

Providing the Latest Workers' Compensation News and Trends Monthly

## Managing Growing Medical Expenses

By Pamela Landefeld

What's the fastest rising medical cost today in workers' compensation? It's not hospital services. It's not prescription drugs. It's not physical therapy.

The fastest growing medical expense today is diagnostic radiology. Surprised? You're not alone. Many people do not realize how advances in technology that improve diagnostic decision-making have led to the rapid increase in the use of expensive diagnostic tests such as MRI and CT scans.

According to a report by the Association of Health Insurance Plans (AHIP), almost \$100 billion is spent each year on imaging in the U.S. These costs are forecasted to increase 16-18 percent annually — a rate that is twice that of prescription drugs and faster than overall health-care spending, which is projected to increase at 10 percent a year. In workers' compensation, diagnostic radiology costs are projected to rise 20 percent a year.

For those overseeing workers' compensation program costs and outcomes, it's important to understand the drivers behind this growing expense, and how to best manage the referral process to get the appropriate value, prompt scheduling, and quality services from the best providers.

### The Growth of Diagnostic Radiology

The value of diagnostic radiology is clear: it provides fast, comprehensive information on which to base a diagnosis and treatment plan. These services are particularly important to workers' compensation. Many work-related injuries are muscular and skeletal in nature and require the use of imaging to properly assess medical severity. An MRI can quickly determine the nature and extent of an injury. Without this information, weeks of physical therapy can be wasted, return to work delayed, and the injury can actually get worse, even leading to a permanent disability.

While in recent years the number of workers' compensation claims has declined, the actual medical costs for claims has increased. Especially in today's economy, it's more important than ever before that workers' compensation payers be innovative and proactive in managing treatment to be both medically effective and cost efficient.

With the cost of diagnostic radiology increasing so dramatically, it has become the new frontier in health services that payers need to manage, just as managed approaches have been used in the past to control costs for prescription drugs and hospital services. The following facts point to the urgent need to utilize a comprehensive, managed approach to diagnostic services:

- On average, 67 percent of diagnostic claims are unmanaged, leading to escalating costs and a lack of quality controls in testing.
- Accepted state fees or usual-and-customary rates (UCR) are typically 30-40 percent higher than the discount rates available through specialized diagnostic networks. When claims aren't managed, payers pay these higher fees.
- Approximately 10-15 percent of diagnostic claims are performed at imaging centers participating in specialized networks but not under the network's contract, leading to unnecessarily higher costs.
- As a result, many payers spend as much as 45 percent more than they need to on high-end diagnostic services.

Payers are seeking new solutions that not only provide quality diagnostic services, but

also effectively control costs. Claim adjusters and nurse case managers can play a key role in this drive to improve the management of diagnostic radiology services.

#### **Maximizing the Value of a Specialty Network**

Today, large national diagnostic networks offer access to thousands of high-quality diagnostic providers, who consistently provide medically useful reports, as well as accurate test results. These networks have established standards to evaluate and credential providers, ensuring that injured workers who are referred through these networks receive superior services at fees that offer substantial savings.

However, when tests are scheduled “out of network,” these benefits are lost. Research shows that as much as two-thirds of diagnostic tests are not scheduled through the network. Unmanaged claims result in higher medical and diagnostic costs and can have a negative impact on patient care.

Many payers are unaware of how much they spend on high-end radiology services, or what percentage of their claims are unmanaged. In some cases, the claim examiner or nurse case manager may schedule an MRI or CT directly with an imaging facility, missing the opportunity to leverage diagnostic network savings and management.

Initial treating physicians may also be a source of leakage, as they often schedule exams directly with out-of-network providers. Communication tools now enable claim adjusters to automatically connect the physician with a diagnostic scheduling agent.

To further reduce claim leakage, payers must educate claim adjusters, nurse case managers, and treating physicians on the proper procedures to schedule diagnostic services for injured employees.

Finally, sophisticated networks can also identify the 10-15 percent of services that have already been performed but still qualify for discounts. This retrospective savings process minimizes losses by re-pricing bills and reconciling payments with providers who have agreed to participate.

#### **True Benefits of Diagnostic Management**

With diagnostic radiology costs representing the fastest growing area of medical expense, all payers must take the appropriate steps to control costs and quality. By utilizing a specialized diagnostic network, payers benefit from access to first-rate providers, prompt scheduling of diagnostic services, improved care for injured workers, and advantageous contract terms that deliver significant savings.

In addition, since injured employees are referred to only highly qualified providers, tests provide accurate information on which to base a diagnosis and treatment plan — all of which ultimately leads to quality care for injured workers and optimal cost savings for workers’ compensation programs.

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