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California's Workers' Comp a Medical System Worth Imitating
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Universal coverage. A public insurance option. Mandated coverage. Government fee schedules.

Sound like the language of health care reform? "Obama Care?"

Think again.

These have long been features of California's robust workers' compensation health insurance system, yet few think of that system as "socialist" or a government takeover of health care.

As the debate about health care reform rages, there are lessons to learn from the workers' compensation insurance system – a system that, by and large, serves the state well.

Across the nation, workplace injury rates continue to fall as employers focus on safety to reduce insurance premiums. Doctors compete to attract workers' compensation patients. Insurers have healthy profits even as they compete against public insurers in California and 20 other states.

In California, workers' compensation insurance premiums are at an eight-year low, and a recent study by the California Workers' Compensation Institute found that the medical portion of the average workers' claim was lower in 2007 than in 2002.

Insurance premium rates are set competitively by the market, state rating agencies or a combination of both.

Employees who are injured due to work-related incidents are fully covered for the care they need to recover to optimum health. There are also provisions to compensate them for lost work time.

Medical providers are typically paid from fee schedules that are regulated by state agencies, negotiated contracts with insurers or a combination of both.

Universal workers' compensation coverage helps level the competitive playing field. All employers must provide the same level of coverage as their competitors. This eliminates cost shifting from employers without workers' compensation coverage, so employers who do provide coverage aren't handicapped.

Because all employers are required to have workers' compensation coverage, and payments to doctors and therapists are typically controlled by fee schedules, employers try to lower costs by improving safety records, shopping for better premium rates and sending employees to more effective doctors and networks – not by simply cutting benefits or squeezing doctors' incomes.

As we try to reform health care, we need reform that encourages this kind of healthy competition.

'Total case costs'

When employers and insurers are responsible for "total case costs" – medical care, lost wages and lost ability – they don't scrimp on care or want to let it drag on.

They want injured or ill employees to have appropriate comprehensive medical treatment as soon as possible so they can get back to work. Otherwise, the employer will have to pay someone else to do the job, pay lost wages for the injured employee and suffer higher premiums in future years.

The lesson for health care reform is that care that is appropriate, readily accessible and comprehensive can be less expensive in the long run than care that is dribbled out over a longer period of time. Also, the experience of workers' compensation shows that care need not be inaccessible in a regulated system with government fee schedules, universal coverage and mandates.

Quality need not suffer either. Some states, including California, have adopted practice guidelines developed by the American College of Environmental and Occupational Medicine for doctors to use when treating injured workers. Use of such guidelines results in more consistent, high-quality care with better outcomes for workers, while helping to contain costs.

A public insurance option can work. Twenty-one states have them. The California State Compensation Insurance Fund, or SCIF, for example, has competed in the marketplace since 1914 and serves as the insurer of last resort. It has historically maintained a market share of around 23 percent, and there continues to be a vigorous private insurance market.

Another lesson: Tinkering works.

No system will ever be perfect and adjustments will always be required. The workers' compensations system shows that adjustments can be made to good effect. The California reforms of 2003 and 2004 resulted in an outright reduction in average medical claim costs from 2002 to 2008, despite all the intervening years of inflation.

The political process works – eventually.

California's workers' compensation system got out of control in the late 1990s as benefits and legal costs soared. Ultimately, private insurance companies began to leave the market, businesses pleaded for relief, with some closing their doors and others threatening to leave. All that prompted a series of legislative and administrative reforms that resulted in dramatic improvements.

In the end, the reforms affected workers, lawyers, health care providers, insurers and employers – everyone touched by the system. No one got everything they wanted, but the reforms worked and the system was saved.

Today, with all of California's woes, its workers' compensation system is not one of them.

As the country debates health care reform, let's not overlook the lessons of a sound system of universal coverage that's already here and working well.

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