

Workers Compensation:

Containing Costs and Protecting Workers



About KEMI



KEMI was created in 1994 by the Kentucky Legislature to begin writing workers' compensation insurance policies effective September 1995.

- KEMI is a **COMPETITIVE** mutual insurance company
- KEMI is an **INDEPENDENT, SELF-SUPPORTING** organization
- KEMI insures over 20,000 Kentucky businesses located in all 120 counties
- KEMI has a 20% market share of the workers' compensation business
- The creation of KEMI brought significant competition to the Kentucky workers' compensation insurance market



Workers' Compensation Coverage



- All Kentucky **employers**, defined as any person, other than one engaged solely in agriculture, that has one (1) or more employees must provide workers' compensation coverage for their employees.
- An **employee** is any person in the service of an employer under any contract of hire.



MEDICAL BENEFITS



- In Kentucky, injured workers are entitled to receive medical benefits related to the work injury for as long as they are disabled, regardless of the duration of any income benefits, i.e., lifetime medical benefits.



COST CONTAINMENT MEASURES



1. MEDICAL FEE SCHEDULES
2. MANAGED CARE
3. MEDICAL BILL EXPERT SYSTEMS
4. PHARMACY BENEFIT MANAGERS
(PBM's)



MEDICAL FEE SCHEDULES



- The Commissioner of the Department of Workers' Claims shall adopt regulations which put in place a schedule of fees to ***ensure that all fees are fair, current and reasonable.*** (1994).



1. A ***physicians*** fee schedule is updated every two years on July 1.
2. A ***hospital*** fee schedule is updated yearly.
3. A ***pharmacy*** fee schedule is also regulatory and is updated as needed.



Physician Fee Schedule



- Covers all medical services provided to injured employees by physicians
- Applies to all health care or medical services providers to whom a CPT code is applicable
- Provides maximum fees allowable for the service provided
- Balance billing the patient is prohibited



Hospital Fee Schedule



- Applies to all workers' compensation patient hospital fees for each hospital for each service or supply
- Cost-to-Charge ratio calculated for each hospital by the Department of Workers' Claims
- Total allowable charges multiplied by the cost-to-charge ratio for that hospital



Pharmacy Fee Schedule



- Pharmacists are entitled to be reimbursed for the equivalent drug product wholesale price plus a five dollar (\$5) dispensing fee
- Based on ***generic*** drugs unless prescriber indicates brand name only
- Balance billing the patient is prohibited



MANAGED HEALTH CARE



Kentucky statutes provide for the use of a managed health care system by employers, i.e. insurers.



- The employee shall be allowed **choice of provider** from within the plan
- Statements for services shall be **audited** regularly to assure that charges are not duplicated and do not exceed those authorized in the applicable fee schedules.



- Established procedures for utilization review of medical services to assure that:
 - a course of treatment is reasonably necessary;
 - diagnostic procedures are not unnecessarily duplicated;
 - the frequency, scope, and duration of treatment is appropriate;
 - pharmaceuticals are not unnecessarily prescribed;
 - and that ongoing and proposed treatment is not experimental, cost ineffective, or harmful to the employee



- Software that provides a medical bill review to ensure billing accuracy, removes duplicate charges, corrects coding errors and inappropriate bundling or unbundling of charges for services rendered by medical providers
- Detects billing errors that are difficult for the human eye to see



- Process and pay prescription drug claims
- Maintain formulary
- Negotiate discounts and rebates with drug manufacturers that are passed on to insurance carriers
- Provide clinical tools to detect inappropriate prescribing, medication errors, and compliance



EFFECTIVENESS

1. FEE SCHEDULES – Generally effective
2. MANAGED CARE – Effective in preventing “doctor shopping”; physician utilization reviews provide medical analysis (not layperson); bill audits
3. EXPERT SYSTEMS – Very Effective in preventing duplicate billing, coding errors
4. PBM’s – Very Effective in lowering drug costs



UNANTICIPATED CONSEQUENCES?

- Attempts to circumvent the system
- Court decisions

AFFECT ON PATIENT CARE?

- Benefits to patient care



IMPROVEMENTS



- Regulators and Judges need to be aware of current industry trends
- Elimination of Hospital cost-to-charge ratio



ADDITIONAL MEASURES / AREAS FOR REVIEW



- Treatment Guidelines
- Repackaging of Drugs
- Physician directing patient to particular pharmacy provider



TREATMENT GUIDELINES



- Practice parameters (guidelines) for clinical practice for use by medical providers
- Provide consistency and expectations for patient care
- Limitation on extent and duration of allowable treatment unless approval is granted



PRESCRIPTION REPACKAGING



- Physicians buy medications in bulk from prescription warehouses and resell them in smaller packages at a substantial profit
- WCRI 16 state study found that in at least one state this pushed drug costs to 38% above the median of the other states in the study



REPACKAGING WEBSITE:



- It is not unusual for a physician to earn over \$100,000 or more every year by dispensing medication to workers compensation patients.
- That's right, our simple, easy and ***profitable*** program eliminates cash flow headaches and guarantees payment from workers compensation claims in 30 days.
- ***Get paid a generous dispensing fee every month that could earn you tens of thousands of dollars or more each and every month.***



- Physicians require, or strongly encourage, patients to receive medications from a mail order pharmacy
- Pharmacy charges the insurance carrier the full fee schedule price which is generally 25% greater than price obtained through a PBM



MAIL ORDER PHARMACY WEBSITE



- We ship medications right to your clients and the insurance company pays us.
- Plus, ***continuity of prescription care ensures continued office visits...***



CONCLUSION



- When cost containment measures are in place and are applied appropriately, benefits and savings can be seen.
- Benefit patients by affording appropriate, not excessive, care
- Lower claim costs result in lower premiums for employers

