



Cause and Effect?

Rising out-of-pocket costs for health care services seen as culprit for misrepresentation of non-work injuries or conditions that drive fraudulent work comp claims

By Bruce Shutan

Group health and workers' compensation insurance have long operated in silos, but several factors have conspired to force a warped convergence with unintended consequences.

They include burgeoning growth in high-deductible health plans (HDHPs), rising out-of-pocket costs and uncertainty about health care reform – all of which may be fueling workers' compensation fraud. The upshot is that many working Americans financially squeezed by cost-sharing strategies misrepresent non-work injuries or conditions to reap more generous benefits.

While no formal research has been commissioned to support this hypothesis, it's on the radar of a leading watchdog group that, along with industry observers, has seen anecdotal evidence take shape. The Coalition Against Insurance Fraud predicts this troubling trend will continue to catch fire in the absence of meaningful steps to make group health coverage more affordable.

"The migrating of risk from health insurance to workers' comp policies is a phenomenon in progress, but insurers are watching very closely to see how they are being affected," says James Quiggle, a spokesman for the group.



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However, there's another nuance to the cost-shifting debate that needs to be assessed. Choosing an HDHP not only saves about \$500 a year; it also produces lower maximum total health care spending roughly two-thirds of the time, according to a National Bureau of Economic Research analysis. The suggestion is that while employees pay more out of pocket, those expenses are offset by employer contributions to health savings accounts (HSAs) or premium assistance.

Irrespective of whether such fraudulent activity waxes or wanes, this apparent moral dilemma presents self-insured employers with a strategic opportunity. To wit: unite benefits management and risk management, as well as integrate cultures of health and safety. But with a more thoughtful approach to hiring and maintaining morale seen as critical to building employee trust and loyalty, it's as much a human capital concern as anything else.

Employees in a volatile industry or low wage earners who struggle to afford decent health insurance coverage could, as Quiggle suggests, be "tempted to take that easy way out and cover personal injuries, illnesses and conditions with their workers' comp policy."

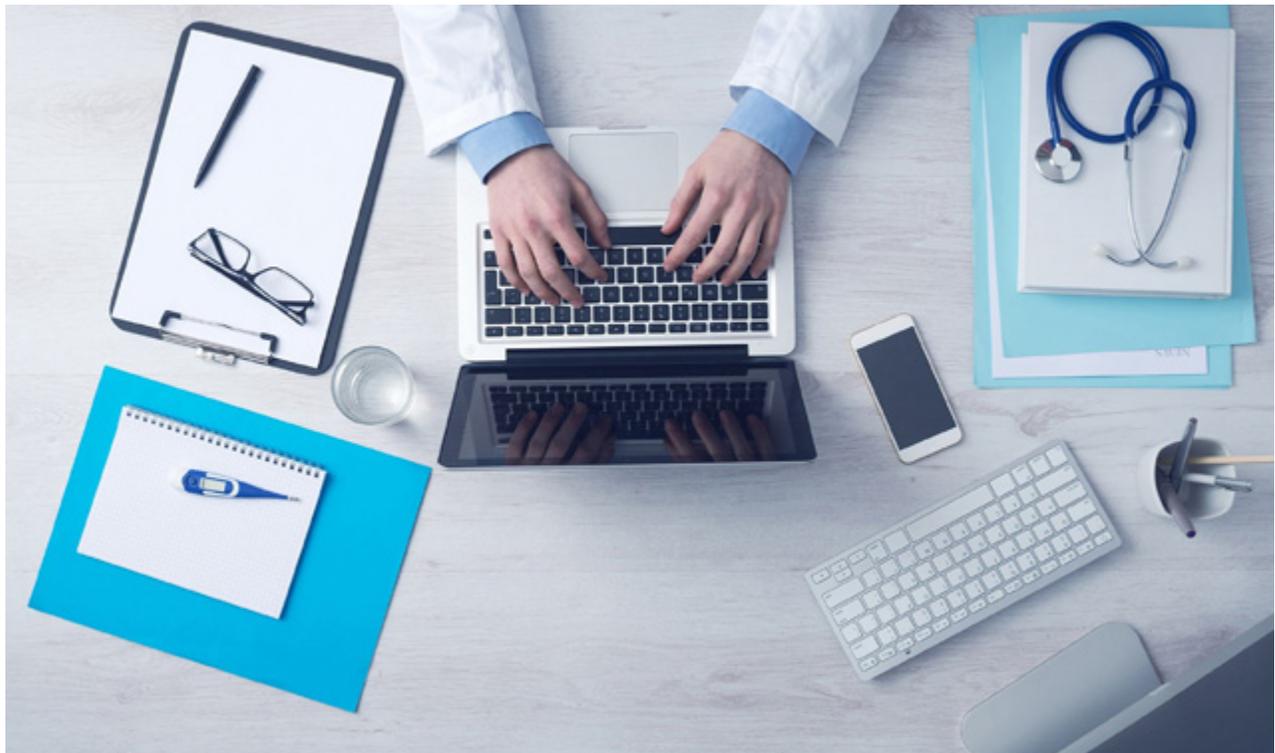
The problem could actually worsen if an already uncertain health care marketplace doesn't improve or implodes. In that

worst-case scenario, he quips that there could be "a large-scale migration of people from their health policies to workers' comp policies, much like reindeer migrating to find better feeding grounds."

However, with access to the right benefits plan design, cost-management tools and educational resources, disaster can be averted. "We do not support or condone any type of fraudulent activity, and our members work hard to prevent fraud, waste and abuse in the health system," explains Cathryn Donaldson, a spokeswoman for America's Health Insurance Plans (AHIP). *"Health insurance providers quite literally exist to ensure people have access to high quality, affordable care."*

HDHPs are often coupled with HSAs that allow consumers to pay for eligible medical expenses with pretax dollars, as well as benefit from more choice and control over their care and coverage. But she cautions that HDHPs "are only one type of health plan option among many, and may not be the best option for everyone." Her larger point is each individual and family must select a plan that best fits them.

As many as 58% of 1,000 Americans recently surveyed by Luntz Global Partners for AHIP prioritize comprehensive benefits over affordability of coverage at 42%. In addition, 71% were found to be satisfied with their employer-provided health coverage, which 56% said remains a key factor in choosing to stay at their current job. More than 180 million Americans receive coverage through their employer.





Jim Marasco

Melding cultures of health and safety

As daunting as it may seem for the self-insured community to acknowledge and address a largely systemic problem, there are baseline solutions at hand. Among the steps Quiggle suggests to combat false-injury claims: promote a zero-tolerance policy with the help of various partners such as a third-party administrator (TPA) and back it up with actions that include using surveillance cameras and establishing an anonymous hotline. It's also, of course, necessary to encourage a safe workplace.

"The safer your loading dock is, and the more that you show that you honestly care for the wellbeing of your workers," he says, "the harder it will be for wayward employees to manufacture injuries that happen outside of the workplace."

Self-insured employers should be the most concerned about a migration of non-work injuries and risk with the workplace because it comes straight out of their corporate coffers, Quiggle observes.

And indeed they have become more aware of work comp fraud through claim audits, especially over the past two years, reports Jim Marasco, a partner with StoneBridge Business Partners, which provides litigation support for insurers on evaluating loss claims.

"They're looking to have somebody independent come in and really scrutinize what they're actually paying because it is obviously coming out of their pockets," he says, noting that it's best to bring in a specialist rather than rely on a TPA to do that work.

Invariably, that process of discovery may cast a bright light on recruitment challenges. For example, Marasco notes that hiring practices in transient areas with high turnover that may be more prone to fraudulent claims.

He says companies need to take a more active role in promoting both the wellbeing of employees and providing a safe environment. This not only will drive employee behavior, but also show up on the bottom line. "If it's a very top-down culture where people don't feel like they have much of a say or involvement in an organization, then it's very removed," he cautions. "They can rationalize their actions a bit easier as to taking advantage of certain things."

While fraud can happen in virtually any workplace, Marasco says it may be easier to hide a fraudulent workers' comp claim in a blue-collar setting. For example, attributing back pain to picking up heavy boxes in a warehouse or slipping on a wet floor in a restaurant kitchen may be more believable than, say, an office staffer attempting to fake a backyard football injury.

But a bigger factor will be cultural than environmental per se. Stu Thompson, CEO of The Builders Group (TBG) and member of SIIA's Workers' Compensation Committee, hasn't seen much work comp fraud over the years. He attributes that to Midwest values and a caring culture espoused by TBG, Minnesota's leading self-insured construction workers' comp fund.

His belief is that hiring the right people in the first place, as well as making sure they meet all the necessary job requirements and know management cares about their wellbeing, will short-circuit any nefarious plans. Under these circumstances, Thompson says injured employees will not be tempted to fudge claims for better benefits "when they know that you're there to help them and be an advocate rather than an adversary." ■

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for 30 years.