

California Workers' Compensation Institute

BULLETIN

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As state regulators ponder whether hospitals should be reimbursed more for treating injured workers, a new Institute analysis of all 1998 inpatient hospitalizations in California shows that overall, workers' compensation admissions tend to be less clinically severe and require fewer resources than those billed under group health or Medicare.

The state introduced the workers' compensation Inpatient Hospital Fee Schedule in 1999 in an effort to control inpatient treatment costs. Since then, the medical community has argued that higher reimbursements are merited as injured workers require a higher level of inpatient care and more resources than other patients due to the return-to-work objective in workers' compensation. To test the empirical validity of that notion, the Institute examined data on all 1998 inpatient admissions (more than 1 million group health, Medicare and workers' compensation hospitalizations) reported to the Office of Statewide Health Planning and Development (OSHPD) and categorized into more than 500 standard diagnostic related groups (DRGs).

Using multiple measures of clinical severity CWCI researchers compared hospital admissions under the three systems, focusing on the 150 most common DRGs found in workers' compensation, which together account for 95 percent of all injured worker inpatient admissions in California. Because the mix of cases in workers' compensation, group health and Medicare differs significantly (e.g., back injuries are much more common in workers' compensation), the Institute compared clinical severity on both an unadjusted basis and on a case-mix adjusted basis that controlled for the different distribution of DRGs in the three systems.

Across multiple severity measures, the analysis found workers' compensation inpatient admissions are typically equal to or less clinically severe than group health and Medicare admissions. For example, while an initial review of both medical (nonsurgical) and surgical admissions suggested that workers' compensation uses more diagnostic surgical (ICD-9) procedures on average than either group health or Medicare, after adjusting for case mix there was no significant difference. Furthermore, an analysis of just surgical admissions noted that workers' compensation had the highest proportion of cases involving only one surgical procedure, and the lowest proportion of cases involving five or more surgical procedures. In addition, the average length of stay for an injured worker was virtually the same as for group health patients and significantly shorter than for Medicare patients, and workers' compensation patients were more likely to be released from the hospital via a routine discharge and far less likely to die in the hospital.

Perhaps most revealing were the scores generated by a software program developed by the 3M Company to categorize total clinical severity of an inpatient admission. The program, which considers both demographic and clinical elements of each admission and ranks each hospitalization on a scale of 1 (minor) to 4 (extreme), is used by several state agencies as the standard method for gauging severity and resource requirements of inpatient admissions. That analysis found workers' compensation has by far the highest proportion of "minor" inpatient hospitalizations – nearly two out of three, versus less than half the group health admissions and less than one in five Medicare admissions. At the other end of the scale, only

1.4 percent of workers' compensation admissions fall into the "extreme" category, compared to 3.5 percent for group health and 7.8 percent for Medicare. Averaging the severity scores across the 4-point scale, workers' compensation admissions ranked lowest in severity on both an unadjusted and case-mix adjusted basis. This finding, as well as the other severity measures, clearly dispel the idea that workers' compensation patients are somehow more clinically severe or require a greater commitment of resources when receiving inpatient treatment.

The CWCI Research Abstract, "Clinical Severity in Workers' Compensation Inpatient Care" is available in the Research section of the Institute website (<http://www.cwci.org/document.php?file=339.pdf>).

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