Work Comp Managed Care: More than Managing Care

A Simple Objective:
- One or two ideas to deploy
- One or two ideas for later
Jurisdictional Impact on Work Comp

- Not All States Are Equal
  - Monopolistic funds
  - Demographics/population
  - Industry
  - Geographical considerations
  - Judicial perspective
  - Legislative action
  - Medical Community

Workers Compensation Insurance

- It’s Not a Commodity
  - Financial stability
  - Knowledgeable sales force
  - Field Support – Field Services, Claims
  - Coverage/Product
  - Consulting – nurses, claims adjusters
  - Special Investigative Unit - Fraud

Experience Mod Overview

Experience Mod Basics

- Specific to each business
- Can provide credits or debits
- Losses leave lasting impressions
- Frequency matters more than severity
- Deductible: gross vs. net
- Medical vs. indemnity claims
- Can be managed
### Experience Mod – Credits/Debits

<table>
<thead>
<tr>
<th>Experience Mod</th>
<th>Premium</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>$50,000</td>
<td>A</td>
</tr>
<tr>
<td>.75</td>
<td>$37,500</td>
<td>B</td>
</tr>
<tr>
<td>1.25</td>
<td>$62,500</td>
<td>C</td>
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</tbody>
</table>

Experience rating provides time for losses to mature.

### Experience Mod – Timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Included/Not Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 Policy</td>
<td>Included</td>
</tr>
<tr>
<td>2012 Policy</td>
<td>Included</td>
</tr>
<tr>
<td>2013 Policy</td>
<td>Included</td>
</tr>
<tr>
<td>2014 Policy</td>
<td>Not Included</td>
</tr>
<tr>
<td>2015 Policy</td>
<td>Not Included</td>
</tr>
</tbody>
</table>

### Experience Mod – Frequency/Severity

Five claims - $10,000 each

- Included
- Modified: 1.16
- Base: $75,000
- Total: $87,000
Experience Mod – Frequency/Severity

One Claim - $50,000

5 claims @ $10,000 each 1 claim @ $50,000

$19,500 premium difference
Almost a 30% difference!

Experience Mod – Frequency/Severity

The impact of a single loss is limited by the rating bureaus
Experience Mod - Split Point Changes

Experience Modification Factor
- Split Point Changes – Primary Level
  - 2012 - $5,000
  - 2013 - $10,000
  - 2014 - $13,500
  - 2015 - $15,500
  - 2016 – indexed for inflation

Experience Mod – Split Point Changes

Split Point - Example
- Closed 2011 Claim - $20,000 paid
- Experience Mod Calculation

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Claim Value</th>
<th>Primary Excess</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>2014</td>
<td>$20,000</td>
<td>$13,500</td>
</tr>
<tr>
<td>2015</td>
<td>$20,000</td>
<td>$15,500</td>
</tr>
</tbody>
</table>
Experience Mod – Split Point Timeline

2009 2010 2011 2012 2013

2010 2011 2012 2013 2014

Experience Mod – Net v. Gross

Net Claim v. Gross Claim
- Example
  - Injured knee
  - $1,000 MRI (reveals no damage)
  - Able to return to work, self-treat
  - Claim closes with no other expense

Company A
- No deductible on Work Comp policy
  - Gross claim: $1,000
  - Net claim: $1,000

Company B
- $1,000 deductible on Work Comp policy
  - Gross claim: $1,000
  - Net claim: $0

Net States
- OR
- CA
- NV
- CO
- NM
- UT
- WY
- MT
- ID
- ND
- SD
- NE
- KS
- OK
- TX
- OH
- IN
- IL
- WI
- MN
- IA
- MO
- AR
- LA
- TN
- FL
- GA
- AL
- MS
- MI
- PA
- VA
- WV
- SC
- NC
- KY
- NY
- ME
- RI
- DE
- MD
- MA
- NH
- CT
- NJ
- VT

Experience Mod - Net v. Gross

Net States
Experience Mod – Net v. Gross

Net Claim v. Gross Claim
- Example
  - Injured knee
  - $1,000 MRI (reveals no damage)
  - Able to return to work, self-treat
  - Claim closes with no other expense

Benefit of Deductible
- Regardless of state, premium savings
- If Net state, shields claim cost from Experience Mod calculation

Company B
- $1,000 deductible on Work Comp policy
- Gross claim: $1,000
- Net claim: $0

Experience Mod - ERA

Medical Only vs. Indemnity Claims
- Many states include in the mod calculation an Experience Rating Adjustment (ERA)
- 70% reduction if medical only
- Emphasizes importance of Return to Work and Prompt Claims Reporting

Experience Mod - ERA

ERA States
- OR
- CA
- NV
- CO
- NM
- AZ
- UT
- WY
- MT
- ID
- ND
- SD
- NE
- KS
- OK
- TX
- OH
- IN
- IL
- WI
- MN
- IA
- MO
- AR
- LA
- TN
- FL
- GA
- AL
- MS
- MI
- PA
- VA
- WV
- SC
- NC
- KY
- NY
- ME
- RI
- DE
- MD
- MA
- NH
- CT
- NJ
- VT


What is Managed Care?
- Appropriate Medical Care
- Prompt Delivery
- Cost Effective
- Focus on Return to Work

Critical Elements of Managed Care
- Prompt Reporting
- Modified Duty
- Providers with Occupational Focus
- Drug-Free Workplace

Prompt Claims Reporting

- Federated’s Goal:
  - > 70% of WC claims reported within 7 days of injury

- Federated Results:
  - Per claim average shows claims reported late paid 25-50% more than Promptly Reported Claims
    - Federated claims data 2010-2014
Prompt Claims Reporting

Average Claim

Based on closed claims, reported in the noted year

Direct Benefits

- Allows opportunity to interview witnesses, secure evidence
- Allows for direction of medical care to in-network facilities specializing in Work Comp/Modified Duty
- Allows for timely and appropriate claims management
- Prompt filing of state forms can preserve legal defenses
- Allows for prompt drug testing, with potential reduction or elimination of claims exposure
Return to Work/Modified Duty Programs

- Formal program is important for loss of work time claims
- Employees typically are able to return in some capacity
- "Release" obtained from treating physician
- Employer accommodates restrictions within Return To Work Program guidelines

Return to Work/Modified Duty Programs

Benefits to Employers:
- Returns experienced employees to work in a safe and timely manner
- Reduces training costs for replacement workers
- Helps maintain good employer/employee relationships and shows employees they are valued
- Lowers Experience Mods

Benefits to Employees:
- Reduces concern about financial uncertainty and job security
- Helps maintain sense of attachment with co-workers
- Improves recovery time and quality of life

Return to Work/Modified Duty Programs

Modified Duty Considerations:
- Invite providers to visit your sites
  - safety meetings, equipment/tour, etc.
- Have written job descriptions
  - support modified duty assignments as appropriate
- Discuss modified duty w/ employees before injury
Network Partners

- Medical networks
- Throughout the U.S.
- Discounts when treated in the PPO Network
"When employers did recommend health care providers, injured workers followed their recommendation 92% of the time..."

The Journal of Workers Compensation

- In general, states align the Workers Compensation medical choice at the option of the employee or the employer
  - NOTE: Most are not "simple rules"
Drug-Free Workplace

In most states, Work Comp benefits can be denied based on drug use or intoxication.

Several states reduce benefits only. Some have no provisions.

Network Partners – Direction of Care

From Our Files:

- Injured knee slipping off forklift; ER; non-prescribed narcotic
- Emergency transport for knee; morphine and heroine
- Injured hand; .027 BAC three hrs. after injury (11:30 a.m.)
- Dizziness caused fall, striking chin/head; marijuana in system; terminated
- Bleach/chemicals in eye; drug screen "refusal to cooperate"; employee voluntarily terminated
- **RESULT:** Each claim was denied w/ no dispute

- Injured back stacking product; non-prescribed Darvocet
  - **RESULT:** Initial meds paid; future benefits denied

- Injured hand; cocaine & marijuana; terminated
  - **RESULT:** Medical paid; no lost time wage benefits paid

- Struck head on pipe; marijuana in system
  - **RESULT:** Automatic 50% reduction of medical benefits
Drug-Free Workplace

- 38-50% of all work comp claims are related to substance abuse in the workplace
- Substance abusers file 3-5 times more WC claims
  Source: "Working Partners", National Conference Proceedings Report; Sponsored by the US Dept of Labor, the SBA, and the Office of Nat'l Drug Control Policy
- Nearly 75 percent of all adult illicit drug users are employed, as are most binge and heavy alcohol users
  Source: National Institute on Drug Abuse

Managing Claims

Claims Management/Responsibilities
- Injured worker
- Business owner/risk manager
- Claims adjuster
- Nurse
- Medical bill processing
- Providers
Managing Claims

**Unmanaged Claim**
- Employee self-treats
- Reported two weeks after incident
- No post-incident drug screen
- Options for direction of care are now limited
- Physician approves a return to work, with restrictions
- Employer won’t accommodate restrictions
- Employee obtains all treatment outside of network
- Claim drags on...

**Managed Claim**
- Injury reported promptly
- Employee obtains treatment in-network
- Employer accommodates work restrictions
- Employee returns to full-time work
- Claim closes

Managing Claims

**Unmanaged Claim**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Bills (retail)</td>
<td>$5,000</td>
</tr>
<tr>
<td>Non-network treatment</td>
<td>$5,000</td>
</tr>
<tr>
<td>Lost wages; no RTW program</td>
<td>$3,000</td>
</tr>
<tr>
<td>Late reported claims</td>
<td>$2,400</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$10,400</td>
</tr>
</tbody>
</table>

**Managed Claim**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Bills (retail)</td>
<td>$5,000</td>
</tr>
<tr>
<td>In-network treatment (avg. 40% reductions)</td>
<td>-$2,000</td>
</tr>
<tr>
<td>No lost wages; ERA state</td>
<td>$3,000</td>
</tr>
<tr>
<td>70% medical only reduction</td>
<td>($2,100)</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$900</td>
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This presentation is intended to provide general information and recommendations for risk prevention. This is not provided as a substitute for regulatory requirements or standards which may apply. It should not be considered legal advice regarding your unique needs or a guarantee of specific results. Qualified counsel should be sought regarding questions specific to your circumstances.