

CHEAT SHEET

for Post-Acute Strategy Leaders

Partnering With Workers' Compensation Carriers

How post-acute operators can collaborate with workers' compensation carriers

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Key takeaways

- Workers' compensation carriers are a payer category that cover health care and other compensation costs for employees injured on the job.
- Post-acute providers with expertise in managing catastrophic injury diagnoses should consider formalizing relationships with workers' compensation carriers to grow volumes and reimbursements.
- Typically, partnering with workers' compensation carriers requires increased investments in administrative resources, rather than new clinical programming.

What is workers' compensation?

Workers' compensation carriers are a category of payers contracted by employers to cover health care costs and other compensation for employees injured on the job.

Typically, workers' compensation carriers are liable for all medical costs associated with a person's injury until the patient is fully recovered and returns to work.

Select states mandate employers provide workers' compensation insurance while coverage is optional in others.

Benefits provided under workers' compensation coverage



Wage
replacement



Disability
leave



Medical benefits for
injury and recovery

Post-acute operators typically provide rehabilitation, nursing, and clinical care support for injured workers referred to their services. In some cases, post-acute providers may take on full case management duties for workers' compensation claims.

What are the different carrier types?

Employers can choose several different options to manage and disburse benefits. There are typically three different methods by which employers may choose to manage workers' compensation claims.



State funds

A state fund is where employers pool workers' compensation money towards a state-run joint account. The state is responsible for disbursing workers' compensation payouts in case of injury.



Commercial payers

Private insurance companies also manage workers' compensation claims. Employers can purchase policies through a private company who will then be responsible for managing employee injury claims. Not all states permit private insurance companies to manage workers' compensation benefits.



Self-insured employers

In some cases, employers will opt to self-insure which means that employers will assume all financial risk for workers' compensation cases. Typically, employers who decide to self-insure are large corporations.

Individual state guidelines and regulations may alter the workers' compensation payer types and reimbursement infrastructures available in different regions.

How can post-acute providers support workers' compensation carriers?

Post-acute operators can provide unique value to workers' compensation carriers by managing care for catastrophic injury cases. Catastrophic injuries comprise a small share of overall claims managed by workers' compensation payers, but make up a large percentage of overall spending. Many of these diagnoses also match the patient types that are typically treated in IRF and LTACH settings.

Average total medical costs by nature of injury

The National Council on Compensation Insurance, 2017-2018

Nature of injury	Average medical costs
Amputation	\$79,312
Fracture/crush/dislocation	\$35,947
Burn	\$35,018
Other trauma	\$31,182
Infection/inflammation	\$19,566

With the rehabilitation and clinical expertise that many high-acuity post-acute settings like IRFs and LTACHs possess, post-acute operators can help workers' compensation carriers reduce long-term costs for the most expensive patients in a few ways:

- **Reduce downstream patient needs.** By improving patient outcomes, post-acute providers can help reduce the need for downstream and long-term care needs.
- **Improve return-to-work rates.** The goal of many work-related rehabilitation programs is to help patients regain as much functional skill as possible and return to work. Post-acute care that can lead to substantial functional gains helps reduce long-term wage replacement and disability leave costs.

Source: "Workers' Compensation Costs" Injury Facts, Date accessed March 2021, [https://injuryfacts.nsc.org/work/costs/workers-compensation-attribution-costs/#:~:text=The%20most%20costly%20cost%20dim e%20work ers'%20compensation%20claim s%20by%20part,and%20the%20neck%20\(%2461%20C510\).](https://injuryfacts.nsc.org/work/costs/workers-compensation-attribution-costs/#:~:text=The%20most%20costly%20cost%20dim e%20work ers'%20compensation%20claim s%20by%20part,and%20the%20neck%20(%2461%20C510).)

What is the opportunity for post-acute providers?

Clinically renowned workers' compensation programs create an added opportunity for post-acute providers to differentiate themselves from the market while growing patient volumes. Post-acute providers should consider the following advantages associated with becoming the provider of choice for workers' compensation carriers:

1. **Workers' compensation carriers reimburse at higher levels than traditional payer sources.** Although workers' compensation case volumes may be lower for IRFs and LTACHs compared with traditional Medicare Fee-for-Service or Medicare Advantage volumes, workers' compensation cases have potential for higher reimbursements for two reasons. First, workers' compensation cases are typically high-complexity, requiring greater clinical and rehabilitation support which can increase reimbursements. Second, workers' compensation payers are liable for all healthcare costs until patients are fully recovered. As a result, workers' compensation payers have added motive to provide higher reimbursements if an organization can demonstrate faster patient recovery, increased return to function, and reduced overall health needs compared market competitors.
2. **Post-acute operators can utilize existing expertise to capture catastrophic injury volumes from new sources.** High-complexity diagnoses—like traumatic brain injuries, spinal cord injuries, amputations, or musculoskeletal injuries—that are managed by workers' compensation carriers often require clinical and rehabilitation support that match the expertise of some post-acute organizations. This represents an opportunity for post-acute providers with experience managing catastrophic diagnoses to leverage existing strengths to capture new patient sources.

How can I get started?

Listed below are four conversations that post-acute leadership teams should have with internal leadership to identify if pursuing formal partnerships with workers' compensation carriers is a right fit for their organization.

01 Consider if partnering with workers' compensation carriers is the right fit for your organization. For example, does your organization have expertise managing catastrophic injury cases?

02 Review existing referral sources and pinpoint if you are already working with workers compensation carriers that may open formal partnership avenues.

03 Determine appropriate administrative resources and investments needed to negotiate and communicate with multiple workers' compensation payers.

04 Confirm few key metrics, like improved patient function or return to work percentages, that will help you convey your program's success to different stakeholders.

These conversations might uncover where your organization may need to make additional investments to effectively manage workers' compensation cases. 

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