Workers' Comp

The Shifting Landscape of Medical Costs: How Workers’ Compensation is Becoming a Payor of Last Resort

December 10, 2025
4 MIN READ
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As open enrollment season is in full swing and the future of the Affordable Care Act's (ACA) enhanced premium tax credits remain uncertain, employers and consumers are seeing significant increases to the costs of health care coverage. While the national policy debate largely centers on individual and group health coverage, the ripple effects of increasing personal costs and economic uncertainty could result in cost shifting from group and individual health plans towards workers' compensation payors to serve as a payer of last resort.

When access to affordable group or individual health insurance tightens, workers' compensation often becomes a financial and medical catchall. The programs which are meant to be a safety net find themselves being pressed into absorbing costs and medical conditions that rightfully should be managed through group health plans. For a consumer who may be facing substantially higher health insurance premiums, higher deductibles, or reduced coverage, a workers' compensation claim, that provides care without deductibles or copays, can appear to be the path of least resistance.

A 2019 NBER paper by Fomenko and Gruber argues that this cost shifting is most likely to appear when a customer’s personal health care costs are higher. The researchers found that a typical claim is about 5.3% more likely to be filed as a workers' compensation claim when patients face an average health insurance deductible of $630 compared to plans with no deductible. This behavior adds more than $1.2 billion to workers' compensation costs nationwide. According to the KFF, even without uncertainty around enhanced subsidies, ACA premiums are expected to rise on average 26% in 2026. In addition, with the general shift toward increased employee cost-sharing in the form of higher deductibles and co-pays, the conditions are rapidly being met to see the cost of medical claims start shifting to workers’ compensation payers.

The NBER study also found that consumers tend to focus on immediate out-of-pocket costs rather than long-term financial implications when deciding whether to file under workers' compensation vs. group health plans. Meaning that when presented with deductibles that could, by the end of a year, meet the customer's out-of-pocket maximum and result in overall lower costs, consumers tend to prefer to take the short-term savings of directing their claim to their employer's workers' compensation carrier. This preference for avoiding higher deductibles in the short term then becomes a significant driver of cost-shifting behavior.

Historically, workers' compensation claims frequency declines during economic slowdowns as hiring and workplace activity decreases. However, the decline can be partially offset by increases in specific claim types, especially those that are more subjective or cumulative in nature. Additionally, claims that may be ignored or minimized during times of economic stability may be brought forward when instability hits.

According to a 2020 report from the Workers' Compensation Insurance Rating Bureau of California (WCIRB), claim frequency tends to fall in downturns, but cumulative trauma claims often hold steady or rise during these periods.

Workers' compensation payors should keep an eye on several key areas where cost shifting tends to surface:

- **Cumulative trauma and repetitive stress injuries:** Longstanding musculoskeletal or joint conditions may be reported as work related.
- **Soft-tissue and pain-based claims:** Injuries without objective diagnostic evidence such as strains, sprains, and back pain.
- **Delayed or "reopened" injuries:** Older or ambiguous injuries may resurface, particularly among employees worried about economic instability or potential gaps in health coverage.

With proactive claims monitoring and utilization review, early investigation and employer education, it is possible to distinguish legitimate workplace injuries from inappropriate cost shifting onto the workers' compensation system.

Potential mitigation strategies include:

- **Tracking changes in claim mix:** Look for patterns of increases in cumulative trauma, repetitive stress, or soft tissue claims.
- **Strengthening early intervention:** Thoroughly document injury causes, timing, and employment status to help validate claims.
- **AI tools and Machine Learning:** Use of AI based solutions can help identify claim patterns and injury trends, which may not be readily apparent, more quickly.
- **Enhancing coordination:** Where feasible, communicate with group health administrators or benefit coordinators to identify overlapping medical issues.
- **Educating employers:** Reinforce the importance of timely reporting, ergonomics, and open communication about minor injuries before they become complex claims.

As questions surrounding health care affordability remain a hot topic on the national stage and long-lasting solutions seem unlikely, workers' compensation payers should continue to pay close attention to changes in claims behavior. Early identification of these types of claims will make it less difficult for payers to mitigate their impact and help prevent the workers' compensation system from inappropriately serving as a health care safety net. There is no doubt that intersection of health care affordability, job security, and workplace injury reporting will continue to shape claim trends in 2026 and beyond.

Periods of economic uncertainty can often bring subtle but significant changes in how injuries are reported and treated. These shifts may manifest, for example, in the form of increases in claim frequency or severity, changes in medical utilization, or even increases in litigation. However, Enlyte is here to help you recognize those trends early and respond with data-driven solutions, insights into policy changes, and access to trusted medical partners to help identify challenges and control escalating costs.

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