

California Workers' Compensation Institute

BULLETIN

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Despite declines in claim frequency and the proportion of California work injury cases involving chiropractic treatment, a new Institute study finds chiropractic costs in workers' compensation have soared due to significant increases in the number of visits and the number and variety of procedures utilized per chiropractic claim.

Between 1996 and 2001, California workers' compensation insurer payments to chiropractors rose 153 percent from \$77 million to \$195 million. As a result, chiropractors' share of the workers' compensation medical dollar went from 11.4 percent to 17 percent, and chiropractors surpassed clinics, orthopedists, and physical therapists to become the number one classified medical specialty group rendering treatment to California injured workers. CWCI research published last May found that average monthly treatment costs for physical medicine services (including chiropractic) nearly doubled between 1994 and 2000, and showed a strong correlation between that increase and the expansion of the primary treater's presumption of correctness beginning in 1996. To measure the effect of utilization on chiropractic costs, the new study reviewed a sample of 134,312 accident year 1993-2000 workers' compensation claims in which a chiropractor was identified as a medical provider on the claim. The Institute derived the sample from its ICIS database, using data from eight insurers, representing more than two-thirds of statewide premium. Payments to chiropractors on these claims totaled \$268 million.

The huge increase in workers' compensation payments to chiropractors occurred even though claim frequency was down, there was little change in allowable chiropractic reimbursements between 1993 and April 1999, and prior Institute research showed that changes in case mix had little effect on workers' compensation medical payments following the 1993 reforms. Moreover, the total amount insurers paid to chiropractors was up despite a declining proportion of claims involving chiropractic care, as the new study found the percentage of California workers' compensation claims with chiropractic treatment fell from 8.0 percent in accident year 1993 to 6.1 percent in accident year 2000. This suggested that there had been significant increases in the average amount paid for treatment in a chiropractic claim, which the Institute study confirmed. The data showed average payments to chiropractors were up 76 percent from \$1,455 on AY 1993 claims to \$2,556 on AY 1998 claims, with much of that increase occurring within the first year following the injury, indicating that chiropractors were rendering more aggressive treatment in the early stages of a claim.

The Institute ran several different analyses to measure changes in utilization of chiropractic care. Calculating the number of chiropractic visits per claim and comparing the results across accident years, the study found the total number of visits jumped from an average of just over 20 for AY 1993 claims to nearly 30 for AY 1998 claims – a 48 percent increase over the 6-year span. As surmised from the payment data, most of the increase in the number of visits was due to growth in the volume of chiropractic appointments early in the life of the claim. The study noted the average number of chiropractic visits within the first year climbed from 14.6 for AY 1993 claims to 23.2 for AY 1998 claims (+59 percent), while the average number of visits within the first two years went from 16.7 for AY 1993 claims to 28.4 for AY 1998 claims (+70 percent).

A review of the average number of procedures per chiropractic claim also revealed a significant increase in utilization. The average procedure count per chiropractic claim more than doubled from 58.5 procedures on AY 1993 claims to 120.2 procedures on AY 1998 claims, so the number of procedures grew at an even faster pace than the number of visits. This analysis also suggested that most of the increase in utilization occurred within the first two years of the claim, as the average number of procedures paid within 12 months of injury went from 40.7 in AY 1993 to 93.9 in AY 1999 (+130 percent), while the average number of procedures paid within 24 months climbed from 47.5 for AY 1993 claims to 115.5 for AY 1998 claims (+143 percent).

Taking a closer look at utilization, the Institute tallied the specific procedure codes on the chiropractic claims to track how many different types of procedures were utilized on each claim. Comparing the results across different accident years shows insurers paid for an average of 6.3 different procedures on AY 1993 claims, but by AY 1999, they paid for an average of 8.0 different procedures per claim. Thus, the study confirms that in recent years, chiropractic providers increased both the total number and the array of procedures they used to treat injured workers. This, combined with the documented increases in the average number of visits, clearly points to increased utilization as a key factor behind the growth of chiropractic costs in California workers' compensation.

Furthermore, the Institute noted an association between the increasing ratio of chiropractors to injured workers and rising cost and utilization. In health economics, this dynamic is commonly known as physician-induced demand. Between 1995 and 2000, the number of chiropractors in California rose 27.5 percent, while the number of injured workers in the state fell 4.6 percent, increasing the ratio of chiropractors to injured workers by one-third. Therefore, the study found, the combined effect of an increase in the number of chiropractors treating fewer injured workers with higher levels of chiropractic services per claim was to drive up both the average cost and the overall cost of chiropractic care in California workers' compensation.

The Institute is conducting follow-up research that will monitor utilization of chiropractic and other medical care in California workers' compensation and examine the relationships between increased utilization and claim outcomes -- including indemnity costs, litigation, and permanent disability ratings and costs.

The CWCI Research Report, "ICIS Says... Changes in Utilization of Chiropractic Care in California Workers' Compensation" is available in the Research section of the Institute website (<http://www.cwci.org/document.php?file=76.pdf>).

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