

California Workers' Compensation Institute

# BULLETIN

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A new Institute study assesses relationships between medical provider experience in California workers' compensation and claim outcomes -- including benefit payments; length of disability; the proportion of medical-only, indemnity and permanent disability cases; and the level of attorney involvement.

The study is based on 1.1 million California workers' compensation claims for injuries that occurred between 1993 and 2000, generating more than \$8.1 billion in medical and indemnity payments. The claim sample, compiled from the Institute's Industry Claims Information System database (IC IS), reflects data submitted by eight workers' compensation insurers, representing about 70 percent of California's direct written premium.

After using federal tax ID numbers to identify the 39,248 medical clinics, group practices and solo practitioners that were the predominant medical providers in the 1.1 million claims, Institute researchers classified the claims data into nine provider experience categories based on the number of workers' compensation claims the predominant provider had treated over the eight-year span of the study. Categories ranged from the least experienced, consisting of claims in which the provider had just one workers' compensation claim between 1993 and 2000, to the most experienced, consisting of claims in which the provider had at least 1,000 work injury claims. The claim distribution based on the medical provider's workers' compensation experience was highly skewed, with most treatment rendered by a handful of high-volume providers. Nearly two-thirds of the 39,248 providers had only one to four workers' compensation cases in eight years, so altogether, they accounted for only 3.9 percent of all claims in the sample. At the other end of the experience scale, 2.2 percent of the providers handled 200 or more claims over the eight-year period, and altogether these providers rendered treatment in two-thirds of the claims.

Looking at associations between provider experience and cost, the study documented an inverse relationship between benefit payments and medical provider experience. Simply put, average indemnity and medical payments were highest in claims handled by the least experienced medical providers, and lowest in cases handled by the most experienced providers. After case-mix adjusting the data to control for variables that are beyond the provider's control (including employee and policy characteristics, and claim/injury factors) the study found average benefit payments for lost-time cases ranged from a high of \$35,307 for claims involving the least experienced treaters to a low of \$15,943 for those handled by the most experienced providers. Thus, claims with less experienced providers represented a disproportionate share of total benefit payments. As the study notes, even though only one in three claims had a predominant provider who treated fewer than 200 work injuries between 1993 and 2000, these claims accounted for two out of three benefit dollars paid by the insurers.

The length of an injured worker's disability is a key factor affecting benefit payments, so the study measured disability duration by looking at the average number of days that temporary disability was paid on temporary disability and permanent disability claims. Among temporary disability claims, the average length of disability was a little over a month in cases where the provider had fewer than 200 claims, but declined to 17 days for claims handled by the most experienced providers. Among permanent disability claims, the study found average disability duration ranged from 175 days for claims with the least experienced providers to 103 days for claims in which the provider had handled at least 1,000 workers' compensation cases.

The report also revealed a different mix of claims among the more experienced and less experienced providers, with the workers' compensation caseloads of less experienced providers involving a higher percentage of complex cases. For example, about half of the workers' compensation cases handled by providers with less than 200 claims were indemnity cases, and between one-quarter and one-third resulted in permanent disability, but those proportions dropped sharply for claims handled by providers with more than 200 claims. Less than a quarter of the work injury claims treated by providers in the most experienced category (1000+ claims) were indemnity cases, and only 5.5 percent were permanent disability claims, so heavier claims volume was associated with a much higher percentage of medical-only cases.

Prior research has shown that attorney involvement is highly associated with high claim costs. This study found attorneys were involved in about half of the indemnity claims in which the medical provider handled fewer than 200 workers' compensation cases over eight years, but attorney involvement declined sharply among indemnity claims involving more experienced workers' compensation treaters, falling as low as 23 percent for claims in which the provider had treated more than 1000 work injury claims. Thus, the attorney involvement rate in claims with the most experienced providers was less than half that recorded in cases where the treater was less experienced. A further analysis of average benefit payments on indemnity claims in which an attorney was involved found that after controlling for differences in case mix, claim costs again declined as the medical provider's experience increased. Thus, not only were claims with treatment rendered by a high-volume provider associated with less attorney involvement, even when attorneys were involved, benefit payments were less if the physician had more experience treating injured workers.

The Institute's Report to the Industry, Provider Experience and Volume-Based Outcomes in California Workers' Compensation, Does "Practice Make Perfect?" is available in the Research section of the Institute web site (<http://www.cwci.org/document.php?file=278.pdf>).

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