

## Workers' Compensation Savings

### Not All Managed Care Programs are Alike

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As I travel the country meeting with brokers, agents and clients, questions often arise about the cost of workers' compensation claims. In particular, questions are about how to maximize cost savings while driving better outcomes for injured workers and fostering timely return to work.

With medical costs representing 60 percent of claim costs, it's widely recognized that a key to controlling workers' compensation costs and better outcomes is managed care.

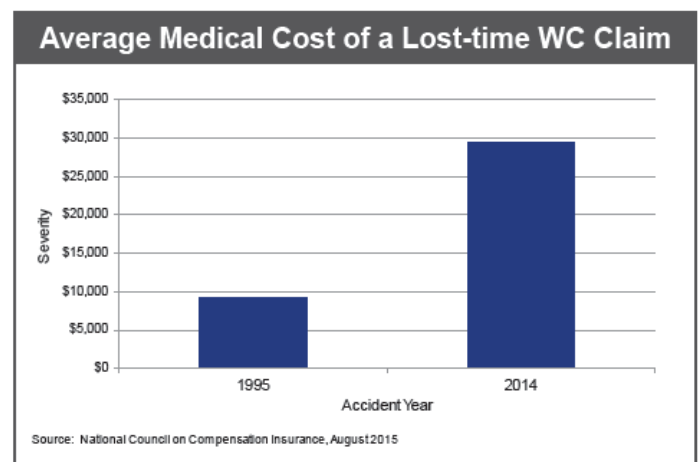
What is not always recognized, however, is the vast difference in managed care programs of insurance carriers/Third Party Administrators (TPAs). Savings can vary widely depending on the managed care strategies offered by a carrier/TPA. Simply put, different claims/managed care models produce substantially different outcomes both from cost and utilization perspectives.

In this year-end edition of *Executive Briefings*, I'll review four key factors that determine the effectiveness of a managed care program as well as a fifth, often overlooked, component of managed care effectiveness.

### Managed Care Programs: Significant Differences in Effectiveness & Cost Savings Ability

It is widely understood that an effective managed care program has four key components: Medical Bill Review, Network Strategies, Pharmacy Benefit Management, and Clinical Intervention. That is the baseline. Most, if not all, workers' compensation programs offer these programs.

However, what comprises these components and how effectively they are executed is where the rubber meets the road.



Evaluating managed care programs reminds me of an iceberg. Look at the surface, in this case, the baseline of whether or not a carrier/TPA offers these four programs, and you'll miss what's critical.

What is important is what lies beneath—and across (see the fifth component of Managed Care). When you drill down and examine managed care programs, the differences become apparent—as does the ability to generate savings and produce effective outcomes.

For example, after publishing the August edition of *PMA Executive Briefing, Finding Savings Beyond Fee Schedules*, many people were surprised at the complexity of an effective Medical Bill Review program. Oftentimes, Medical Bill Review is mistakenly viewed as simply a computerized solution, in which all carriers/TPAs use similar programs and rely on these programs to drive savings.

However, an effective Medical Bill Review Program is a highly intricate step-by-step process requiring hands on clinical expertise.

Questions such as these reveal a program's effectiveness. Does the carrier/TPA have a highly refined system that constantly evaluates and quickly adapts to changes in state rules and regulations—and captures additional savings? How is the carrier/TPA handling the 15 to 20 percent of billing codes not included in fee schedules? Do they conduct complex bill review effectively, employing nurse specialists and coding professionals? Approximately 10 to 15 percent of submitted workers' compensation medical bills are unrelated to the claim. Is the carrier/TPA eliminating these bills before the formal bill review process begins?

## Key to Controlling Workers' Compensation Costs: Addressing Emerging Issues

Workers' compensation is a dynamic line of insurance, affected by emerging societal changes and economic issues. Here is a sampling of factors that impact costs:

- Advances in medical technology, treatments, new prescription drugs
- Rise in narcotics usage as a solution for pain management
- Costly practice of physician dispensing of prescription drugs
- Aging workforce and worker comorbidities, e.g., obesity, diabetes, hypertension, etc.
- Jurisdictional changes and business updates, e.g., fee schedules and rules

How well a managed care program addresses each of these areas has a profound effect on savings.

Similarly, network strategies and the results they achieve vary significantly among carriers/TPAs, as do clinical intervention programs. I invite you to read more about these in our prior *Executive Briefings*.

Finally, pharmacy costs are particularly troublesome for workers' compensation claims. An effective pharmacy program is complex and multi-layered—and its management is not simply outsourced to a pharmacy benefit manager (PBM). Greater savings can be achieved with a proactive approach that integrates internal expertise with a

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quality PBM, and expertly manages formulary (the mix of drugs prescribed), channels of distribution, and opioid utilization management. (Read more about these issues in upcoming *Executive Briefings*.)

### Integration of Managed Care and Claims Programs—the Fifth Component

The fifth component and a key driver to better claims outcomes: integration of every managed care component with each other and the overall claims program. All of these programs need to work in sync from day one of a claim to effectively address key loss drivers. Analytics bring all these elements together to ensure claims are matched with the right team of experts at the right time.

Service models differ for every carrier/TPA, and many models exist for both claims management and managed care. Regardless of the approach, avoid a collection of independent services that are not integrated from a data, process, and communications standpoint.

### About the Author

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leads PMA's customer-focused service functions all integrated under a single umbrella, including Claims, Managed Care, and Risk Control Departments and third-party administrators PMA Management Corp. and PMA Management Corp. of New England. With over 30 years of workers' compensation expertise, Mr. Santulli has held leadership positions in the field as well as key operational departments, such as underwriting, distribution management, claims, and services across PMA. A graduate of Gettysburg College, he has a Chartered Property Casualty Underwriting (CPCU) designation.

### Conclusion

Managed care has emerged as the driver of workers' compensation claims management. To effectively control claims costs, a robust managed care program—with results-driven rather than process-oriented services—is needed.

To uncover the effectiveness of any managed care program, drill down deep and ask the carrier/TPA additional questions about their program. The differences you discover will significantly impact the savings that are generated.

PMA Companies series of *Executive Briefings* explores the strategies necessary to effectively manage medical costs of workers' compensation claims today. These include integrated occupational health and wellness, early intervention, case management, bill review, pharmacy management, narcotics utilization management, and physician dispensing.