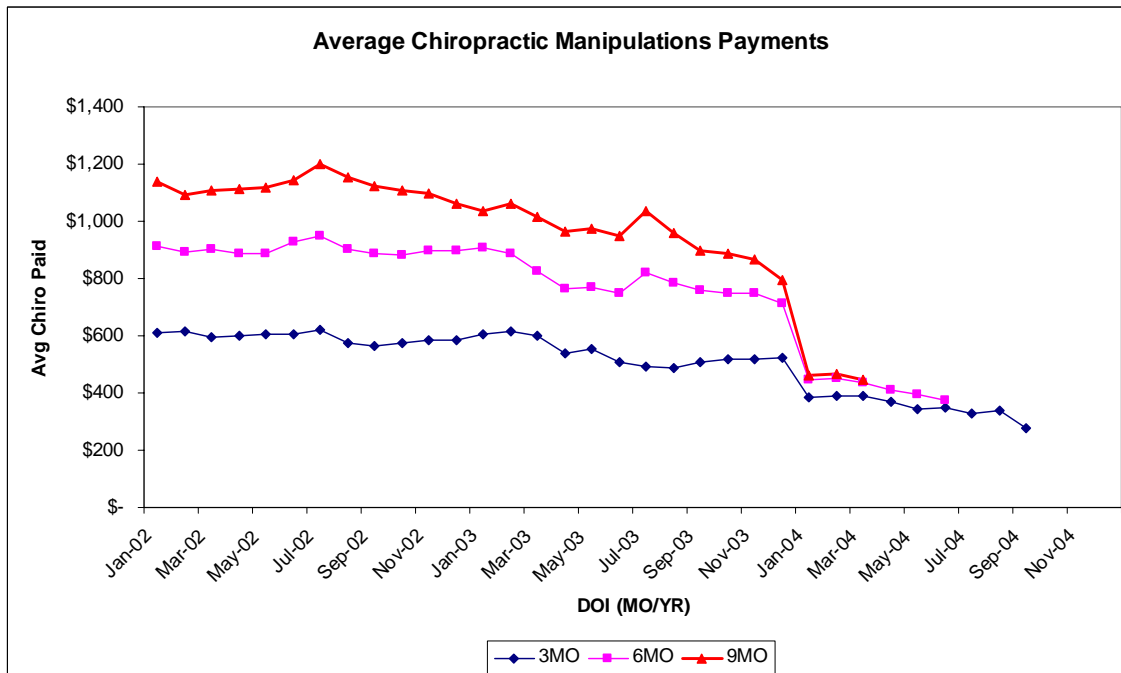


Table 3. Average Physical Therapy Visits at 3, 6 and 9 Months of Development

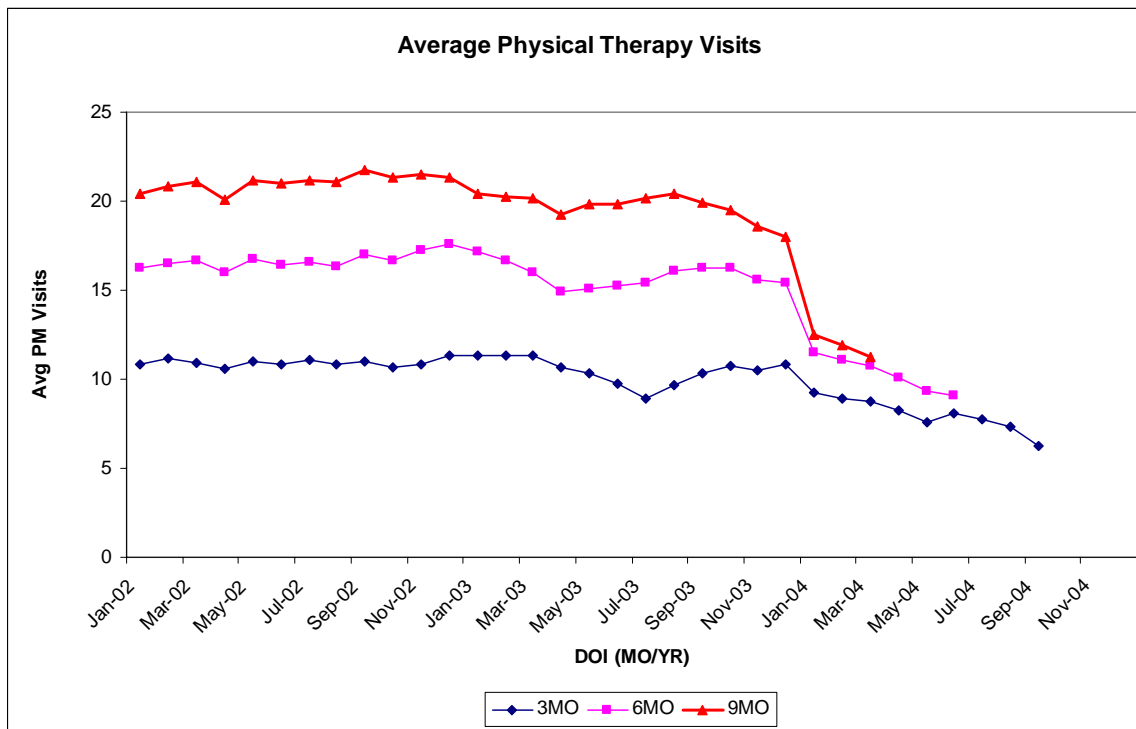
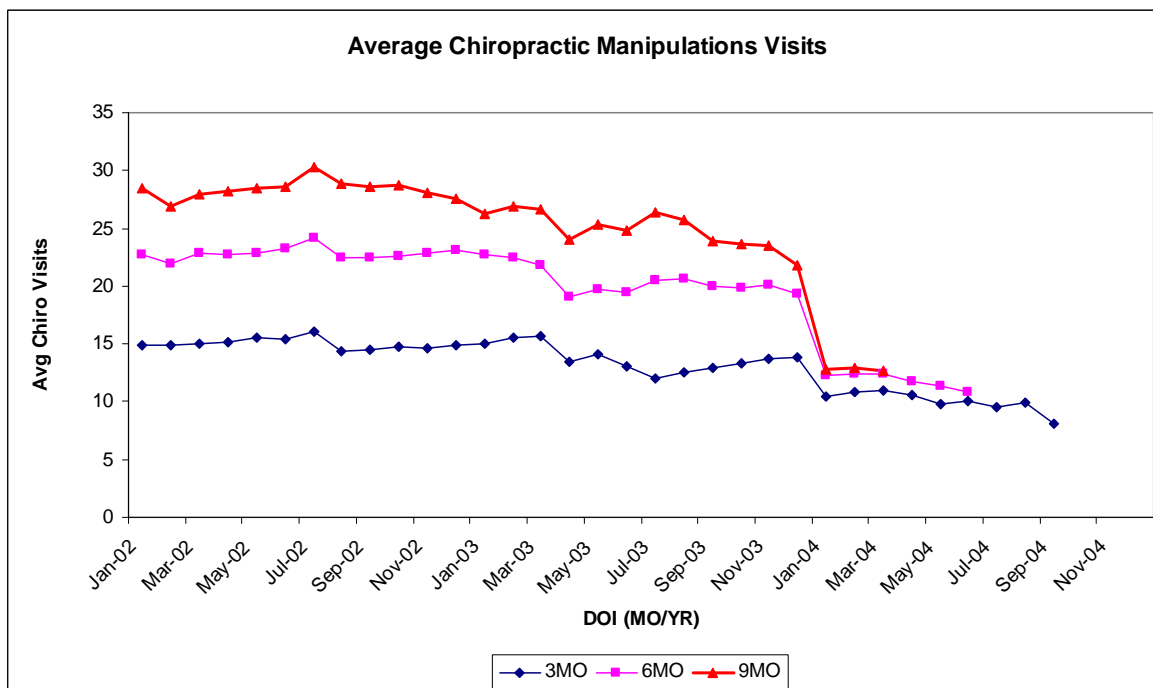


Table 4. Average Chiropractic Manipulation Visits at 3, 6 and 9 Months of Development



The trend lines in Tables 1-4 show the average number of physical therapy and chiropractic visits and the average amount paid per claim for these services dropped sharply beginning with January 2004 injury claims – coinciding with the implementation date of the utilization review guidelines and the 24-visit caps.

Table 5 gives the net percentage change in the average number of visits and payments for these services between the 2002 starting point of each trend line and the 2004 end points.

Table 5. AY 2002-2004 Change in Avg PT & Chiropractic Manipulation Visits & Payments Per Claim

	PHYSICAL THERAPY			CHIROPRACTIC MANIPULATION		
AVERAGE VISITS	2002	2004	NET CHANGE	2002	2004	NET CHANGE
3MO	10.8	6.2	-42.6%	14.9	8.1	-45.6%
6MO	16.2	9.1	-43.8%	22.8	10.8	-52.6%
9MO	20.4	11.2	-45.1%	28.5	12.6	-55.8%
AVERAGE PAYMENTS	2002	2004	NET CHANGE	2002	2004	NET CHANGE
3MO	\$688	\$361	-47.5%	\$612	\$275	-55.1%
6MO	\$1,030	\$519	-49.6%	\$915	\$376	-58.9%
9MO	\$1,303	\$685	-47.4%	\$1,139	\$445	-60.9%

The data reveal the significant reductions in the average number of physical therapy and chiropractic manipulation visits and payments measured at 3, 6, and 9 months post injury. For example, following implementation of the reforms, the average number of physical therapy visits at 9 months after the date of injury fell from 20.4 to 11.2 visits, a 45.1 percent reduction, while the average amount paid per claim for these services fell from \$1,303 to \$685, a 47.4 percent drop. The average number of chiropractic manipulations recorded 9 months after injury declined from 28.5 to 12.6 visits, a 55.8 percent reduction, while the average amount paid per claim for chiropractic manipulation at 9 months fell by 60.9 percent.

This analysis shows a clear association between the January 2004 implementation of the utilization schedule (ACOEM Guidelines and the 24-visit caps) and significant decreases in the number of visits and average amounts paid for physical therapy and chiropractic manipulation during the earliest stages of workers' compensation medical treatment.

Note:

These results represent a "first-look" at physical therapy and chiropractic manipulation utilization and costs following implementation of the 2003 reforms. Availability of data only through 2004 limits the ability to observe longer term results. As we know, ultimate medical costs take years to develop and prior reform efforts have shown promising early returns only to be neutralized by court decisions, policy reversals or medical market forces. The authors caution not to over-generalize these results. Future CWCI studies will assess the associations between the 2002-2004 reforms and medical reimbursement and utilization levels in both the short term and the long term.

The Research Series: Early Returns on Workers' Comp Medical Reforms – Changes in Medical Cost & Utilization

This analysis is the second in a 6-part series in which the Institute will track the cost and utilization of medical services following implementation of fee schedules, utilization review, and other workers' compensation medical cost containment strategies included in the 2002–2004 legislative reforms. The series will cover the following topics:

- Part 1. Outpatient Surgery Fee Schedule
- Part 2. Physical Therapy and Chiropractic Manipulation Cost and Utilization
- Part 3. Physician Services Fee Schedule

- Part 4. Pharmacy Fee Schedule Changes
- Part 5. Utilization of Medical Services
- Part 6. Inpatient Hospital Fee Schedule Changes

As noted above, the next report in the series will provide an initial look at medical costs and utilization following recent changes to the Physician Services Fee Schedule.

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