

IAIABC National Conversations

FINAL REPORT

The goal of workers' compensation, to heal and minimize the burden of wage loss for an injured worker, has remained largely unchanged over the past century. However, the persistent focus on cost reduction over outcomes has motivated introspection by many within the workers' compensation industry. Throughout 2016, the IAIABC has engaged in a series of National Conversations to discuss the current state and future of workers' compensation in the United States.

These conversations were important because they shared diverse perspectives, challenged the status quo, and identified opportunities for improvement. There is continued work to be done for workers' compensation to meet its goals for both employers and employees.

The following records how the IAIABC and the industry can positively shape the future of workers' compensation. A record of each of the conversations is found at www.iaibc.org/national-conversations.

OPPORTUNITIES FOR ACTION

There are many ways workers' compensation can be improved and each stakeholder has a role to play in those efforts. Looking at the system through a national lens, attendees consistently identified the following opportunities for improvement:



Raise Awareness

Workers' compensation was the first social insurance program¹ adopted in the United States but today it is viewed mainly as an insurance product. The industry must raise awareness about the vital role workers' compensation plays in a supporting economic growth.

Employers, employees, and the general public need to understand the purpose, features, and societal benefit of a balanced workers' compensation system.



Improve Communication

There is a lack of understanding by employers and employees about how to navigate the workers' compensation system. Workers' compensation needs to find a way to improve communication about the roles, responsibilities, and process of a workers' compensation claim. More effective communication would serve multiple purposes; set expectations for all parties and reduce confusion and misunderstanding about the process.





Reduce complexity

The workers' compensation system is too complex and the industry views some aspects (reporting, forms, etc.) as more focused on compliance with little or no benefit to employers and employees. Lack of uniformity across states adds administrative cost to all policies.

Workers' compensation must find ways to simplify the process, create uniformity across states where possible, and continue to support the exchange of information on effective and results-oriented initiatives and programs.



Measure Performance

Workers' compensation generates a lot of data but there continues to be a lack of performance measurement and benchmarking in and across jurisdictions. The number of workers' compensation claims filed in a year across the United States is unknown, many jurisdictions do not have a return to work program nor do they track return to work rates, and the reporting of dispute metrics varies and is sometimes nonexistent. For the system to convincingly support its claims of effectiveness, it must focus more on performance measurement. This is also an important tool to compare the impact of state differences.

HOW DID WE GET HERE

The opportunities for action were identified after workers' compensation professionals considered fundamental questions about the purpose and goals of workers' compensation. These responses are important in understanding how the industry can move beyond conversation to action. Here is what we heard about the current state of workers' compensation.

What Does Workers' Compensation Want to Accomplish?

Participants unanimously affirmed the need for workers' compensation to focus on prevention, medical recovery, and return to work, recognizing those goals benefit employers and employees. Participants also supported broad coverage for "covered" employees and for workers' compensation to remain the exclusive remedy.

What Did We Learn?

There is disagreement about the current state of workers' compensation in the United States. Some believe the grand bargain is fraying, with competition across states focused on cost at the expense of injured workers. Others argue the grand bargain continues to evolve and the system is working relatively well as it is fully funded, stable in many states and that the vast majority of claims are settled without hearing processes.

There was concern about "opt-out" and alternatives to workers' compensation, believing it did not *equally* serve the interests of employers and employees. Participants were critical of recent



reports and news stories about the state of workers' compensation systems, noting inaccuracies and misinterpretation.

There was a strong desire for workers' compensation to remain under state control, believing states are better equipped to respond to the individual needs of their state environment. Half the participants believed more uniformity across states was desirable and half did not. Very few felt standards were feasible or desirable; more participants accepted the idea of industry best practices and benchmarking across jurisdictions.

What Are the Successes?

Over the past century workers' compensation has supported strong economic growth and contributed to safer workplaces. The number of recordable workplace fatalities and injuries continues to declineⁱⁱ. Workers' compensation is financially secure, with funds to pay all claims. A majority of claims, 80-90%, are processed smoothly and result in minimal financial loss and quick return to work. Claims administration has become more efficient as automation has reduced paperwork.

Advances in medicine and understanding of return to work are helping improve outcomes for injured workers. More doctors and claim administrators are embracing the biopsychosocial model, understanding return to work and recovery is influenced by more than just a physical injury. Occupational health research informs safety practices, medical treatment, and return to work best practices which benefits everyone in the workforce.

What Are the Challenges?

Workers' compensation has a bad reputation. Reports from ProPublica, OSHA, and the Department of Labor criticized the system for causing injured workers financial distress and shifting cost to other programs including social security disability insurance and Medicare/Medicaid. The general public hears only two stories – workers trying to game the system or workers who fell through the cracks.

There is a lack of trust in workers' compensation. Employers and employees have little understanding of their mutual rights, responsibilities and role in the system.

The system is overly complex and some stakeholders believe administration and process are valued over outcomes. There is a greater need for communication among all those involved in a work injury or illness. These attributes have contributed to the adversarial nature of some systems.

Who is considered an "employee" for purposes of workers' compensation coverage is a challenge, especially as employment relationships shift. Current labor law is built on the 20th century economy and that is a challenge for a 21st century economy with new opportunities and new relationships with work.



Medical management and integration with the general healthcare system is a challenge. Workers' compensation makes up just over 1%ⁱⁱⁱ of the overall healthcare spend in the United States which leaves it with little leverage to influence medical practices on a grand scale. The industry must continue to focus on outcomes and implementing effective strategies to achieve quality medical care.

Another area consistently discussed was the lack of resources by state agencies to be effective. Without knowledgeable staff and appropriate resources (infrastructure, technology, etc.) administrative and regulatory progress is unlikely to be made.

What Was Missing?

Participants from every sector of workers' compensation joined the conversation. However, employers and employees were underrepresented. Not having the system's core stakeholders engaged is troubling and indicates a disconnect between those in the "workers' compensation industry" and those it serves.

WHERE DO WE GO FROM HERE?

In the past five years, states across the country have celebrated the centennial of their workers' compensation laws. However, the system is at an inflection point; changes in the economy, healthcare, and technology will dramatically impact the industry's future.

2016 was a year to listen. In the coming years, the IAIABC will continue to listen and lead efforts for action. In 2017, the IAIABC will address opportunities identified in National Conversations by supporting the following initiatives:

Claims Measures Survey

The Research and Standards Committee will continue efforts to collect a set of basic claims measures for jurisdictions across North America. The survey aims to be an important tool to understand differences across jurisdictions.

Dispute Resolution Data Standardization

The IAIABC is sponsoring a pilot project to develop a standardized workers' compensation dispute data model with the goal of measuring and comparing dispute drivers within the system. The pilot seeks to facilitate both intra and inter-jurisdiction performances measures and inform leaders about dispute drivers and friction costs.

Resolve Data Reporting Differences

The IAIABC's EDI Standards will continue to evolve through the collaboration of jurisdictional and industry members. The IAIABC will evaluate opportunities for improved data transfer,



identify data elements, and design a framework for a more flexible claims standard. This work will support efforts to reduce complexity within and across systems.

Collaboration and Education

The IAIABC will continue to host collaborative forums on challenges the workers' compensation system faces. Technology is advancing asymptotically resulting in more frequent disruption. Collaboration and education is critical to helping the industry be informed and understand best practices.

The IAIABC has more than 100 years of history leading change within the workers' compensation industry. As the system faces unprecedented change, the industry can look to the IAIABC to find solutions to reduce harm and aid recovery from occupational injury and illness.

ⁱ Fishback and Kantor, "Why Study the Origins of Workers' Compensation" excerpt from *A Prelude to the Welfare State: The Origins of Workers' Compensation*, University of Chicago Press, January 2000.

ⁱⁱ Bureau of Labor Statistics, "Nonfatal Occupational Injuries and Illnesses Requiring Days Away From Work, 2015" <http://www.bls.gov/news.release/osh2.nr0.htm>

ⁱⁱⁱ National Academy of Social Insurance, *Workers' Compensation Coverage, Costs, and Benefits, 2014 and Health Affairs*

