



BULLETIN

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[Note: This Bulletin was revised in March 2024 with updated data on major joint replacement inpatient and outpatient procedures.] CWCI's latest review of California workers' compensation inpatient hospitalizations shows that the number of injured worker inpatient discharges fell 5.6 percent between 2021 and 2022, bringing the total decline since 2012 to 51.1 percent, while a recent decline in inpatient stays for respiratory diseases and disorders, which spiked in 2020 and 2021, has led to a redistribution in the kinds of conditions treated and the types of inpatient care delivered to injured workers.

The CWCI analysis of inpatient utilization encompasses data on more than 28.7 million inpatient stays with 2012 through 2022 discharge dates reported by health care facilities to the California Department of Health Care Access and Information (HCAI). The HCAI data includes characteristics for each inpatient admission in the state, including the Medicare Severity Diagnostic Related Group (MS-DRG), a system developed by the Health Care Financing Administration to classify inpatient hospitalizations based on diagnoses, surgical events, and discharge status. HCAI also captures data on the primary diagnosis, length of stay, and charges associated with each inpatient hospitalization.

The Institute began its latest review by noting the relative size of workers' compensation compared to three other major medical delivery systems: Medicare; Medi-Cal; and private coverage (excluding maternity and newborn stays). Workers' compensation is by far the smallest of the payer groups, representing just 173,524 (0.6 percent) of the 28.7 million inpatient stays paid under the four systems during the 11-year study period, and that proportion declined from 0.9 percent in 2012 to 0.4 percent in 2022. Overall, the number of inpatient hospitalizations in the state declined by 1.3 percent across that 11-year span, but there were sharp differences among the four payer groups, as Medi-Cal hospitalizations increased 45.7 percent as the number of Medi-Cal enrollees surged following enactment of the Affordable Care Act in 2014, while the number of inpatient stays fell 1.4 percent in Medicare, 23.5 percent in private coverage, and 51.1 percent in workers' compensation.

Looking back to 2012 shows the decline in the number of inpatient stays in workers' compensation dates back more than a decade, fueled by fluctuations in the number and types of work injury claims; the adoption of utilization review and independent medical review programs requiring that treatment meet evidence-based medicine standards; and a reduction in the number of spinal fusions. The latest results suggest that many of those factors continue to help contain the volume of workers' compensation inpatient hospitalizations, as contrary to the other payer systems where inpatient stays have rebounded after falling sharply in 2020 (the first year of the pandemic), workers' compensation inpatient stays have continued to drop, declining by 5.7 percent in 2021 and by 5.6 percent in 2022. The one exception is workers' compensation inpatient spinal fusion surgeries, which were up 5.0 percent between 2020 to 2022, driving spinal fusion hospitalizations back up to 18.7 percent of all workers' compensation inpatient discharges in 2022, the highest proportion since 2016.

The breakdown of workers' compensation inpatient hospitalizations between Surgical and Medical (non-surgical) stays shows that Medical stays declined 8.9 percent in 2022, while Surgical stays declined 3.9 percent. The steep drop in the number of Medical stays tracks with the continued decline in the number of hospitalizations associated with diseases and disorders of the respiratory system, which spiked when the pandemic hit in 2020. Data on inpatient hospitalizations by Major Diagnostic Category (MDC) shows that in the eight years prior to the pandemic, diseases and disorders of the respiratory system (MDC 04) comprised between 2.5 to 3.0 percent of all workers' compensation inpatient stays, but with the introduction of COVID claims into the system, that percentage jumped to 7.4 percent in 2020 and 7.0 percent in 2021 before falling back to 3.7 percent in 2022. With the recent decline in MDC 04 hospitalizations, the distribution of workers' compensation inpatient stays shifted back toward pre-pandemic levels. Diseases and disorders of the musculoskeletal system and connective tissue remained the predominant diagnostic category in 2022, accounting for 60.3 percent of the inpatient stays, followed by diseases and disorders of the nervous system, with 6.2 percent.

Work injuries often involve a form of trauma, so Surgical stays continue to comprise a majority of workers' comp hospitalizations, accounting for 68.4 percent of the inpatient discharges in 2022, compared to 24.1 percent for Medicare, 20.9 percent for Medi-Cal, and 31.6 percent for private coverage. Among the workers' comp Surgical hospitalizations, those associated with various types of spinal fusions declined 58.8 percent between 2012 and 2022, but they still rank first among Surgical stays and continue to be much more prevalent than in other systems, accounting for 18.7 percent of workers' compensation inpatient surgeries in 2022 versus 1.3 percent of the Medicare surgeries, 0.6 percent of the Medi-Cal surgeries, and 1.8 percent of the surgeries paid by private coverage. Joint replacement surgeries (major hip and knee joint replacements or reattachment of a lower extremity) represented 8.8 percent of injured worker inpatient surgeries in 2022, compared to 0.5 percent in Medi-Cal, 1.0 percent in private coverage, and 1.5 percent in Medicare.

A key reason for the decline in workers' comp inpatient surgeries has been the growth in the number of spinal fusions and total joint replacements done on an outpatient basis. Combining HCAI data with data from CWCI's Industry Research Information System (IRIS), the study found that that the percentage of spinal fusions provided at outpatient facilities jumped from 0.8 percent in 2014 to 13.3 percent in 2022, while the percentage of total major joint replacements or revisions performed on an outpatient basis increased from 3.2 percent to 62.4 percent, with most of the growth in these outpatient surgeries beginning in 2018, when Medicare removed these procedures from its "Inpatient Only" list. Because California workers' compensation payment regulations follow Medicare fee schedules, these lists are used to determine the appropriate setting for a service, so the use of outpatient facilities for workers' compensation spinal fusions and total joint replacements expanded rapidly after Medicare began to remove instrumentation procedures from its Inpatient Only list and add them to its approved Ambulatory Surgery Center List in 2017.

Although the number of workers' compensation inpatient discharges for spinal fusions and total joint replacements has been declining in recent years, to some extent the decline in the number of injured workers undergoing those procedures has been offset by the increased use of outpatient facilities. For example, the Institute estimates that between 2017, the year Medicare relaxed its rules to allow more spinal fusions to be performed on an outpatient basis, and 2022, the number of injured workers undergoing a spinal fusion on an inpatient basis dropped 30.1 percent from 2,819 to 1,970. However, after accounting for the growing number of spinal fusions performed on an outpatient basis, that decline was significantly less, as the estimated number of spinal fusions fell from 2,949 in 2017 to 2,272 in 2022, or 23.0 percent.

The study also notes that inpatient care in California remained widely distributed across 442 hospitals in 2022, with no single hospital representing more than 1.4 percent of total inpatient discharges. The three facilities with the highest percentage of workers' compensation discharges were Scripps Mercy Hospital in San Diego (2.6 percent), Cedars-Sinai Medical Center in Los Angeles (2.1 percent), and Community Regional Medical Center – Fresno (2.1 percent). Hospitals where workers' compensation patients accounted for the highest share of the facility's 2022 inpatient population were primarily surgical hospitals, including:

- Patients' Hospital of Redding, where injured workers comprised 26.5 percent of the inpatients, but total inpatient volume fell 78.5 percent and workers' comp inpatient volume fell 59.1 percent between 2019 and 2022;
- Docs Surgical Hospital, Los Angeles, where injured workers made up 19.9 percent of the inpatients, total inpatient volume rose 85.6 percent and workers' comp inpatient volume rose 97.7 percent from 2019 to 2022; and
- Fresno Surgical Hospital, where workers' comp represented 16.2 percent of the inpatient discharges, and total inpatient volume fell 50 percent while workers' comp inpatient volume fell 2.1 percent between 2019 and 2022.

CWCI has published its study in a Research Update Report, "**Utilization of Inpatient Care in California Workers' Compensation, 2012 - 2022.**" Institute members and subscribers can access the report in the Research section at www.cwci.org; others can purchase a copy for \$18 at www.cwci.org/store.html. CWCI members may also log on to the Research section of the website to access an Inpatient Hospital Interactive Data tool, which has been updated to include the HCAI data on 2022 workers' compensation inpatient discharges.

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