



BULLETIN

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The number of California workers' compensation inpatient hospital stays fell 1.9 percent between 2017 and 2018, for a net decline of nearly 31 percent since 2010, and new CWCI research traces much of that drop to a declining number of hospitalizations related to musculoskeletal disorders, including spinal fusions.

CWCI's study compares California inpatient hospitalizations paid under workers' compensation, Medicare, Medi-Cal and private coverage using discharge data on nearly 32.3 million inpatient hospital stays with 2010-2018 discharge dates, compiled by the state Office of Statewide Health Planning and Development (OSHPD). Workers' compensation is by far the smallest of those systems, and accounted for only 0.4 percent of all discharges in 2018, but inpatient care can be one of the most costly elements of a work injury claim.

The latest tally of California inpatient discharges by payer group shows that the volume of inpatient hospitalizations decreased less than 2 percent for each of the four payer systems from 2017 through 2018. Over the nine-year study period, however, workers' compensation inpatient stays registered the biggest percentage decline, falling by 30.7 percent from 2010 through 2018. That compares to a 14.8 percent drop for private plans, a 2.1 percent increase for Medicare, and a 16.0 percent increase for Medi-Cal -- largely due to the dramatic expansion of the program under the Affordable Care Act in 2014 and the absorption of California's Healthy Families Program, which added an estimated 900,000 children onto the Medi-Cal rolls.

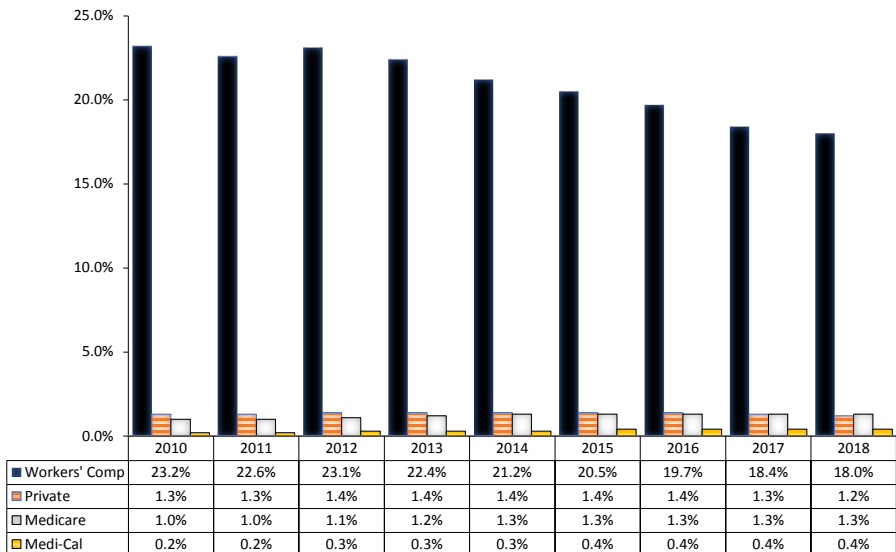
A review of the Major Diagnostic Codes (MDCs) associated with the workers' compensation hospital stays shows that musculoskeletal and connective tissue diseases and disorders are by far the most common diagnostic categories, accounting for nearly two-thirds of all injured worker inpatient discharges between 2010 and 2018 -- not surprising given the prevalence of back, joint, and soft-tissue injuries in workers' compensation. The study also notes the key difference between workers' compensation hospitalizations and those paid for by other systems is the ratio of surgical to medical (*i.e.*, non-surgical) stays. In 2018, surgical stays comprised nearly 70 percent of injured workers' inpatient discharges, but only 26 percent of the inpatient discharges in Medicare, 22 percent in Medi-Cal, and less than 37 percent of all hospitalizations paid under private coverage.

The OSHPD data include the Medicare Severity Diagnosis Related Group (MS-DRG) code associated with each hospital stay, providing detail on the principal diagnosis, specific secondary diagnoses, procedures, and the patient's discharge status. This data revealed that in 2018, five of the top ten discharge groups in workers' compensation were for back and neck issues, while three were for spinal fusions. The number of spinal fusions in workers' compensation continued to decline in 2018, falling 4.4 percent from the 2017 level for a net decline of 45.9 percent since 2010. Over the past six years, the steady decline in workers' compensation spinal fusions has coincided with several high profile fraud convictions involving doctors, attorneys, a state senator, and high-volume surgery facilities -- most notably the Pacific Hospital of Long Beach -- as well as the implementation of two reforms included in SB 863:

- the elimination of duplicate payments for spinal implant hardware; and
- the adoption of Independent Medical Review as an integral part of the workers' compensation medical dispute resolution process.

While the reduction in the number of spinal fusions has driven much of the overall decline in workers' compensation hospitalizations over the past several years, the MS-DRG data show that the various spinal fusion surgeries together remained the top workers' compensation inpatient service last year, accounting for more than one out of every six inpatient stays. In comparison, spinal fusions were far less prevalent in the three other payer systems, representing only 1.2 percent of the 2018 inpatient hospitalizations in private health plans, 1.3 percent in Medicare, and 0.4 percent in Medi-Cal. The MS-DRG data also show that the top nonsurgical inpatient service in 2018 was for the treatment of medical back problems. This diagnostic group includes non-specific diagnoses such as "low back pain" as well as more specific diagnoses for vertebral fractures, and in 2018 it accounted for 7.5 percent of all non-surgical hospitalizations and 2.3 percent of all hospitalizations in California workers' compensation.

Spinal Surgery Discharges As A Percent of All Hospitalizations
Workers' Comp vs. Other Systems
CY 2010 - 2018



Though workers' compensation accounted for only 0.4 percent of all 2018 inpatient discharges in California, hospital data reveal significant variability among the facilities that provide inpatient care to injured workers. Data from the 10 hospitals with the highest concentration of workers' compensation admissions in 2018 show that workers' compensation discharges ranged from 3.6 to 41.4 percent of their total inpatient discharges. In the case of Miracle Mile Medical Center (*i.e.*, Docs Surgical Hospital under new ownership), injured workers represented more than half of all discharges in 2016 and 2017, though that proportion declined to 41.4 percent in 2018 after the previous owner was charged with fraud related to billing for spinal fusion hardware in 2017 (the owner pled guilty to workers' compensation fraud last February). A review of hospital ownership data shows that of the 10 hospitals with the highest proportion of their inpatient hospitalizations paid by workers' compensation, nine are owned by investors (three of which are physician owned and focus on surgery), while one is owned by a non-profit corporation. Together, these 10 hospitals accounted for 7.1 percent of all workers' compensation inpatient hospitalizations in 2018, and 9.2 percent of the surgical discharges.

CWCI has published its study in a Research Update Report, **"California Workers' Compensation Inpatient Hospitalization Trends, 2010 - 2018."** Institute members and subscribers can access the report in the Research section at www.cwci.org, while others can purchase a copy for \$17 at www.cwci.org/store.html. Institute members who log in to the website also can access the updated version of the Inpatient Hospital interactive tool from the Research section.

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