August 19, 2021

Workers' Compensation Advisory Council
201 E. Washington Ave.
PO Box 7946
Madison, WI 53707

To Whom It May Concern,

I am aware that the management representatives of the WCAC are asking for the creation of a medical fee schedule for hospital charges with the goal being to keep costs below the national average as defined by the WCRI.

In May of this year, I wrote to the WCAC to address my concerns about using WCRI data as a basis for suggesting a fee schedule and I would like to add to those concerns here. First, the data presented by the WCRI at the June 8th meeting shows that Wisconsin has a relatively "high" rate of hospital utilization and a "lower" rate of non-hospital utilization. I think there are several reasons for this. First, the consolidation of healthcare systems and independent physician groups (or the hiring of healthcare professionals directly by healthcare systems) may create *the appearance* of disproportionate hospital utilization. When the clinical side and the hospital/facility side of a healthcare system share the same resources (e.g. physical therapy) and bill under the same facility tax id number – naturally services will fall into a hospital outpatient utilization bucket[1]. Consolidation of healthcare services is actually beneficial. When hospitals and physician practices merge, efficiencies in service are gained by being able to coordinate follow-up care within the hospital setting. However, coordination and early follow-up care that may otherwise be offered outside the hospital setting are giving the illusion of higher hospital utilization and prices. "A hospital with integrated rehabilitation would likely begin physical and occupational therapy during the initial hospital stay and then coordinate with outpatient rehabilitation. Without an integrated rehabilitation unit, the hospital would discharge patients and refer them elsewhere for rehabilitation. Even though the initial hospital stay may have higher costs, early intervention and improved care coordination might enhance the efficacy of care and reduce the length of rehabilitation—resulting in overall lower costs to insurance carriers."[2]

Second, I need to reiterate that the information in the WCRI presentation is only representative of 18% of Wisconsin claims-the claims that have more than 7 days of lost time. The chart on slide 9 of the WCRI presentation indicates that Wisconsin had the highest percentage of claims with Hospital services in relation to other states at 78%. When considering *all* of Wisconsin's claims, this only confirms hospital services of 14% of total Wisconsin claims. In Massachusetts, 30% of all claims have more than 7 days of lost time. The WCRI subset of data (75%) represents 22.5% of total Massachusetts data. If *all* data were analyzed this would change the story considerably.

I would like to address the states with the very lowest end of medical payments. I'm sure the payments in states like California are very appealing to management and payors. However, the injured worker in a

[1] This comes with the territory in highly consolidated health system states such as Wisconsin – but it does not call for a fee schedule or signal some type of problem.
[2] "The Impact of Hospital Consolidation on Medical Costs" NCCI Insights July 11, 2018

low-cost state finds themselves in a dire situation. California providers will often get paid less than Medicare rates when providing care to an injured worker. Providers can lose money on workers' compensation bills and, subsequently, care is difficult to find. Workers are waiting longer to get poor quality care resulting in worse outcomes. I think we can all agree that Wisconsin should not be striving to emulate these low-cost environments and I argue that this data should not be part of the calculation or discussion that determines what the appropriate average cost should be for *quality* care. If this data were removed from the equation, how would Wisconsin costs compare to the rest of the study states?

It is possible that Wisconsin has higher than average hospital utilization, but overall utilization is lower than other states and total utilization has remained steady between 2013 and 2018. Injured workers in Wisconsin have the highest satisfaction and lowest dissatisfaction rates among all study states. In addition, duration of temporary disability is shorter than all other study states. All of these conditions point to a healthy workers' compensation system. Let's not jump over the fence in search of greener pastures only to find a mirage. Let's consider that Wisconsin is actually getting it right.

I think we are a long way from knowing what the true average cost of good quality care is in the United States. I cannot understate the enormity of the task that the WCRI has undertaken. Normalizing the data sets they are working with is extremely difficult. The conclusions reached by the WCRI are useful in taking the temperature of our overall systems, but to suggest that we can use it to determine what medical payments should be in our state is a gross misuse of the science.

Sincerely,

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