Business Insurance

Costs mount quickly as workers comp claims age

Posted On: Nov. 07, 2012 6:00 AM CST

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While it's well-known that costs mount the longer a workers compensation claim stays open, data from insurers, third-party administrators and pharmacy benefit mangers show that the increases are dramatic.

For example, claims that close within 30 days incur an average cost of just $287. Ninety percent of such claims are medical-only cases, or cases in which no work time is lost, according to data provided by Sedgwick Claims Management Services Inc.But the costs increase to $722 when workers comp claims remain open for 31 to 90 days and when nearly 81% are medical-only cases.The rapid rise in costs continues, reaching $6,875 when such cases stay open 181 days to one year, which is about 3.5 times more than their $2,150 cost when they remain unresolved for 91 to 180 days, according Sedgwick's book of workers comp claims that closed during 2011. The percentage of medical-only claims drops to a minority of all claims when they are unresolved from 181 days to one year, with only 37% in that category.When comp claims close between one and two years, Sedgwick's data shows their average cost jumps to $19,888, when only 21% are medical-only claims. Claims that close between two and three years incur average expenses of $36,792, when the medical-only proportion drops to 13%. After three years, when fewer than 10% of cases are medical-only claims, the average cost is $63,087.Other data shows similar patterns.Information provided by Lansing, Mich. -based Accident Fund Holdings Inc., for example, shows that claims closing at two years are 2.19 times more expensive than those closing at one year. Likewise, the insurer's data shows that claims closing after six years are seven times as expensive as claims that close at one year.A number of factors now contribute to delays resolving workers comp claims, said Scott P. Rogers, Boston-based executive vp of casualty operations for Sedgwick. They include an aging worker population, legislative changes and compliance with Medicare regulations.But treating claims as simple medical-only cases when they actually need more aggressive attention and resources early on also is a significant factor.“A lot of these files start off as medical-only,” Mr. Rogers said. “If those files are mishandled in a ‘medical-only status,' by the time you realize (the mistake), it's almost too late” and costs will mount.In addition, a significant part of the medical spending associated with claims that drag on results from pharmacy costs, Mr. Rogers said.“You will see in the age-pending files a significant medical pharmacy spend issue on those claims,” he said.

Because prescription costs often are significant, pharmacy benefit managers say workers comp payers are seeking more data to help manage drug expenses. “We want to make sure that we are giving information back to our customers, allowing them (to select) the best strategy for their injured workers,” said Jim Andrews, senior vp of pharmacy benefit management for Duluth, Ga.-based Healthcare Solutions Inc.To that end, PBMs in the past two years have included information in their annual drug trend reports showing how much pharmaceutical costs increase as claims age.Healthcare Solutions' “2012 Workers' Compensation Drug Trends Report,” for instance, states that significant increases in the number of prescriptions and the prices of prescriptions occur during the first three years of a claim. “The most significant increase occurs between the first and second service year, when a 65% increase in the number of prescriptions and a 76% increase in the average price per prescription is observed,” the report states. “Claims that have progressed to the second and third service years have likely found initial treatment unsuccessful and are utilizing second- and third-line medications,” which are often single-source drugs that are more expensive.In year four, claims often stabilize, with the number of prescriptions and their price not rising as rapidly as the first three years, Healthcare Solutions found. The increases that do occur often are “the result of additional medications being used either as adjunct treatment or prophylaxis for the side effects of other medications. “St. Louis-based Express Scripts Inc. reports in its “2011 Workers' Compensation Drug Trend Report” published in April that “from an average cost per prescription of $48.20 in the first year of an injured worker's treatment, the cost per prescription doubles by the third year of treatment and then triples by the ninth year.”