

'Help wanted' signs going up; Survey says sales, marketing positions likely to open up

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An old state program is being revived by Kaiser Permanente, California State Compensation Insurance Fund and other organizations as one more attempt to curb the fast-rising costs of workers' compensation insurance. In a 1993 law the designation of Health Care Organization was born. The concept is like managed-care, where an HCO has a bank of nurse case managers who help usher members through a maze of physicians, hospitals, clinics and other medical professionals to get the care they need.

Kaiser is using itself as a guinea pig this year to refine its plan, aimed at large employers. State Fund will soon roll out a test program for small business.

Preliminary data shows significant costs savings with HCOs. More data needs to be collected to confirm that the HCO system saves money on a large scale.

Bruce Carlin, CEO of Irvinebased CompPartners Inc. - the state's largest HCO with about 200,000 members - says members in the HCO have half the costs when compared with members in traditional workers' compensation. In addition, the litigation rate is about half for people in an HCO compared with those who aren't. Litigation costs alone represent

about 14 percent of the entire cost of the workers' compensation system.

An injured worker needs expert care in a timely matter and without hassle to get him back on the job quickly, says Mr. Carlin. That's the objective of an HCO. If the injured worker gets the care he needs, he's less likely to call an attorney

Similar systems exist in other states such as Ohio, Florida, New York and Oregon and have driven down medical costs there, says Mr. Carlin. Differences in state laws and HCO operations make direct comparisons difficult, he says.

There are 15 HCOs licensed in California, but their total enrollment is only about 400,000 people out of about 16 million employed in the state.

"2004 could be the breakthrough year for HCOs," says Kathy Dervin, coordinator of the managed-care program in the California Division of Workers' Compensation.

"There is a lot of pent-up demand around Kaiser getting into the HCO business. It's because it's the largest health plan in the state." Kaiser started to roll out its new HCO program for Northern California this month in San Jose. Initially, Kaiser plans to enroll only its own employees, then hit the road next year to sell these services to large, self-insured employers, says John Ireland, business manager for occupational health at Kaiser.

"We thought the program made a lot of sense," says ME Ireland. Kaiser has been licensed as an HCO for seven years but let the license idle because there was no demand for the services from the business community

When the 1993 law was passed, California's workers' compensation insurance rates were among the lowest in the nation. Businesses didn't need a system to keep costs down. But in the last four years

premiums for workers' compensation insurance have risen 136 percent on average, with some companies hit by 200 percent and 300 percent increases, according to the California Chamber of Commerce. That has forced some businesses to lay off employees, the chamber says.

California has the most cost drivers and more persistent cost growth of any of the 12 largest states, according to a study from Cambridge, Mass.-based Workers Compensation Research Institute. The study says the average cost of a workers' compensation claim in California with more than seven days of lost time is \$29,745, which is 28 percent higher than the median of the states studied.

"Companies are desperate to have change because it has become so expensive," says Bill Poland, executive vice president for Keenan & Associates, a brokerage firm in Oakland that sells workers' compensation insurance. "Everyone is looking for a solution to reduce overall costs."

The cost of workers' compensation and health care costs are the biggest obstacles to job growth, according to a December study of 101 executives in Northern California by the **Alliance of Chief Executives** in Walnut Creek. The California State Compensation Insurance Fund plans to launch a pilot HCO program during this quarter via a partnership with CompPartners.

Officials at State Fund didn't want to give details about the pilot program because it's still in development, but a few hundred businesses are expected to be enrolled this year to see how well it works.

If all goes well, the HCO program could be offered to the nearly 8 million members insured by State Fund, which are mostly small businesses.

Here's how HCOs work. A large business can contract with an HCO to manage the care of its employees. But the employees have to voluntarily sign up for the HCO, which leaves a burden on a company to convince employees to sign on.

Ideally, a company wants to have an HCO that mirrors its general health insurance, which offers a network of hospitals, clinics and physicians familiar to the employee, says Ms. Dervin.

Once an employee in the HCO is injured on the job and his claim is accepted, the employer or its workers' compensation insurance company can't reject any future claims. The HCO becomes the primary decision maker for the care of an injured worker, says Kaiser's Mr. Ireland.

A nurse case manager assigned to be the advocate of an injured worker is an ideal way to keep the worker happy and cut out wasteful spending, says Ms. Dervin. As one example, a nurse can make sure that various physicians working with a patient get a copy of one MRI, rather than having each physician request an MRI that can cost \$1,000 each.

The number of HCOs is expected to grow in California, with three applications for licenses pending at the state level, says Ms. Dervin.