



# BULLETIN

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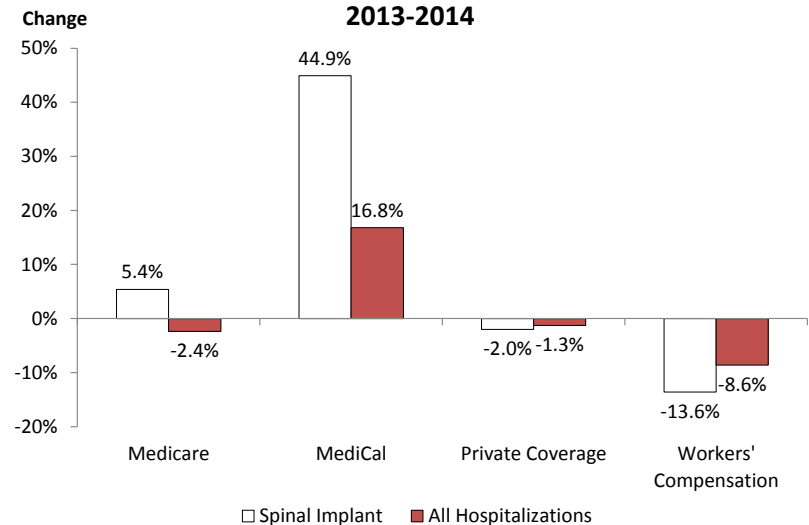
Inpatient hospitalizations for work-related injuries in California fell 8.6 percent between 2013 and 2014, and 22.8 percent between 2008 and 2014, with declines in all major diagnostic categories coinciding with reductions in the covered work force and indemnity claim frequency, continued development of evidence-based medicine, utilization review and independent medical review, fee schedule changes and the repeal of pass-through payments for spinal hardware used in workers' compensation back surgeries.

The findings come from a new CWCI study that compares California inpatient hospitalizations paid under workers' comp, Medicare, Medi-Cal and private coverage using discharge data on more than 23 million inpatient hospital stays with 2008-2014 discharge dates compiled by the state Office of Statewide Health Planning and Development (OSHPD). Workers' compensation accounted for only 0.6 percent of the 2008-2013 discharges, and with the recent decline in workers' comp inpatient stays, that proportion edged down to only 0.5 percent of the 2014 discharges.

The table below shows the breakdown of California inpatient discharges by payer group and by year for 2008 through 2014. The number of discharges covered by workers'

compensation, Medicare, and private plans all declined in 2014 and over the seven-year study period, with workers' compensation registering the biggest percentage declines. In contrast, inpatient hospital use by Medi-Cal patients was flat from 2008 to 2013, then jumped nearly 17 percent in 2014 with the rollout of many of the Affordable Care Act programs and the absorption of California's Healthy Families Program into Medi-Cal, which added an estimated 900,000 children into the program.

**Percent Change in California Implant-Eligible Hospitalizations and All Hospitalizations by Payer Groups 2013-2014**



**Number of California Inpatient Hospitalization Discharges: WC vs. Other Payers 2008-2014**

	2008	2009	2010	2011	2012	2013	2014
<b>WC</b>	24,093	22,410	22,416	22,165	21,532	20,336	18,593
<b>Medi-Cal</b>	1,027,877	1,036,376	1,035,387	1,022,199	1,013,248	1,000,269	1,167,930
<b>Medicare</b>	1,250,549	1,256,097	1,286,035	1,285,300	1,267,634	1,257,843	1,227,999
<b>Private Plans</b>	1,397,452	1,351,040	1,288,686	1,257,356	1,222,199	1,163,669	1,148,441

In workers' compensation, the volume of inpatient hospitalizations dropped 7.0 percent in 2009, which coincided with a 5.7 percent in the covered workforce (the National Academy of Social Insurance estimates that California lost 871,000 covered workers between 2008 and 2009). At the same time, indemnity claim frequency per 1,000 employees also hit record lows in 2008 and 2009 before edging up slightly in 2010 to

2012, then leveling off. The more recent decline in workers' compensation hospitalizations began in 2011, and gained steam in 2013 and 2014. The study traced much of that reduction to a decline in the number of inpatient discharges for work-related back and neck procedures, most notably implant-eligible back surgeries that utilize spinal hardware, that until a phase-out began in 2013, had been eligible for duplicate "pass-through" payments under the workers' comp medical fee schedule. State regulators completely repealed spinal hardware pass-through payments in 2014 following the enactment of SB 863 and the highly publicized scandal involving the Pacific Hospital of Long Beach (which had been the number one facility for implant-eligible workers' compensation spinal fusions) that led to the indictment of the hospital's former owner. The study notes that in 2013, the number of implant-eligible spinal surgeries in California workers' compensation fell 8.4 percent, followed by a 13.6 percent decline in 2014. The 3,938 workers' compensation spinal fusions in 2014 was well below the 7-year high of 5,193 performed in 2010, but still represented 21.2 percent of all workers' comp inpatient hospitalizations that year and fell within the historical range of 21.0 to 23.2 percent noted for the study period. Although the repeal of the spinal hardware pass-throughs helped reduce average hospital payments for these surgeries, the allowable reimbursements for implant-eligible spinal surgeries under the workers' compensation inpatient hospital fee schedule continue to exceed the amounts allowed by Medicare and Medi-Cal, which are the two payer groups that have seen an increase in these surgeries.

A review of the top 10 inpatient diagnostic groups reveals that major joint replacement or reattachment of a lower extremity remains the number one diagnostic category associated with workers' compensation inpatient stays, accounting for 1 out of every 7 injured worker hospitalizations in 2014. Spinal fusions ranked second (representing 9.4 percent of the 2014 workers' comp inpatient stays), followed by cervical spinal fusions without complications or comorbidities (5.6 percent), and back and neck procedures (except spinal fusions) without complications or comorbidities (4.6 percent). Altogether, the top 10 diagnostic categories associated with workers' compensation inpatient stays accounted for 46.7 percent of the injured worker hospitalizations in 2014, with the remaining 53.3 percent spread across 542 other diagnostic categories. The study found little overlap between the most common diagnostic categories associated with workers' compensation hospitalizations and those that were most common in other systems, although major joint replacements or reattachments of lower extremities without major complications or comorbidities, which topped the list for workers' compensation inpatient care ranked second in Medicare and sixth in private plans. Differences in the mix of diagnostic categories among the various payer groups largely reflect the different patient populations. For example, while injured workers were most likely to be hospitalized with back, neck and joint problems, 6 out of 10 hospitalizations paid under Medicare and private plans were related to childbirth.

Differences in the patient populations were also evident in the average length of the hospital stay. After controlling for variations in the mix of diagnostic categories between workers' compensation and other payer groups, the study found that in 2014, injured workers and private coverage patients each averaged just under 4 days in the hospital (3.8 and 3.9 days, respectively), while Medicare patients, most of whom are older, averaged 4.4 days, and Medi-Cal patients, which would include more children and a higher concentration of low-income patients, averaged 7.4 days in the hospital.

The Institute has published the study in a Spotlight Report, "**Inpatient Hospital Utilization in California Workers' Compensation, 2008-2014.**" CWCI members and subscribers can access the report in the Research section at [www.cwci.org](http://www.cwci.org), while others can purchase a copy for \$19 at [www.cwci.org/store.html](http://www.cwci.org/store.html).

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