

The Role of Evidence-Based Guidelines in Reducing Cost and Abuse While Improving Outcomes in the California Workers' Compensation System



OVERVIEW

In the early 2000's, California's workers' compensation system had the highest costs of any state in the US. Although the state began reform efforts in 2004, in 2010, the average medical cost per indemnity claim in California hit an all-time high of \$36,000 per claim. Historically, average medical cost inflation in California has been 9% per year. From 2011 to 2016, however, average medical costs sharply declined. During the same period, pharmaceutical transactions per claim also declined by over 75%, and the use of opioids in California workers' compensation declined by 94%. What drove the improvements?

California passed a series of bills between 2013 and 2015 (SB 863, AB 1124, SB 1260, and AB 1144) aimed at improving medical care delivery, reducing waste and fraud, and improving employee benefits while reducing workers' comp rates for employers. By 2015, a broad independent study from WCIRB showed that California's reforms appeared to be working.

Crucially, as part of their reforms California adopted the use of ACOEM's evidence-based guidelines for presumptive first-level treatment decisions, along with ACOEM's drug formulary. The guidelines and formulary helped the reform effort in a number of ways:

- Reduced over-care by providing evidence-based care before surgery was considered
- Established protocols for escalating to other treatment regimens based on individual circumstances
- Set a standard reference material and sound hierarchy for firstlevel, evidence-based treatment
- Included a comprehensive drug formulary as a fully integrated component of treatment of injured workers.



Workers also benefited, through improved healthcare delivery and better outcomes. Since California's adoption of the ACOEM drug formulary, the state has seen a 43% decrease in the number of claims with opioid prescriptions, and a 72% decrease in lab tests. Workers are also benefiting from a 30% increase in payments for physical therapy.

Since the reforms, and since adoption of ACOEM's guidelines and drug formulary, California has also seen major cost improvements. Cost reductions in the system have saved over \$3 billion annually; pure premium rates are down 41% since 2015, driving large savings for employers.

For information on access to ACOEM's guidelines, please contact MDGuidelines, the exclusive publisher of ACOEM's guidelines, and request a free demonstration or benchmark analysis.

Sources: WCIRB and CWCI; Baker & Welsh