Auto Casualty

The Road Ahead for Auto Medical Cost Management

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Tom Kerr (TK): 2026 Enlyte Envision Trends Report data shows auto healthcare costs are stabilizing. However, the industry still faces plenty of challenges. On today's podcast, Ed Olsen and Michele Hibbert discuss this topic, including what's behind the first year-over-year decline in healthcare cost per claimant and what insurers should be watching to determine whether recent improvements can be sustained.

TK: So, Ed, let's start with you on this first question here. The headline of this chapter is that 2025 marks the first year-over-year decline in allowed medical cost per claimant after several years of increases. Is this a true turning point for industry, and what's driving the cost?

Ed Olsen (EO): I look at this more as a road sign than a change, right? I think it's a good indicator of a job well done, with the industry being focused on medical management of claims and ensuring that their insureds get reimbursed for medically necessary care. But just like all road signs, there's always that construction in a mile and a half right down the road that you're going to face.

And, even if you look at our data, you can see that the market's already starting to change, where providers are changing the diagnoses and they're changing the procedure codes that are being exposed to the insureds. So, I think it's more of a road sign and that the industry needs to be cautious with respect to how they proceed.

Michele Hibbert (MH): Well, I do agree that this is a positive signal, but I'm pretty hesitant to call it a permanent turning point just yet. And that's certainly where we agree.

What makes this finding to me notable is that we've spent the last several years navigating these persistent severity pressures driven by so many different things, like medical inflation, rising treatment costs, supply chain disruptions.

We had a broader economic uncertainty. We've had a change in administration. We've had federal things happen that have driven things like the Medicaid legislation and executive orders. And seeing allowed medical costs per claim decline year over year suggests some of those pressures may finally be moderating a little bit.

But, from an auto perspective, we still have several factors that are likely contributing to that. As Ed said, we're seeing improvement in overall inflation and the work that carriers have done over the last few years that have led to a real direct impact on the cost of medical treatment associated with these auto injuries.

It's really interesting to see how the carriers are investing in earlier engagement, you know, stronger claims management practices and better use of analytics overall to run their business. But I think it's really important to keep this result in perspective. The medical costs remain elevated compared to pre-pandemic levels. It's kind of scary to look at how much they've actually grown.

And the factors like attorney involvement, treatment utilization, and regional cost variations continue to create this wacky challenge across the United States. It's almost like you go into a state, you're not sure what you're going to get, but you do definitely have to treat that state as its own individual area in order to be effective in any kind of cost containment.

So, while I view this as a very encouraging development, at the end of the day, the industry still needs to continue focusing on their effective claims management and cost containment to ensure the trend is sustainable. If they don't stay on it, it will not be.

TK: Got it. OK, Thanks, Michele. And Ed, of the most striking findings from the Trends Report is that claimants are receiving slightly fewer services, yet costs continue to rise because of higher unit prices. What does that tell claims organizations about where they should focus their cost management efforts next?

EO: What it tells the industry with respect to cost management is it really needs to be nimble and attentive to emerging trends. If history teaches us anything with respect to auto-claim data, is that providers are always changing the manner in which they're treating patients, right?

The medical industry itself is pretty dynamic and ever-evolving. Providers get exposed to new potential treatments that they can bring to bear for their patients to ensure improved health outcomes. And those changed technologies will ultimately make their way to the auto claim industry.

Typically, what happens with those emerging types of services is they tend to be more expensive, right? So, essentially, what we're seeing in the industry right now is what we often refer to internally as mix changes. You're starting to see changes in the mix of injury diagnoses that are being exposed to the industry and with those changes in diagnosis mix, you wind up getting changes in the mix of the services that are being exposed to the industry.

So, the industry needs to be in tune with those emerging trends that are resulting in mix changes to ensure they're prepared to address them moving forward to ensure the insureds get what they're needing in order to reach maximum improvement.

TK: And the report describes two distinct claimant populations: those who recover quickly, and a much smaller group that accounts for a disproportionate share of medical costs. Ed, how should claims organizations adapt their strategies to manage those groups differently?

EO: So, I think the industry has done a really good job, and it kind of goes back to the whole conversation we're having with how 2025 results were improved, right? They've done a good job trying to manage these claims. They've done a really good job with respect to those shorter-term claims and some of their efforts have actually driven to that shrinkage of overall treatment for those shorter claims.

What they're going to need to do is to proactively use data to identify claims at risk for missing some of the protocols that they have in place to control treatment and use that data to once again proactively identify and monitor those claims to, again, ensure that their policyholders get the necessary treatment that they need that's within the norms of reason. Again, being mindful of the fact of emerging trends and all those items that they phase on a normal claim. But the key is really going to be looking at data to identify and monitor those claims at risk of slipping through and ultimately becoming a long-term claim.

TK: Got it. And Michele, your analysis shows that benefit design and state regulations can have as much or even more impact on medical costs than utilization alone. What should carriers be paying attention to as regulations continue to evolve?

MH: So, this plays completely into my world of regulatory compliance and governmental affairs for sure. And Ed alluded to this, you know, we see the providers react.

So, what I find most interesting in the world of regulatory and auto claims, especially first-party with similar injuries, you could have one in Iowa and one in, say, Kentucky, that produce very different outcomes depending on regulatory framework.

That's why carriers just can't focus solely on utilization metrics. They also need to understand the regulatory environment that's shaping the outcomes that they're seeing because they produce the reasons why we're seeing this happen.

As regulators continue to evolve in the new world, and we're seeing a lot more regulation, I think carriers should especially focus on reforms that affect the medical reimbursement, PIP and no-fault structures.

Consumer protections are affecting us hugely in claim handling and litigation trends. These changes have a significant impact on claim severity and overall costs. If they change, we may start to see severity and overall costs start to inch up again, depending upon the volume in the state.

Carriers are most successful when they anticipate the regulatory change rather than react to it. That's why we pay so much attention to try and get information out very timely and quickly here from Enlyte. They evaluate how new rules can influence the behavior of a provider, and they do make operational adjustments early before those impacts show up in their results.

So, I think my overall statement with regard to auto claims in this section is that cost trends are shaped not by the treatment being delivered but by the regulatory framework surrounding the treatment. Carriers that understand both are much better positioned for the future to manage the severity and adapt to a market change.

TK: OK. And The report highlights the rapid growth of emerging procedures like extracorporeal shockwave therapy and other new technologies. How should insurers balance innovation in medical care with evidence-based cost management?

EO: This is a great question. It kind of ties everything together, too, that we've alluded to throughout this conversation, right? This all goes to emerging trends and service mix that we wind up seeing going on in the industry.

So, providers are bringing these new technologies to bear. What the industry really needs to be is skeptical but inquisitive, there are always new procedures that are coming along. This year, it's extracorporeal shockwave therapy. Couple years ago, it was plasma-rich protein. And maybe 200 years ago it was handwashing of the surgeons, right? So, it's an ever-changing thing.

Everything should be, at least initially, met with skepticism but with an inquisitive nature to ensure that you're just not drawing conclusions based off of your skepticism, but you're actually becoming informed with respect to the medical technology so you understand how it works.

Oftentimes, you'll probably meet people that have been exposed to these services that have been improved by them potentially, and that's anecdotal, but you combine that anecdotal evidence with true research on the subject then you become more informed.

And at that point, you may also consider focused case management involvement for the services to ensure once again that someone with medical expertise could actually weigh in on the subject again to ensure that appropriate care is being rendered.

Not to mention also, the retrospective peer reviews and IMEs and things along those lines to help manage some of this stuff as well. But, I think, focus case management would probably be even more valuable in these emerging trends type of services.

MH: And I could not agree more with Ed. I mean, in 2026 alone, we had 40 new, what they call Category III codes added to CPT for providers to use in the emerging technology section of billing.

One of the realities of our healthcare system is that innovation will never stop. Even for soft tissue injuries and musculoskeletal injuries. So, these new procedures and technologies are constantly entering the market year over year, and some have the potential to be genuinely beneficial for patients recovering from auto accidents.

The question isn't whether insurers should support innovation. The question is, how do they evaluate it responsibly, which is what Ed was describing before a new treatment becomes widely adopted?

Here we are again, being proactive. The carriers need a real confidence level that particular technology or procedure will improve outcomes and isn't simply just adding to the cost of the claim. And that's where the evidence-based decisions become very critical, looking at the clinical research, the utilization trends, as Ed mentioned, and real-world outcomes help our customers and insurance companies distinguish between treatments that are truly moving the needle and those that may not have any type of support at all. And we are seeing some of those today.

And the goal really isn't for our customers to choose between innovation and cost management. It's to ensure that the innovation is supported by evidence, improves the outcomes of the patient, and delivers measurable values for claimants and insurers alike.

I mean, PRP and extracorporeal shockwave therapy, they are beneficial, but they may not be beneficial for the diagnoses we see in auto accident injury claims, and that needs to be proven out.

TK: Terrific insights from both of you. Thank you very much. So, in closing, if our listeners remember just one thing from this chapter of the Trends Report, what do you hope it is? And what should they be watching over, say, over the next year or so to know whether the industry is continuing in the right direction? Michele, can you start us off with this one?

MH: Sure, no problem. And again, I'm going to go into the regulatory world again. But my key takeaway is that we're seeing very encouraging signs of stability after years of significant cost pressures in auto claims. The next test for us is sustainability. How do we keep this going?

You know, if medical costs remain controlled, innovation is adopted thoughtfully, and the carriers stay ahead of regulatory and litigation trends, we'll know the industry is moving in the right direction. If that proactive behavior does not continue, then it will go south.

EO: Yeah. And if there was something that I would hope the industry would take away from this report, it would be, hey, be proud of the work that you've accomplished so far but remember that the job's not done. That "construction starting soon" sign is right down the road, and if you're not paying attention, you may wind up finding yourself in some challenging road conditions.

With respect to what they should be monitoring, I think we've already mentioned it. You know, proactively looking at your data to identify claims that run the risk of becoming long-term claims just because of the treatment that they're receiving whether or not that treatment is truly related to the loss.

So, continue to monitor those claims to ensure that you have a handle on them, and then also fill your adjuster's toolbox with all the information that they need to, again, proactively manage those claims.

TK: Thanks, Ed and Michele. And Michele will be joining our next Enlyte podcast which includes a special guest from a major industry broker to discuss nuclear verdicts and social inflation. You won't want to miss it. Until then, thanks for listening.