

Advantages and Concerns Involving the Settlement of Future Medical Treatment

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February 2010
Helena, Montana

Overview

- Montana's current status
- Why settlements can benefit both workers and employers
- Challenges to crafting settlements
- Potential gains
- Discussion

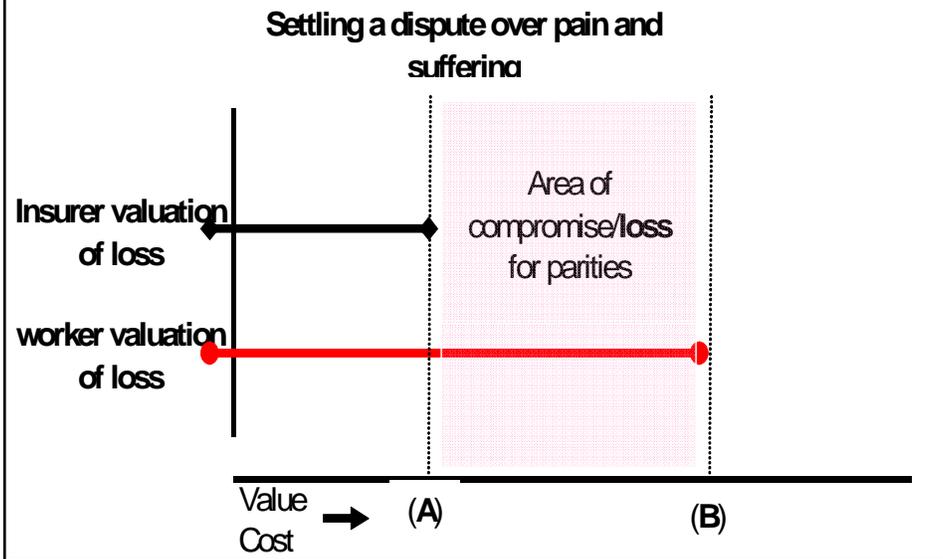
Montana's Current Status

- **Allows settlement of medical in narrow range of cases**
 - When compensability is at issue
 - < 5% of claims
- **Most states allow settlement**
 - 30%--70% are settled
- **May contribute to high medical cost/claim in Montana**

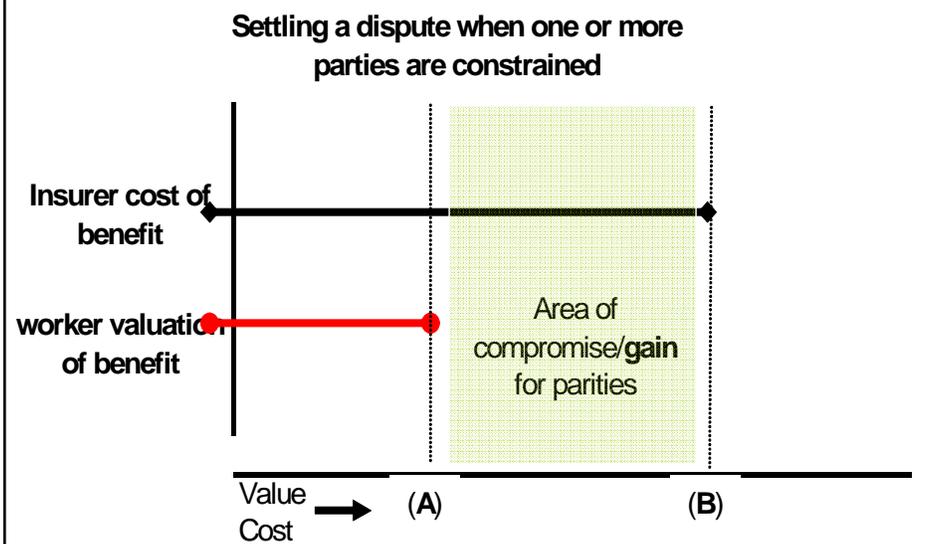
Benefits to Both Parties

- **Negotiations**
 - **Traditional:**
 - Injured party value > Insurer value
 - **Many workers' compensation cases**
 - Injured party's value < Insurer value

Traditional—Pain & Suffering



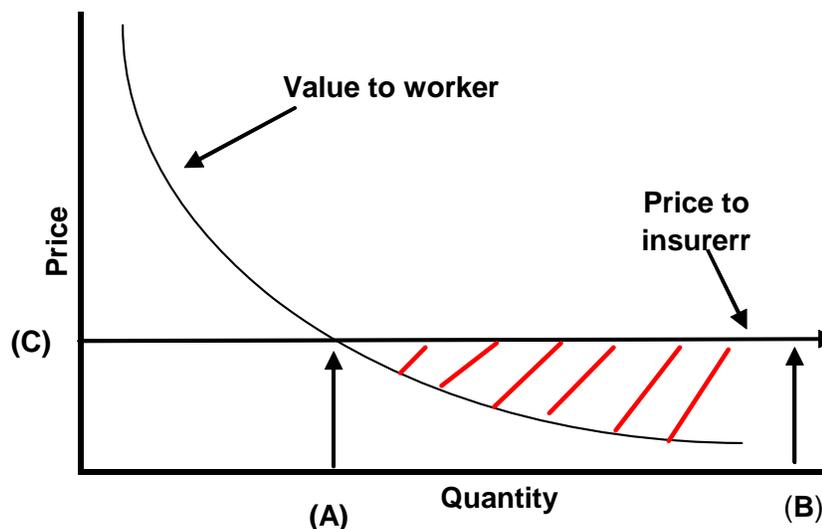
Alternative—WC Indemnity



Gains Under Medical Settlements

- Workers face little or no cost for medical treatment
- Employers/insurers have few tools to control treatment
 - Co-pays, deductibles
 - Risk sharing with providers (capitation)
- Utilization higher than both parties prefer

Gains Under Medical Settlements



Gains Under Medical Settlements

- If workers could settle (trade-off between medical treatment and other options)
 - better off

Gains Under Medical Settlements

If employers/insurers can settle

- Lower medical costs
 - Savings on administration
 - Savings on risk
-
- Both sides better off

Protecting Workers & 3rd Parties

- Insurers are well informed and have resources, knowledge, and many cases over which to spread risk
- Workers usually have less knowledge
- 3rd parties: even though risk is limited, can rarely fully protect themselves

Dimensions to Consider (Workers)

	Frequent	Infrequent
Large \$	Very high	Moderate
Small \$	Moderate to low	Very low

Dimensions to Consider (Workers)

	Soon	Distant
high Prob.	Very high	Moderate
Low Prob.	Moderate to low	Very low

Dimensions to Consider (Workers & 3rd Parties)

	Work only	Many
Clear cause	Very high	Moderate
Unclear cause	Moderate to low	Very low

Cost Shifting—3rd Parties

- **Parties**

- State supported care (Medicaid)
- Federal programs (Medicare)
- Health Insurers

Cost Shifting—3rd Parties

- **Health insurers**

- Almost always employment-based
- Most conditions have multiple potential causes
- Impact of settled medical likely very small
 - All occ-med = 2%-3% of health care for working population

Potential Savings

- **Estimates are tentative**
 - 8%-12% of medical cost
 - 40%-60% of long-term medical

Two Additional Perspectives

- **States with settlements**
 - Little or no concern voiced by workers or worker advocates
- **Medicare—can protect itself and recent, more aggressive oversight is causing concern by insurers**

Discussion

