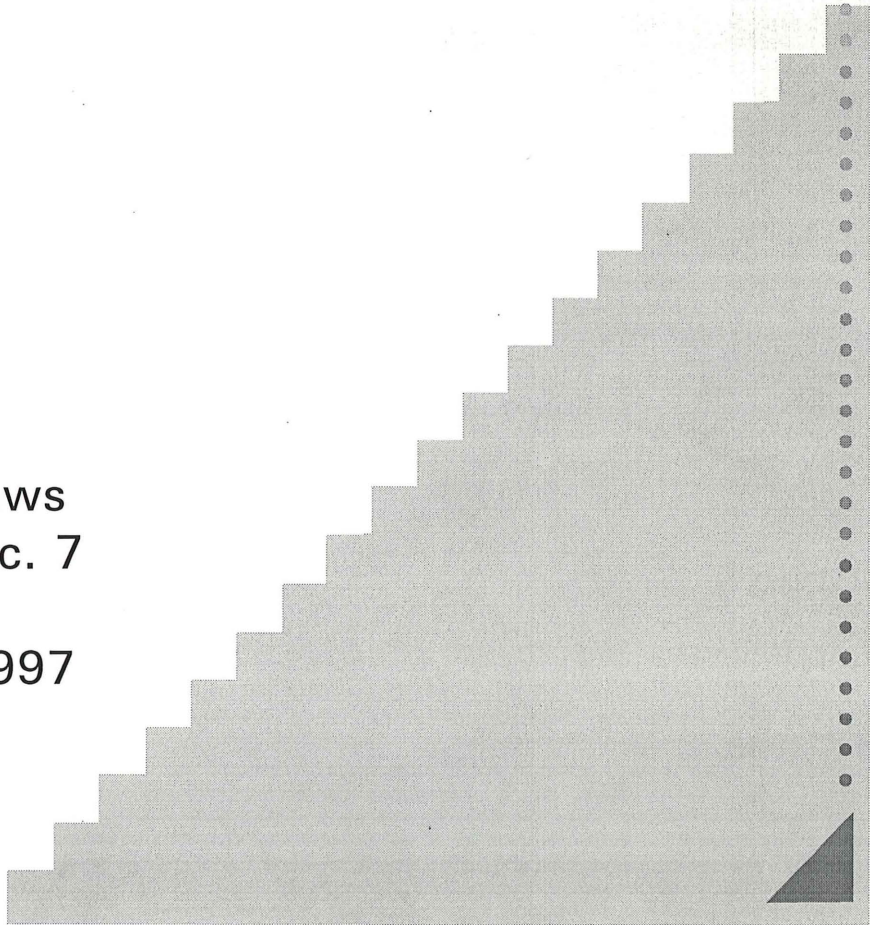


A Proposal for a Pilot Project to  
Determine the Feasibility of  
Coordinating Workers' Compensation  
and Insurance Benefits

1996 Minn. Laws  
Chap. 384, Sec. 7

January 15, 1997



The Employee Insurance Division of the Department of Employee Relations administers group health benefits for approximately 147,000 employees, retirees, and their dependents, of the State of Minnesota and University of Minnesota, as well as workers' compensation benefits for employees of the state. Recent successes include a reduction of more than \$2.9 million in workers' compensation benefit expenditures between FY 1994 and FY 1996, and a cost avoidance of \$30.5 million in group insurance expenses in calendar year 1996.

## Legislative Background

The Department of Employee Relations was charged by the legislature, in Laws of Minnesota, 1996, Chapter 384, § 7, to develop a proposal for a pilot project to determine the feasibility of coordinating workers' compensation and insurance benefits. Following is a status report on this project.

RECEIVED

FEB 06 1997

## Introduction

LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155

Escalating costs of employees' group health benefits and workers' compensation benefits, combined with disenchantment over operating two separate benefit delivery structures, has created a demand for a quality-based, cost-effective, consumer-driven health care delivery system that coordinates the delivery of health care services through an integrated benefits structure. Advantages of the concept include the potential to improve the quality and continuity of health care provided to employees, control the rapid rise in the cost of medical and hospital services, administrative savings that might be gained from coordinated management of the systems, minimizing the potential coverage gaps and overlaps by using one coordinated system that integrates and monitors the coverage provided, and avoiding duplicate payments for services. California, Florida, Georgia, Hawaii, Kentucky, Louisiana, Maine, Oklahoma, and Oregon have laws that allow for pilot projects providing some form of coordinated coverage as an alternative to traditional workers' compensation insurance.

A Minnesota partnership representing private industry, state government and the medical community will develop and implement a pilot project to study a coordinated health care system. Members of the partnership include:

- Minnesota's business community, represented by the Buyers Health Care Action Group (BHCAG)
- Minnesota state government represented by the Minnesota Department of Employee Relations (DOER)
- Health care delivery systems represented by Allina, the Blue Cross holding company Aware Integrated, Inc., Fairview Healthcare Services, HealthPartners and Health System Minnesota (HSM)
- Health insurance industry represented by Allina, Blue Cross and Blue Shield of Minnesota, and HealthPartners

The coalition has been awarded a study grant by the Robert Wood Johnson Foundation. The \$254,270 grant will fund a two-year demonstration project to be known as the *Minnesota*

*Health Partnership: Coordinated Health Care & Disability Management.* In addition, the private health organizations (Allina, Blue Cross, Fairview, and Health Partners) will each contribute up to \$120,000 over two years to help fund the demonstration project. The Institute of Research and Education of Health System Minnesota will serve as administrator of grant moneys on behalf of the partnership.

The goal of the partnership is to create a benefits and health care delivery model that coordinates the management of traditional employee health care and workers' compensation medical coverage. Employer participants will narrow the difference between workers' compensation and general health plans by utilizing common disability management. The partnership's goal is consumer choice of medical providers for all health conditions, and the immediate involvement of the primary care provider in disability management. Significant savings from reduction of non-work related disability is anticipated. While benefits under existing laws and regulations will not be altered in this model, it is anticipated that recommendations for integrating the two benefit systems will be developed as part of this pilot project in cooperation with the departments of Labor and Industry, Health, and Commerce.

The partnership will design and implement methods to measure the clinical and financial consequences of the model's innovations and its acceptability to all participants. The objective is to fundamentally change the way providers, patients, and employers view disability, and the commitment on the part of all members of the coalition to apply rigorous methods to measure clinical, cost, and satisfaction outcomes.

## **Overview of Pilot Project**

The project will have three phases:

- Development
- Pilot site implementation
- Implementation of additional test sites

During the development phase (January through December, 1997), pilot project employers and their health plans will develop a Coordinated Benefits System for both work related and non-work related injuries and illnesses. While programs may vary between the participating employers, all will include consumer choice of provider for all health care, and immediate involvement of the primary care provider in disability management, regardless of causation. Concurrent with the Coordinated Benefits System development, methods for data collection and measurement will be evaluated. Potential measure of care outcomes (lost time, interval to maximum medical improvement, number of visits per diagnostic group, use of rehabilitation services, impairment ratings, and functional status), costs (medical care, lost wages, indemnity, disability, administrative, legal, and productivity), and participant satisfaction (patient, employer, and provider) will be reviewed. These measures will provide definition and guidance for evaluation of the project.

The development phase also includes specific plans for information collection and tracking systems. The entire medical care experience of the employees enrolled in either the study (Coordinated Benefits) or control (Current Care) groups during the demonstration and subsequent evaluation will be tracked through employer and health plan based data systems, which may require modification. Pertinent information for data collection includes the employee's health plan, diagnosis for each episode of provided health care, lost time, work relatedness of each episode, costs and frequency of litigation and/or dispute resolution. Identification of study participants is also necessary at the point of entry at the clinic sites. A dedicated personal computer with database software will be used to collect appropriate demographic, employment, and clinical information.

During pilot site implementation (January through June, 1998), the Coordinated Benefits System will begin at one Twin Cities metropolitan area clinic. The third phase of the demonstration (July through December, 1998) will add four to six additional test sites within and outside of the metropolitan area, based on patient demographics and clinic site interest. The Coordinated Benefits System will include a sample population selected from the approximately 72,000 employees of seven employers (the State of Minnesota, Dayton Hudson's Department Store Division, Minnegasco, Norwest Banks, Rosemount, Blue Cross Blue Shield of Minnesota, and Fairview Healthcare Services).

Over 5,000 workers' compensation claims originated from this group of employers in 1995. Employer Coordinated Benefits programs will attempt to minimize discrepancies in how disability is managed for work and non-work related medical conditions (the degree to which this will be accomplished may vary depending on the employer health plan). BHCAG companies not involved as the seven pilot employers will be included as possible control participants for the evaluation period.

The Coordinated Benefits System will provide medical care for all covered employees, with consistent medical treatment regardless of cause. The primary care physician of each employee will provide initial care and refer to specialty care when indicated. The primary care provider will also write a functional activities prescription for all patients requiring lost time or restrictions, emphasizing optimization of function for both occupational and non-occupational settings. The specific activities prescribed within the functional activities prescription is expected to stimulate additional discussions with the patient about functional ability and provide the employer with guidance for appropriate accommodations. In addition, similar attention will be extended to the functional activity of populations not traditionally considered (children, homemakers, and retirees) in disability management. This is expected to decrease disability and increase function in both occupational and non-occupational settings. A Coordinated Benefits System will also remove from the initial visit the determination of work relatedness as a prerequisite for medical care, thus eliminating a possible source of contention.

The project leaders anticipate that integrated administrative and medical care structures will reduce costs and provide more efficient, coordinated, and consistent medical care. Care will be based on diagnosis rather than etiology, and "cost shifting" from general health care to the workers' compensation system will be monitored.

The State of Minnesota will examine the feasibility of including in the pilot project employees of local units of government.

### **Evaluation Component**

During the implementation phase in 1998, the Minnesota Health Partnership will apply for an additional Robert Wood Johnson Foundation grant to provide funds for the evaluation phase of the study, scheduled to begin in 1999. Evaluation methods will focus on measures of medical care quality, cost of care, impact of disability, return-to-work issues, and participant satisfaction.