

*Intelligent Medical Management:*

# The Case for Customization in Workers' Compensation

genex<sup>®</sup>

BUSINESS GOALS  
OBJECTIVES STRATEGY RESULTS  
OUTCOMES ENGAGEMENT  
CUSTOMIZATION  
COST SAVINGS ANALYTICS  
INFORMATION PROGRAM DESIGN  
ACTIONABLE

## Overview

As workers' compensation firms endeavor to manage medical costs and improve outcomes for injured workers, an ongoing question persists in the marketplace:

***What type of medical management program design— standard or customized—will yield the best outcomes, optimal return to work, and lowest overall costs?***

Proponents of customized programs argue that the complex, distinct, and diverse needs of individual employers today mandate the use of highly specialized programs. Conversely, those who favor standardized programs believe their simplicity offers an adequate solution for busy employers.

As with any multi-faceted business dilemma, it's not always an easy decision. There are a myriad of issues from regulatory to operational, and a range of constituents from employees to management and stockholders, as well as philosophical and cultural principles to consider.

This white paper explores the value of customized programs in helping employers and carriers meet their business and operational goals, as well as considerations to explore and results that can be achieved.

## Customized Programs—Questions to Ask

- How does the organization identify clinical interventions?
- What type of providers and/or provider networks are the best fit?
- What are the key areas to target for utilization management?

## What is a Customized Program?

At its essence, a customized program can be defined as...

*“A consultative and data-driven approach to the development of a customer-focused program that provides a more significantly tailored, personalized design, and delivery than standardized and off-the-shelf programs.”*

This equation exemplifies a customized program that combines the addition of analytics (quantitative findings) with consultative insights (qualitative guidance) by specialists and experts (some within the customer’s organization) to develop, design, and implement the customized approach.



At the foundation of every effective customized program is a comprehensive, integrated, and robust approach to data analytics. The analytics process takes the mass of data that every company has on its workers’ compensation injuries and puts it into meaningful maps of intelligence that can become actionable for customized programs.

Analytics provide the “buckets” to segment key data inputs, such as:

- Population trends
- Claims cost drivers
- Medical treatment trends (including provider performance)
- Clinical interventions

The McKinsey Company Report, “Unleashing the Value of Advanced Analytics in Insurance,” by Richard Clarke and Ari Libarikian (August 2014), describes the transformation this way:

*“Close collaboration among the analytics professionals who build the models and the functional decision makers who use them combines a “black box” data-modeling process (pure statistical analyses of large amounts of data) and a “smart box” filled with the knowledge of experienced practitioners.”*

Creating “smart boxes” of actionable insights cannot occur without the consultative (qualitative) piece of the equation, the analysis of this data by industry experts and specialists who can figure out what the actions should be, and a method to operationalize them. Through the consultative process comes the customized program to address and ameliorate problems, through the design of clinical interventions, medical provider panels, claim-level care paths, and other prescriptive measures.

## The Engaged Customer

In addition to the analytics/consultative equation, there is another key ingredient in the success of a customized program. That component is an engaged employer or payor—one who wants to be in control of the process by which superior outcomes are driven in every area of their work comp program. This progressive employer or payor must be willing to work closely

### Goals of a customized program:

- ✓ Tackle the specific and unique needs of a diverse employee population, including negative trends
- ✓ Identify complex cases that could benefit from targeted interventions
- ✓ Implement measures to prevent injuries from occurring
- ✓ Optimize return-to-work efforts through targeted interventions
- ✓ Improve quality of care
- ✓ Lower medical and indemnity costs
- ✓ Maintain and improve productivity
- ✓ Ensure adherence with state and federal mandates
- ✓ Maintain and improve employee satisfaction and morale
- ✓ Ensure continuous program improvement

## The Yes, No, and Maybe to be Uncovered in a Customized Program

What are we doing right? What are we doing wrong? What can we do better? Those three simple, yet multi-faceted questions were at the core of a challenge a large global airline set forth for itself and for its workers' compensation managed care partner. The goal of the exercise was to identify what claims would benefit from a Telephonic Case Management (TCM) program (corresponding to "Manage" in the chart at right)—which ones wouldn't ("Don't Manage")—and which ones needed additional triage ("Triage").

Using a combination of predictive modeling and retrospective data analysis, the company conducted a review of some 3,200 claims and uncovered some surprising facts:

- More than 62% of claims would not likely benefit from TCM.
- Almost one-third of the company's claims could benefit from TCM and 10% needed additional triage to determine its benefits.
- Actual TCM usage in the "Don't Manage" category, or claims data showing they would benefit from TCM, was 37%.

	Existing Model	Customized Model
Don't Manage	37%	62%
Triage	19%	10%
Manage	44%	28%

- Based on scoring recommendations versus actual triage and telephonic interventions for the time period, the company discovered significant opportunities to improve the appropriate utilization and effectiveness of nurse case management triage and TCM.

Incorporating a more customized approach to its nurse triage and TCM operational model was shown to provide a **39% reduction** in case management costs across the board while improving return to work and overall outcomes.

with their managed care partner to conduct data analysis, identify trends, implement interventions, and to remain continuously committed to the effort.

The philosophy of customization is based on the simple fact that whether it be carrier or employer, no two organizations' needs, culture, industry or even philosophy are the same.

Consider what may happen when a company strives to diversify its insured workforce through older workers or to provide part-time options to students, working parents, and those who want a more flexible work schedule. What many companies are finding is that while such a strategy brings benefits, it can also create problems. For example, there may be a spike in accidents and injuries with younger or part-time workers, who may not be getting enough safety education.

Analytics and customization can help pinpoint and address unique challenges. While the analytics will show spikes in certain types of injuries among a specific population at a particular location or division, the con-

sultative approach can suggest the solutions: changes in ergonomics, pre-employment testing, additional safety education or alternative treatment approaches.

## Customized Workers' Compensation Programs are Multi-Level

Customization must consider many aspects of an organization's operations and objectives. Areas to be targeted with customized programs include:

### 1. The Enterprise Level

Customization at this level must consider every aspect of an organization including its position in the industry, culture, labor market, and even the company's overall philosophy toward employee health and its overall culture. For example, companies with strong wellness programs will want to ensure that these initiatives complement and support workers' compensation and vice versa.

## 8

## Questions to ask to determine if a customized program is suitable for an organization

- 1 Do I have a significant employee population at risk for workers' compensation claims?
- 2 What does our claims data tell us—what are our cost drivers?
- 3 Does our organization have the staff, resources, and commitment to guide a customized program?
- 4 Is our current approach to claims siloed (e.g., walls between divisions, departments, benefit programs)?
- 5 Do we have more claims in a specific region, job classification, or employee demographic?
- 6 Where are our losses?
- 7 Would greater transparency into medical spend and expenses help us better control costs?
- 8 Can my claims organization support a customized approach?

### 2. Division/Region/Location Level

What happens at a corporate level is often very different from what happens in a region or at a plant. Even within an organization—it's rarely one-size fits all. Each component of the company must address various cost drivers, regulatory issues, and even division level strategies. Analytics combined with employer insight can help pinpoint these areas and customization can create programs for all areas.

### 3. Claim Level

Adjusters and case managers must continuously adapt techniques to the specific needs of the injured workers based on injury, return to work goals, and employer location issues. Education of adjusters and case managers starts with information about the specific problem and its solutions, along with an explanation of their roles, such as following specific care paths for injuries identified as cost drivers.

## Is a Customized Program Right for Your Organization?

Many large companies are given the ability to customize programs to some degree by their claims payor or managed care vendor. However, the size of an organization should not be the only factor enabling customization.

Customized programs can be developed by any organization involved in creating, implementing or managing workers' compensation program(s), including employers, self-administered entities, payors, TPAs, and carriers. They can be used by companies in union and non-union shops, with manufacturing, in a white collar environment or a mix of types of jobs, in single locations with five thousand employees, and to larger multi-state corporations with 50,000 or more workers.

## The Case for Outcomes in Customized Programs

Data analysis confirms that well-designed, customized programs including case management, utilization management, medical bill review, and customized provider networks deliver a **30 percent reduction in medical expenses per lost-time claim compared to benchmark data established by the Workers' Compensation Research Institute (WCRI).**

Of course, while cost is critical, many companies opt for customized programs giving them the ability to better tailor programs toward individual organizational needs and goals, and to improve return to work and overall outcomes.

Historically, customized programs produce significantly superior return to work and outcomes results than do standardized programs. In fact, more than 90% of the top performing workers' compensation programs in the nation use customized programs.

To secure optimal results, there are important steps to be taken. These include:

- Finding a partner that is committed to the approach
- Committing the internal time to work with the partner
- Balancing customization with administrative ease

## Customization—the Future of Workers' Compensation

With the continuing pressures and demands to produce better results and greater cost savings, employers and payors must adopt a more "intelligent" approach to medical management—one that utilizes advanced analytics and expert analysis to better meet the needs of a diverse workforce, while ensuring the operational and financial requirements of a business are met.

The marriage of analytics capabilities with industry expertise creates a new future for workers' compensation: customized programs that identify and solve the hidden problems that add costs to employers' bottom lines, and that sap workplace productivity.

With this new level of customization, payors can achieve the substantial increases in cost management and faster return to work that eludes them with the old school, standardized tools of the past.

### For more information:

#### Email

[marketing@genexservices.com](mailto:marketing@genexservices.com)

#### Call

888.GO.GENEX

#### Visit

[genexservices.com](http://genexservices.com)



Genex Services  
440 East Swedesford Road, Suite 1000 > Wayne, PA 19087  
888.GO.GENEX > [genexservices.com](http://genexservices.com)

© 2014 Genex Services, LLC